FRANCHISE DISCLOSURE DOCUMENT

Deli Management, Inc.
(a Texas Corporation)
350 Pine Street
Suite 1775
Beaumont, TX 77701
(409) 838-1976
troy.cormier@jasonsdeli.com
www.jasonsdeli.com

Jason's Deli®

The Franchisee will operate a Jason's Deli restaurant, which is a modified form of a New York-style delicatessen that offers a variety of delicatessen products, as well as sandwiches, soups, baked potatoes, pasta dishes, wraps, and a salad bar, as well as catering and delivery services.

The total investment necessary to begin operation of a Jason's Deli franchise is $1,706,691.00 to $2,516,691.00. This includes a $35,000.00 initial franchise fee that must be paid to the franchisor or affiliate(s). We also offer the opportunity to establish multiple delis under an Area Development Agreement. The total investment necessary to establish two delis under an Area Development Agreement is $1,741,691.00 to $2,551,691.00. If an Area Development Agreement is executed, one half of the initial franchise fee ($35,000.00) must be paid to the franchisor for every Deli made part of the Area Development Agreement. If an Area Development Agreement is executed, you will be required to open at least two delis (see Item 5), bringing the total paid by the franchisor to $1,741,691.00 to $2,551,691.00.

This Franchise Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive this Franchise 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 government agency has verified the information contained in this document**.

The terms of your contract will govern your franchise relationship. Don't rely on the Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Franchise Disclosure Document to an advisor, such as an attorney or accountant.

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise Disclosure Document, is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date of Franchise Disclosure Document: April 1, 2026

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How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

STATE COVER PAGE

Your state may have a franchise law that requires franchisors to register or file with a state franchise administrator before offering or selling franchises in the 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 H for information about the franchisor or about franchising in your state.

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

Special Risks to Consider About *This* Franchise

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

1. **Out of State Dispute Resolution:** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.

2. **Financial Condition**. The Franchisor's financial condition is reflected in its financial statements (see Item 21) and calls into question the Franchisor's financial ability to provide services and support to you.

3. **Mandatory Minimum Payments.** You must make minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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TABLE OF CONTENTS

LIST OF EXHIBITS

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, the “Franchisor” or “we” means Deli Management, Inc. “You” means the person who buys this franchise, and may include a corporation, limited liability company, or a partnership. If a business entity or a partnership is the franchisee, “you” will also include the shareholders, members or partners, since shareholders, members and partners must sign all agreements personally or unconditionally guarantee them.

The Franchisor:

We are a Texas corporation, incorporated on October 3, 1983. We are not owned by a parent entity. Our principal business address is 350 Pine Street, Suite 1775, Beaumont, Texas 77701. Franchisor does not have a parent company. We conduct business under the name “Jason’s Deli.”

We have had no predecessors during the 10-year period immediately before the close of Franchisor’s most recent fiscal year.

We do not have any affiliates or related entities that offer or have offered franchises in any other line of business. We do provide goods to our franchisees through our distribution centers as discussed later in this document. Franchisor’s agents for service of process are disclosed on Exhibit “L.”

The Franchise:

We operate, and franchise others to operate, a Jason’s Deli restaurant (“Deli”). Each Deli is a modified form of a New York-style delicatessen and offers a variety of delicatessen products, including sandwiches, soups, baked potatoes, pasta dishes, salads, sandwich wraps, and other menu items. Each Deli will also offer catering and delivery services from the premises. You must honor coupons and certificates from other Delis.

We operate an inventory and small wares distribution division within Deli Management, Inc. that we refer to as Jason’s Deli Distribution (“JDD”), from which you may purchase initial and continuing inventory and small wares for use in your Deli. We operate two distribution centers located at 2103 West IH-20, Grand Prairie, Texas 75050 and 11519 Nations Ford Road, Pineville, NC. We have never offered franchises in any line of business in relation to our distribution division.

A Franchise Agreement, which is attached as Exhibit “B”, governs each franchise. We also grant an Area Development Agreement (“Development Agreement”), which you may execute if you desire to develop two or more franchises within an exclusive area. Exhibit “D” of this Franchise Disclosure Document contains a copy of the Development Agreement. In this Franchise Disclosure Document, a person executing the Development Agreement is sometimes called a Developer. Area Developers are required to sign the attached Franchise Agreement for the first outlet.

Upon establishing each additional franchise under an Area Development Agreement, the franchisee/developer will be required to sign a then-current Franchise Agreement, *which may differ from the current Franchise Agreement included with this FDD.*

Once opened, you will compete with full and quick service or fast casual restaurants and other food service facilities located within convenience and grocery stores. All segments of the general public may frequent the Deli. Sales may be typically higher during certain periods of the year.

You must comply with federal, state and local health regulations concerning food preparation, handling, storage and sale; United States Department of Agriculture (USDA) standards; truth in menu and labeling laws; and license, certificate and permit requirements for restaurant operation and occupancy. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Deli.

The first Jason's Deli was opened on November 30, 1976, in Beaumont, Texas. The Deli was owned by the Jason's Deli Corporation. In 1983, we acquired from the Jason's Deli Corporation the trademark rights and other assets associated with the franchise and licensed Jason's Deli Corporation to use the mark. Jason's Deli Corporation did not offer franchises in any line of business.

In January of 1989, we acquired the operating assets of business entities that were licensed to operate five Jason's Delis, including the assets of Jason's Deli Corporation. We then operated these restaurants as company-owned Delis.

We have not offered franchises in any other line of business.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer;
Treasurer and Director:

Troy Cormier
Deli Management, Inc.
350 Pine Street, Suite 1775
Beaumont, Texas 77701

Mr. Cormier served as Chief Financial Officer from March 2004 to March 2018. He has been a member of the Board of Directors since May 2006. In January 2012, he also became our Treasurer. In July 2016, Mr. Cormier also assumed the role of Chief Executive Officer.

Chief Financial Officer:

Brian Hebert
Deli Management, Inc.
350 Pine Street, Suite 1775
Beaumont, Texas 77701

Mr. Hebert became CFO in March, 2018. From 2015 – 2018 he served as Director of Internal Audit and Controller from 2009 – 2015.

Director of Development:

Fouad Jomaa
Deli Management, Inc.
230 10th Street NE
Atlanta, Georgia 30309

Mr. Jomaa has served as Director of Development since January of 2017. Prior to that time Mr. Jomaa served as Regional Trainer for the Eastern Region from January 2012 to 2017.

President, Chief Operations Officer and Director:

Ragan Edgerly
1301 W 25th St. Suite 406
Austin, Texas 78705

In May of 2006, Mr. Edgerly was named Chief People Officer and a member of the Board of Directors. He has also been a member of the Executive Committee since May 2008. In October of 2015, Mr. Edgerly's duties changed as he became Chief Operations Officer as well as maintaining his membership on the Board of Directors. In July of 2016, Mr. Edgerly also assumed the position of President.

Director of Real Estate and Director

Greg Messina
Deli Management, Inc.
350 Pine Street, Suite 1775
Beaumont, Texas 77701

Mr. Messina has served as the Director of Real Estate since May 2008. In May of 2011, he became a member of the Board of Directors.

Director

Shelley Tortorice
Deli Management, Inc.
350 Pine Street, Suite 1775
Beaumont, Texas 77701

Ms. Tortorice became a member of the Board of Directors in May of 2020. Ms. Tortorice is the widow of our company founder, Joe Tortorice.

Director

Jay Tortorice
Jen Tex, Inc.
350 Pine Street, Suite 270
Beaumont, Texas 77701

Mr. Tortorice has served as President and CEO of Jen Tex, Inc., a franchisee since August 1999. He became a member of the Board of Directors in May 2011.

Chief Innovation Officer and Director

Blake Parker
Deli Management, Inc.
2103 West IH 10
Grand Prairie, Texas 75052

From 2006 to 2011, Mr. Parker served as a Regional Operations Manager. In May 2011, he became Chief Innovation Officer and a member of the Board of Directors.

ITEM 3
LITIGATION

None.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

FRANCHISE AGREEMENT:

The initial franchise fee for a single-deli Franchise Agreement is currently $35,000.00, payable to us in a lump sum by cashier's check upon execution of the Franchise Agreement. The amount of the initial franchise fee is uniform as to each franchisee; however, the initial franchise fee charged to a Developer of multiple franchises is payable as described below. The initial franchise fee is nonrefundable except only as described below.

Under the Site Development Addendum to the Franchise Agreement, if you fail to obtain an acceptable site and elect to cancel within one hundred eighty (180) days after execution of the Franchise Agreement, you are entitled to a refund of seventy percent (70%) of the initial franchise fee paid by you, provided that you are not otherwise in default of the Franchise Agreement or any other agreement between you and us. You will be paid the refund within thirty (30) days after our receipt of the written notice of cancellation, which must be received within one hundred eighty (180) days after execution of the Franchise Agreement. The initial franchise fee is not refundable, in whole or in part, under any other circumstances. Failure by you or your management personnel to meet the training requirements outlined in the Franchise Agreement shall not result in a refund of your initial franchise fee.

DEVELOPMENT AGREEMENT:

The development fee is payable to us in a lump sum by cashier's check upon execution of the Development Agreement. The development fee is calculated at the rate of $17,500.00 for each Deli that you, as a Developer, are authorized to develop under the Development Agreement. You must agree to develop at least two Delis. The total number of Delis under the Development Agreement will be determined by you and us, depending upon the characteristics of the market. At signing, you must pay the development fee in full. This fee is not refundable.

In addition to the development fee, you, as a Developer, must execute a Franchise Agreement concurrently with the Development Agreement. The initial fee for the first Franchise Agreement, signed in conjunction with a Development Agreement, is $17,500.00, payable to us at signing. The initial fee for each subsequent Franchise Agreement executed by you, for those Franchise Agreements required by the development provisions of the Development Agreement, is $17,500.00. You must pay us the initial franchise fee at the time you execute each of the Franchise Agreements. A onetime site evaluation fee of

$2,500.00 may be payable to us in connection with our examination of your proposed sites and for any site evaluation after the initial examination. This fee only applies if you desire us to visit a site prior to execution of a Franchise Agreement. This fee is payable prior to any visit by us to examine any prospective sites. This fee is nonrefundable once work begins on evaluation of a submitted site and/or non-refundable travel arrangements have been made by us.

We maintain standard architectural prototypical design drawings depicting the approved standard layout and design of a Jason's Deli. These drawings typically may be adapted by your architect to your space. You may want to consult your architect to determine if these drawings are helpful to you. If you choose to utilize the prototypical design drawings in connection with the design and build out of your location, those can be provided to you for a cost of $1,500.00; once the prototypical design drawings are delivered, this fee is non-refundable.

As mentioned in Item 1, we operate an inventory and small wares distribution division from which you may purchase initial and continuing inventory and small wares for your Deli. If you elect to purchase your initial opening inventory from us, the cost will be approximately as follows: 1) food and paper goods: $25,000.00; and 2) small wares: $25,800.00. This order is typically placed two weeks prior to opening. At present, current suppliers of these items offer us an approximate $4,600.00 credit on the purchase of initial opening inventory for all new stores. Franchisor passes on this onetime credit (via a deduction on the first inventory invoice) to any franchisee who purchases their initial opening inventory from us. This payment for opening inventory is non-refundable and goes solely for the payment of the initial opening inventory. Invoices for purchases from us are due thirty days after delivery.

You will not pay us, nor any affiliates of us, any other fees or payments for services or goods before your business opens.

ITEM 6
OTHER FEES:

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Operating Fee (Payable under Franchise Agreement only).	4% of gross sales (the revenue generated without accounting for the costs related to generating these sales) but not less than $2,500.00 per month.	Payable monthly on the 15th day of the next month.	Gross sales include all revenue from franchise location, including take-out, catering and delivery orders. Gross sales do not include sales tax. See Notes 3 and 8.
Advertising Fee or Advertising Co-op, if enacted (Payable under Franchise Agreement only).	Currently $0	Same as operating fee.	See Notes 1, 3, 8.

Audit (Franchise Agreement).	The amount of any understatements plus penalties if applicable. In addition, a charge not to exceed $2,500.00 may be assessed to cover the cost of the audit if it is necessitated by the actions of the Franchisee.	Immediately upon billing, if due.	Penalties payable only if audit shows an understatement of 2% or more. See Note 3.
Interest on late payments (Franchise Agreement and Area Development Agreement).	Maximum rate permitted by law. The highest interest rate allowed by law in California for late payments is 10% annually.	20th day of the following month.	See Notes 3, 8.
Fee for tardy submission of sales report (Franchise Agreement and Area Development Agreement).	$10 per day each day Sales Report is late.	Upon payment of operating fees.	See Notes 3, 8.
Transfer Fee (Franchise Agreement and Area Development Agreement).	$7,000.00	Prior to consummation of transfer.	Payable when you sell your Franchise or Development Agreement. No charge if franchise transferred to a corporation that you control.

The footnotes follow.

Note 1.

Currently no Advertising Fund or Cooperatives exist.

Note 2.

If you desire to have us evaluate a site before execution of a Franchise Agreement and payment of the initial franchise fee, we will do so, but only if you pay the site evaluation fee.

Note 3.

If any payment is overdue, you will pay us, in addition to the overdue amount, interest on such amount from the date it was due until paid at the maximum rate permitted under applicable federal or state law, unless we designate a lower amount.

Note 4.

You, as a Franchisee or Developer, or your employees, are responsible for all personal expenses you incur for training programs, including all costs and expenses relating to transportation, lodging, meals, wages, and employee benefits. We may charge a reasonable fee for materials and participation in any training courses or seminars offered by us, except that no fee is charged for you and the four persons representing you who attend the initial training program. In no event shall this fee exceed $250.00 per person for materials and participation of individuals in excess of the four referenced above. The initial set-up fee is assigned to make the appropriate internal arrangements for your training and to hold the date for the same.

Note 5.

This fee does not include any charges by third parties to test the item to be approved. These charges must be paid by you.

Note 6.

You must pay to us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax or similar tax) imposed on us with respect to any payments you make to us, unless the tax is credited against income tax otherwise payable by us.

Note 7.

You must pay all damages, costs and expenses (including reasonable legal and accounting fees) we incur in connection with the enforcement of the Development Agreement or Franchise Agreement, including confidentiality requirements, covenants not to compete, post-termination requirements, and all other ancillary agreements.

Note 8.

All fees are payable to us and all are non-refundable.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Initial Franchise Fee	$35,000.00	Lump sum	At signing of Franchise Agreement	Franchisor
Travel and living expenses while training	$18,000.00	As incurred	During training	Airlines, Hotels and Restaurants

(See Note 6)				
Build out or remodeling of 3,800-4,500 sq. ft. premises (See Note 2)	$950,000.00 to $1,600,000.00	As incurred	Prior to opening	Suppliers, Tradesman and Contractors
Equipment: *Fabricated and Buyout Equipment; *Furniture; and Signage (See Note 4, 5, 10)	$460,000.00 $32,333.00 $38,000.00 to $100,000.00	As incurred	Prior to opening	Suppliers
Administrative and Miscellaneous: Pre-Opening Advertising, Deposits (rent, utilities, and sales tax)	$5,000.00 to $20,000.00	As incurred	Prior to opening	Suppliers and Landlords
Licenses Interim Interest Payments Pre-opening training personnel from existing Delis, if applicable (Note 7)	$10,000.00 $70,000.00 to $125,000.00	As incurred	Prior to opening	Governmental Entities Suppliers Hotels, restaurants, and/or Travel Providers
Insurance (Note 3)	$4,500.00 to $15,000.00	Lump sum	Prior to opening	Insurance Company/ Agent
Online Ordering Set-Up Costs and Monthly Hosting	$250.00 per store and $272 Monthly per store	As incurred	Prior to opening	Third Party Supplier Olo, Inc.
Point-Of-Sale System	$4,000 to $6,000 per store & $600 to $700 monthly per store	As incurred	Prior to opening	Third Party Supplier - NCR
Loyalty Platform Software	$60.00/monthly Per store	As incurred	Prior to opening and monthly	Third Party Supplier
Delivery Fleet Management	$65.00/monthly (no set up fee)	As incurred	Prior to opening and monthly	GR Dispatch (Cartwheel)
System Email	$150.00/per user account per year	As incurred	Prior to opening and annually	Third Party Supplier Google

Initial Inventory	$54,461.00	Lump sum	Prior to opening	Suppliers or Franchisor
Fee for prototypical Deli drawings, if drawing is utilized by you.	$1,500.00	Lump sum	Prior to delivery of our prototypical drawings to you or your architect.	See Note 9.
Site Evaluation Fee (Franchise Agreement)	$2,500.00	Lump sum	Prior to execution of Franchise Agreement and for each Site Evaluation after the first	See Notes 2, 8.
Additional Funds – 3 months (See Note 8, 9, 11)	$20,000.00 to $35,000.00	As incurred	30 days after delivery	Vendors, Employees and other Third Parties
Total (See Note 12)	$1,706,691to $ 2,516,291			

AREA DEVELOPMENT AGREEMENT COSTS

Development Fee	$17,500 per additional Deli (See Note 1). At least two delis are required, bringing total development fees paid by franchisor to $35,000.	Lump sum	At signing of Development Agreement	Franchisor

NOTES:

1. There are no initial costs associated with the Development Agreement other than the lump sum payment of the development fee when you sign the Development Agreement. The development fee is calculated at a rate of $17,500.00 for each Deli that you are authorized to develop and computed as described in Item 5 of this Franchise Disclosure Document. Additionally, a Developer must pay to us an initial franchise fee in the amount of $17,500.00 when it signs the Development Agreement for the initial Franchise Agreement. No building, equipment, licenses, furniture or other personal property are required in connection with the Development Agreement. The initial training for a Developer and its employees is identical to that required under the Franchise Agreement, and no special program exists for Developers alone. The Development Agreement merely grants you certain exclusivity in the area granted, as described in Item 12. Total costs associated with the Development Agreement requiring franchisee to open at least two delis are $1,741,691.00 to $2,551,691.00.

2. Currently, we are locating primarily in retail or strip centers. There are currently Forty (40) corporate-owned, free-standing locations and Ten (10) franchise-owned free-standing locations. Most

Delis are located, however, within strip centers, the interior of which are built-out by us or the franchisee. A significant portion of construction costs for these locations ($55,000.00 - $175,000.00) assuming a 4,500 to 5,000 square foot premises) are typically paid by lessor through the Tenant Improvement Allowance arrangement provided for in the lease. However, the above figures do not contain a general contractor's fee, which varies by region, but is typically between 6% and 12% of the cost of construction.

Rental costs will vary dramatically, depending upon the type of lease negotiated and regional and local factors. Monthly rental between $8,000 and $15,000 (not including percentage rental, common area maintenance, taxes, and insurance and promotional fund payments) is usual in Texas markets where most Franchisor-owned Delis are located and where a landlord provides a build-out allowance in the range mentioned previously. You may purchase land and build the Deli or you may enter a land lease and build the Deli itself. In either of these instances costs would be significantly higher than outlined.

3. You must provide commercial general liability insurance in minimum amounts of $1,000,000.00 aggregate, single limit coverage (subject to increase) and maintain other insurance in accordance with state law requirements. Some property owners require higher levels of commercial general liability insurance under their leases. Initial premiums for commercial general liability insurance are subject to change due to market forces beyond either of our control, but usually range between $9,000.00 and $15,000.00 per year. Failure to maintain such insurance may result in loss of your franchise and additional financial obligations. You should discuss with your insurance carrier/agent whether or not these costs need to be paid in full before opening or whether they can be budgeted. The cost of other coverage's, including workers' compensation coverage and your discretionary purchases, varies widely, but may range from 2,500 to $4,000 per year. Your premium may be higher based upon your risk profile. Most insurance carriers require the first year to be paid in full before opening.

4. You are responsible for all freight, installation and electrical contractor's costs.

5. Costs of sign structures, exterior sign faces and interior signs will vary based upon the size and number of signs purchased. Restrictions on signage may vary from location to location.

6. You and at least four other persons must attend the initial training program.

7. As part of the training process for the opening of the Deli, you are required to supply one current employee to act as a training person ("Traveling Trainer") for each Jason's Deli owned by you to assist in the opening of your new Deli. You are not required to supply more than six Traveling Trainers for each opening. For example, if you own three Jason's Deli at the time your fourth Deli is scheduled to open, you must provide three Traveling Trainers to assist in the opening of the new Deli. If you own no Jason's Delis at the date your Deli opens, you are not required to supply any Traveling Trainers. We will supply the number of Traveling Trainers that we determine are required above those supplied by you for the opening training process. The range outlined in the chart reflects travel cost, lodging and per diem of the Traveling Trainers you must supply. These will vary depending upon where the Traveling Trainer is located. For each Traveling Trainer that you are required to supply and do supply, you will receive a payment from us after opening and invoice from you of $2,500.00.

8. Adequate working capital is indispensable to any start-up business. We recommend an amount not less than the amount indicated. This amount does not include a salary or living expenses for you during training or afterwards.

9. If you are engaged in developing multiple Delis, you will incur additional costs over and above the multiple of the costs described for a single Deli. You will incur additional personnel and training costs

to have trained staff ready for new Delis as they open. You will also incur additional advertising expenses in connection with the grand opening advertising campaign for each Deli.

We estimate that the additional personnel and training costs you would incur under these circumstances will range from $18,000.00 to $60,000.00, and the additional advertising costs will range from $6,000.00 to $8,400.00.

10. We permit only new equipment and fixtures unless you have received our prior written approval.

11. This category estimates your initial start-up expenses for three months, based on our experience with Franchisor-owned Delis and existing franchise-owned Delis. These expenses include payroll costs, continuing inventory purchases, lease payments, etc. It is not possible to predict these expenses with exactness, since they will vary due to your experience, your willingness to follow exactly our methods and procedures, local and economic conditions, the acceptance for your products and services in the local marketplace, and the level of gross sales that you attain during the three month period.

The above figures are based upon current costs or reasonable estimates. All the figures are subject to change. These estimates do not include any expenditure for legal, accounting, or other professional fees, nor for monies may you expend to investigate the franchise opportunity. Based upon the above figures, your total investment, exclusive of the purchase of land or building construction costs, but including the initial franchise fee and typical build-out costs, is approximately $1,741,691.00 to $2,551,691.00 for a 4,500 to 5,000 square foot Deli. Expenses to develop multiple Delis are greater than described in this range and are described in Notes 1 and 8 to the preceding chart. These expenses will vary according to region, the time of year, and local and other conditions. We have provided these figures solely to indicate possible costs for your planning purposes. We do not offer, either directly or indirectly, any financing arrangements to you.

12. None of these amounts are generally refundable. This total represents the estimated initial investment for one outlet. If you enter into a development agreement for additional Delis, your costs will increase $17,500.00 for each additional Deli to be developed.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, there are no goods, services, supplies, fixtures, equipment, inventory, computer software and hardware, real estate, or comparable items related to establishing or operating the business that you currently must buy or lease from us, our affiliate, or designated or approved suppliers. You must purchase or lease all equipment, services, supplies, fixtures, inventory, computer software and hardware, and other items necessary to open and operate the Deli in accordance with our specifications. These include design, appearance and quality. You must also purchase or lease inventory, certain computer software, and equipment from our designated and approved suppliers.

We maintain a list of designated and approved suppliers and you may obtain a copy of this list. Our specifications for supplier approval include warranty, reliability, appearance and delivery. All specifications will be given to you upon your request. Changes to the specifications or of the designated and approved suppliers are contained in the operations manual and are revised from time to time. Currently, there are no goods, services, suppliers, fixtures, equipment, inventory, computer hardware or software or real estate relating to the establishment or operation of the Deli that you must purchase or lease from us or a designated supplier, except as described below.

A variety of inventory items, currently including products such as soup, bread, produce, certain meat items, salad dressings, some sauces, seasonings and spices, soft drinks, cheese and coffees and teas, are only available from designated suppliers. Designated suppliers are the only suppliers approved for these products. A list of these designated suppliers and the inventory items that you must purchase from the designated supplier are included in the list of suppliers mentioned previously. We supply all these products through our distribution center. You may obtain some of these products from the manufacturer or other suppliers. Typically, products like bread, meats and soups are made to our specific recipes and specifications and will only be commercially obtained through us, as they are only made for use in our stores.

You must use our designated on-line ordering system provided by Olo, Inc. and our delivery driver fleet management system provided by GR Dispatch software (d/b/a Cartwheel). There is also a monthly charge for each Deli that is paid directly to Olo, Inc. and GR Dispatch, respectively.

You must utilize our designated loyalty platform, Punchh. The cost for this software is billed to the franchisee by the franchisor after paying the annual contract amount.

In addition, we require all email both corporately and within the franchise community to utilize the same provider. As such, your email, and that of all accounts utilized within your business will utilize the "@jasonsdeli.com" identifier. Currently, this is serviced by Google. A typical Deli may have up to ten account users.

Except as described in this item, none of these designated suppliers is affiliated with us, and we will not derive revenue as a result of purchases you make directly from these designated suppliers or any other suppliers or manufacturers. We estimate that 50-55% of initial and continuing food inventory purchases by you will be from these designated suppliers.

Other than the designated suppliers, all other items necessary for you to open and operate the Deli must be obtained from approved suppliers, or, if no approved supplier is available, in accordance with our specifications, as revised from time to time. We estimate that purchases from approved designated suppliers and according to our standards and specifications will range from 80% to 100% of the total cost of establishing the Deli and 15% to 20% of the total cost of operating the Deli.

If you wish to purchase inventory, equipment, or other items not previously approved by us, or from an unapproved supplier, you must submit a written request. We will investigate the supplier, examine the product, and charge you a fee that will not exceed the reasonable cost of our examination (see Item 6 and footnote 6 for further information on this fee). Typically, we will give you a written response within thirty days. We may condition approval of a supplier on requirements relating to quality, frequency of delivery, and standards of service. Any revocation of our approval of a supplier will be in writing, and we may do so at any time after initial approval. You may not receive our criteria for approval of certain suppliers.

All food products sold from the Deli may not contain monosodium glutamate (MSG), artificial trans fats, partially hydrogenated oils, shortening, or high fructose corn syrup (HFCS), except that some fountain drinks may at present contain HFCS. Only naturally occurring trans-fats are allowed in products sold from the Deli. In addition, all food and beverage products must be free of artificial dye and artificial flavors. We will not consent, or may revoke any consent, to any product that fails to meet these criteria or otherwise fails to meet the specifications that we publish in the operations manual from time to time.

As of the date of this Franchise Disclosure Document, there are no purchasing and distribution cooperatives and we do not negotiate purchasing arrangements specifically for you. However, we do attempt to leverage our total system volume of purchases to obtain favorable pricing terms. You should thoroughly investigate what distribution system is available in the area where your franchise is to be located. We do not guarantee that the current purchase arrangements or distribution system offered through our division, and described, will provide inventory or other items to you, or will continue to exist.

Other than the purchases from us through our distribution division, there are no approved or designated suppliers in which any of our officers or directors own an interest.

We, through our distribution division, are an approved supplier for most food inventory used in your Deli, small wares and related non-food business inventory items, including paper and plastic products. You are under no obligation to purchase small wares, food or related inventory or supplies from us. The small wares, food and related supplies are available through approved or designated suppliers. However, in the future, we or an affiliate may be a designated supplier of any inventory product or products or other supplies, in which case you would have to buy the items from us or affiliates at their then current prices. We do not provide material benefits to you based on your use or purchases from us or the use of other approved or designated suppliers.

We do receive rebates or payments from suppliers based upon our purchases of products by our corporately-owned stores, as well as those owned by franchisees. This would include any Deli operated by you. During the 2025 fiscal year, we received $2,025,350.52 from third party suppliers on account of purchases through our distribution division (JDD), for our stores as well as those of franchisees.

For the fiscal year ending December 31, 2025, our revenue for the sale of food, small wares and related supplies, and initial payments for the on-line ordering system was $56,737,360.00 or 11.29% of its total revenue of $502,504,678.00 for the applicable period. The cost of food, small wares and food-related supplies that you may purchase from us represents 73% of your overall annual purchases in operating the Deli. This amount exceeds our total equity as of December 31, 2025, which is reported to be a deficit of $8,122,128.00.

If you lease the business premises, the lease is subject to our approval. To obtain our approval, the lease must include the following provisions:

1. The premises are used for business licensed under the Franchise Agreement.

2. We will have the right to enter the premises to make any modifications necessary to protect our Proprietary Marks.

3. We will have the option, but not the obligation, to assume the lease and occupy the business premises, with the right to sublease to another franchisee, upon the default, termination or expiration of the Franchise Agreement or the lease. The landlord shall give us thirty days, upon termination of your rights under the lease, to exercise its option.

4. You must not amend, assign or sublet without our prior written approval.

You must have a computer with a minimum of 8 GB memory (RAM) and 250 GB of hard drive, minimum of an Intel I 7 processor with minimum broad band access to the internet, and an operating system of Windows 10 or greater, accompanied by a standard printer that can handle black and white (color optional) ink that results in 8 ½ x 11 printouts.

You must maintain, at your expense and throughout the term of the Agreement, insurance, with an insurance company satisfactory to us as follows:

i) You must insure properties against loss or damage by fire, lightening, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, air traffic, vehicle, smoke, or other risks usually insured against by persons operating like properties in the localities where the properties operated by you are located, in amounts sufficient to prevent you from becoming a co-insurer within the terms of the policies in question, and in any event in amounts not less than eighty percent (80%) of the then insurable value thereof;

ii) You must obtain public liability insurance in an amount not less than One Million Dollars ($1,000,000.00) combined single limits for bodily injury and property damage, to include products and completed operations and personal injury protection. You shall also maintain combined single limits bodily injury and property damage insurance in an amount not less than One Million Dollars;

iii) You must obtain workers' compensation insurance in the amount of One Million Dollars ($1,000,000.00), unemployment compensation, disability insurance, social security and other insurance coverage required by law in such amounts as may be required by any applicable law;

iv) A business automobile policy covering hired not owned vehicles in the amount of One Million Dollars ($1,000,000.00); and

v) Such other insurance as we may, from time to time, require in amounts designated by us. All such policies shall insure you and us (you shall name us as a named additional insured) and shall protect you and us against any liability that may accrue by reason of this Agreement, the franchise, the licensed rights or the ownership, maintenance or operation by you or an employee or agent of you or the Deli. You shall deliver to us certificates of insurance evidencing your compliance with this requirement, and instruct the carrier to provide thirty days' notice of cancellation to us.

vi) For the fiscal year ending December 31, 2024, our revenue for the sale of food, small wares and related supplies, and initial payment for the online ordering system was $62,132,299.00or 12.19% of our total revenue of $509,620,603.00for the applicable period.

Other than disclosed in this Item, neither we, nor any affiliate, is an approved supplier or the only approved or designated supplier for any products or services you offer, nor do we or any affiliate derive revenue or any other material consideration as a result of required purchases or leases by you from third parties. As we noted in Item 1, since we do not have any affiliates, no affiliates derive any revenue as a result of purchases or leases made in accordance with our specifications.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	ARTICLE IN AGREEMENT	ARTICLE IN DEVELOPMENT AGREEMENT	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
a. Site Selection and Acquisition	Section 6(a)(b), Exhibit E	N/A	Item 6, 11
b. Pre-Opening Purchases/Leases	Section 7 and 9(k)	N/A	Item 8
c. Site Development	Exhibit E, Section 6	N/A	Item 6, 7, 11
and other Opening Requirements			
d. Initial and Ongoing Training	Section 9(d) and 10	N/A	Item 11
e. Opening	Section 8 and 9(e)	N/A	Item 11
f. Fee	Section 3	II	Item 5, 6
g. Compliance with Standards and Policies/Operating Manual	Section 5(b)(d)(h) Section 7 and 9(a)-(k)	N/A	Item 11
h. Trademarks and Proprietary Information	Section 1, 5 and 15	N/A	Item 8, 13
i. Restrictions on Product/Services Offered	Section 5(e), 9(b)(c) and 9(n)	N/A	Item 16
j. Warranty and Customer Service Requirements	Section 9(bb) Section 11	N/A	Item 11
k. Territorial Development and Sales	N/A	III and IV	N/A
l. Ongoing Product/Service Purchases	9(c)(j)	N/A	Item 8
m. Maintenance, Appearance and Remodeling Requirements	Section 7 and 9(e)(f)(k)(l)(r)(u)(v)	N/A	Item 11
n. Insurance	Section 12	XIV	Item 6, 7
o. Advertising	Section 11	V	Item 6, 11
p. Indemnification	Section 12	XIV	Item 6
q. Owner's Participation/ Management/ Staffing	Section 9(d) and 10	V	Item 11, 15
r. Records/Reports	Section 9(s)	V	Item 6
s. Inspection/Audits	Section 9(s)	V	Item 6, 11
t. Transfer	Section 14	VII	Item 17

u. Renewal	Section 2	N/A	Item 17
v. Post-Termination Obligations	Section 13	IX	Item 17
w. Non-Competition Covenants	Section 15	XI	Item 17
x. Dispute Resolution	Section 17	XIX	Item 17

ITEM 10
FINANCING

We do not offer direct or indirect financing to you or guarantee your indebtedness, lease or other obligations.

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

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

Development Agreement: Currently, there is no training specifically related to the Development Agreement. During the term of the Development Agreement, and before the opening of the Deli, we are obligated to make available to you, or assist you in obtaining, the following:

a) Those standard construction plans, specifications and layouts for the structures, equipment, furnishings, décor and signs we are currently requiring and make available to all franchisees from time to time (see Section 5.1.1(a) of the Development Agreement);

b) Guidance in the selection of acceptable sites for your Deli locations (See Section 5.1.1(b) of the Development Agreement);

c) Review your site plans and final construction plans and specifications to insure conformity with the construction standards and specifications of the System (see Section 5.1.1(c) of the Development Agreement); and

d) Approval of any site you select.

After the Deli is opened and throughout the term of the Development Agreement, we are obligated to do the following:

a) Provide assistance that we determine is required to aid you with the development of the Option Area (see Section 5.1.1(d) of the Development Agreement), including, but not limited, to disclosure of the location of any existing outlets in the area.

b) Provide you with other resources and assistance that we develop and offer to franchisees or developers (see Section 5.1.1(e) of the Development Agreement); and

c) Upon your reasonable request, forward our then current form of Franchise Disclosure Document for your use in exercising options to purchase franchises you must develop in the option area (see Section 5.1.2 of the Development Agreement).

Franchise Agreement: Before the Deli opens, we are obligated under the Franchise Agreement to make available to you, or assist you in obtaining, the following:

a) Standard construction plans, specifications and layouts for the structures, equipment, furnishings, décor and signs identified with Jason's Delis that we make available to all franchisees from time to time (see paragraph 4(a) of the Franchise Agreement);

b) Guidance in the selection of an acceptable site for the Deli location (see paragraph 4(b) of the Franchise Agreement;

c) Review site plans and final construction plans and specifications for conformity to our construction standards and specifications, whether the Deli will be remodeled or otherwise (see paragraph 4(c) of the Franchise Agreement);

d) Initial training, including standards, methods, procedures and techniques, at times and places that we may designate, and subject to the other terms of paragraph 10 of the Franchise Agreement (see paragraph 4(d) of the Franchise Agreement). A table summarizing the training program is included at the end of this Item 11;

e) Assistance that we determine is required in connection with your Deli opening (see paragraph 4(e) of the Franchise Agreement);

f) The use of our Operations Manual, other manuals and training aids, that we may revise from time to time (see paragraph 4(f) of the Franchise Agreement); and

g) Approval of any site you select.

After the Deli is opened, we are required to provide you with the following:

a) Merchandising, marketing and other data and advice as we may develop from time to time (see paragraph 4(g) of the Franchise Agreement);

b) Periodic individual or group advice, consultation and assistance rendered by personal visit or telephone or by newsletters or bulletins (see paragraph 4(h) of the Franchise Agreement);

c) Bulletins, brochures, manuals, and reports that we may publish from time to time regarding our plans, policies, research, developments and activities (see paragraph 4(i) of the Franchise Agreement);

d) Other resources and assistance as we may develop and offer to our franchisees (see paragraph 4(j) of the Franchise Agreement).

System-Wide Advertising Fund ("Advertising Fund"): We do not provide national advertising and you are not currently required to make payments into a System-Wide Advertising Fund or Co-op. If you are obligated to contribute to an Advertising Fund in the future, it will be after notice from us. Your payments, in that event, will be in amounts that we prescribe from time to time (see Item 6) but will not exceed 2% of your gross sales, plus ½ of 1% administrative fee. Our Delis will also contribute to the System-Wide Advertising Fund, if such a fund is created.

When we establish the Advertising Fund, we will direct all the programs finances and will have sole discretion over the creative concepts, materials and endorsements used and the geographic market and media placement and allocation of the programs. The Advertising Fund may be used to pay costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including purchasing direct mail and other media advertising and employing advertising promotion and marketing agencies to provide assistance; and supporting public relations, market research and other advertising, promotion and marketing activities. The Advertising Fund may periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of these materials will be furnished to you at the Advertising Fund's direct cost of producing them, plus any related shipping, handling and storage charges.

Accounting for the Advertising Fund will be separate from our accounting, or may be a separate business entity. We will not use contributions to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead that we may incur in activities related to the administration of the Advertising Fund and its programs, including conducting market research, preparing advertising, promotion and marketing material and collecting market research, preparing advertising, promotion and marketing material and collecting and accounting for contributions to the Advertising Fund. We may spend on behalf of the Advertising Fund in any fiscal year, an amount greater or less than the aggregate contribution of all contributions to the Advertising Fund in that year, and the Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use. We will use all interest earned on monies contributed to the Advertising Fund to pay advertising costs before other assets of the Advertising Fund are expended. We will prepare an annual statement of monies collected and costs incurred by the Advertising Fund and furnish it to you upon written request. We may separately incorporate the Advertising Fund and operate it through this separate entity at such time that we deem appropriate. This successor entity will have all the rights and duties described previously.

Once established, the Advertising Fund will produce and distribute marketing and advertising to promote our Marks. The advertising and marketing materials and programs we design and place may not benefit all Jason's Delis, or affect all geographic areas proportionately, nor may equivalent monies be spent to the contributions by Jason's Delis operating in that geographic area. A specific Jason's Deli may benefit disproportionately to its contribution to the Advertising Fund.

From time to time, we may seek input from the Franchise Advisory Council ("FAC") (see Item 20). We do not assume any direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering the Advertising Fund, but we will not use the funds to solicit the sale of franchises.

We reserve the right to defer or reduce contributions of a franchisee and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the Advertising Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Advertising Fund. If the Advertising Fund is terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the Advertising Fund during the preceding twelve-month period.

Local Advertising: You are obligated to spend monthly for advertising and promotion of the Deli, not less than 2% of gross sales, less any amounts paid to the Advertising Fund described previously. You are also required to redeem Deli Dollars, a system-wide promotional coupon. Currently, you may credit redemption of the Deli Dollar against the 2% of gross sales advertising requirements.

We may review your books and records relating to your expenditures for such advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay the unexpended amounts into the Advertising Fund or otherwise insure that an equivalent amount is used by you for retail advertising.

You must only produce advertising, promotion and marketing that is clear and factual and not misleading and conforms to the highest standards of ethical marketing and the promotion policies that we prescribe. You must submit samples of all advertising, promotional and marketing materials that we have not prepared or previously approved for approval before you use them. If you do not receive written disapproval within 15 days after our receipt of the materials, our consent will be deemed to have been given. You may not use any advertising or promotional materials that we have disapproved. (Franchise Agreement – Section 11 and 13); (see Items 6, 8 and 9). We may revoke consent at any time.

You must use our approved style guide contained with our operational manual, for all advertising materials. This style guide contains all approved fonts, type sets, colors and messages, as well as printing and production requirements.

Cooperative: If we establish, or authorize others to establish, an advertising and marketing cooperative in the region or area in which your Deli is located, you must contribute to the cooperative each month in an amount specified by us. Your contribution to the cooperative will be credited towards satisfaction of the obligation for expenditures for local advertising and promotional activities.

If you are required to contribute to an advertising cooperative, the amount to be paid shall not be greater than 2% of gross sales, less any amounts paid by you to a System-Wide Advertising Fund. The system-wide fund will be governed solely by us. Regional cooperative advertising funds, when existing, will be governed on a voting basis of one vote for each deli in the cooperative.

We will have the right in our discretion, to designate any geographical area for purposes of establishing a cooperative and you must participate in the cooperative if we require it. If a cooperative for the geographical area in which your Deli is located has been established at the time you commence operations, you are immediately obligated to become a member of the cooperative under the terms of the then-existing cooperative agreement.

If a cooperative for the geographic area in which the Deli is located is established during the term of the Franchise Agreement, you must immediately become a member of the cooperative and take all steps necessary to remain a member. In no event are you required to be a member of more than one cooperative for your Deli; however, if you own more than one Deli and the Delis are in different areas, it is possible that your Delis will be in different cooperatives. If you own multiple Delis, each Deli must be a member of the cooperative.

Each cooperative will be organized and governed in a form and manner approved by us in writing, and will commence operations on a date we specify. Any disputes arising among or between you, other franchisees in the cooperative, or the cooperative, will be resolved in accordance with the rules and procedures set forth in cooperative's governing documents. Each cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion. Voting power will be determined by allocation of one vote for each Deli in the cooperative, whether or not franchisee is owned by us.

Advertising Councils: There currently are no franchisee advertising councils that advise us on advertising policies or any advertising cooperatives, although the Franchise Advisory Council, described in Item 20, has and will have input on these issues.

Websites/Social Media: We maintain the only website permitted. Details on this website are outlined in Item 8 and elsewhere in this Franchise Disclosure Document. We also maintain the only permitted "Jason's Deli" brand Facebook, Instagram, and Snap Chat pages. Individual store Facebook pages are permitted, but they must be approved by us and utilize all current brand standards. In addition, we maintain the only brand Twitter handle.

Site Selection Methods: Under the Franchise Agreement, you are required to open for business within one year after the date of execution of the Franchise Agreement. If at the time of execution of the Franchise Agreement, you have not secured a location for the Deli, you must execute the Site Development Addendum to the Franchise Agreement (see Exhibit "E" of this Franchise Disclosure Document) and after the same, lease or acquire a site acceptable to us within the terms and conditions of the Addendum. Factors we consider for proposed sites include population density, demographics, traffic count and patterns, and proximity to other businesses. In addition, we consider potential for catering business, surrounding retail establishments, available parking, signage requirements and store visibility.

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of the Deli is four to twelve months. Factors affecting this length of time, and possibly extending it, include identification of a satisfactory site, financing, lease negotiation, zoning and environmental permits, construction delays (weather, labor, materials), and delivery and installation of equipment and signs.

The Franchise Agreement does not require us to approve or disapprove your site within a specific period of time. Typically, we approve or disapprove sites within four to six weeks of receipt of your written proposal with required attachments. We have ultimate approval rights over your site. If you fail to obtain an acceptable site or site approval has not been obtained within 180 days of the Franchise Agreement, you are entitled to a 70% refund of your initial franchise fee and your Franchise Agreement may be terminated. The Site Development Addendum outlines these rights in more detail.

Electronic Cash Register System: We require you to purchase or use NCR electronic cash registers. Your Deli will require the following:

1. 1 Delco terminal;
2. 1-2 To-Go terminals;
3. 2-3 Dine In terminals; and
4. 3 remote printers

Our approved system includes the following software packages provided by NCR:

1. Aloha QS;
2. Aloha Takeout;
3. NCR Payments;
4. Aloha Configuration Center; and
5. Aloha Insight.

Our systems provide a comprehensive ordering and store management platform that integrates with

Olo, Inc. online ordering system and includes the following:

1. Labor Management;
2. Order Taking;
3. Delivery Order Management;
4. A/R Customer Management;
5. Annual Tax and Labor Reporting;
6. Inventory Control;
7. Sales Information; and
8. Franchisor will have visibility into the sales information processed by these systems.

Estimated upfront hardware and software costs for the system we use in our stores total approximately $4,000.00 to $6,000.00 per Deli. Our estimated recurring support and upgrade costs per Deli are $600.00 - $700.00 per month. You are responsible for all maintenance upgrades and updates of these systems. Upgrades to the system are periodic, but may occur as frequently as once or twice a year.

Computers: You must have a computer with a minimum of 8 GB memory (RAM) and 250 GB of hard drive, minimum of an Intel I 7 processor with minimum broad band access to the internet, and an operating system of Windows 11 or greater, accompanied by a standard printer that can handle black and white (color optional) ink that results in 8 ½ x 11 printouts.

Training Programs: *Franchise Agreement:* We conduct an initial training program for you and four other management persons who are to be actively involved in the operation of the Deli. In order for you or a trainee to perform at the level of general manager upon completion of the training program, the trainee should have five or more years of full service restaurant management experience. We require at least three and sometimes all five initial attendees to have this level of prior management experience. Attendance at the initial training program is mandatory for you or, if you operate in corporate form, the controlling shareholder (or if no controlling shareholder member exists, a person approved by us) and four other persons who will be actively involved in management of the business or operation of the Deli. New management personnel must comply with the requirements as well. Training must be completed successfully to our sole satisfaction. Failure to meet such requirements constitutes a default under the Franchise Agreement. Training programs are conducted in one of our corporate markets as determined by our Director of Development. The specific location at which your training will occur is at our discretion. Other key personnel may also attend with our approval. If you hire new management personnel, then these individuals must also attend and satisfactorily complete the initial trainingprogram.

In lieu of training at our facility, you may elect to train your management personnel at one of your Delis, as long as you have been certified to do so. Certification is not available for an initial Deli. If you do not continue to meet requirements established by us for training Delis, we may, at our option, revoke your certification, in which event management personnel must train at one of our facilities.

After you execute the Franchise Agreement and at least five weeks before opening, you and the other personnel must attend and complete the training program. The training program will last for at least a thirteen-week period. Training dates are not regularly scheduled, and training will begin on a date agreed upon by you and our Development Department. This training period could be even longer than thirteen weeks, if we determine a longer period is necessary. We also reserve the right to require that your managers be re-trained due to poor performance or consistent failure to follow operational procedures.

Operations Manual: We have a series of operational documents which set forth all operations, procedures and requirements for the operation of a Jason's Deli. These operational requirements are outlined in Exhibit “M” to this Disclosure Document.

The following chart contains additional information about the training program:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Personnel	0	8	Closest geographic corporate training location to Deli to be opened as determined by the Development Department.
Administration	0	8	
Operations	50	250	
Advertising/ Marketing	0	16	
Customer Service	0	100	
Food Preparation	0	200	
Inventory Control	0	23	
Sanitation and Safety	0	20	

1. The following individuals have responsibility for training:

a) <u>Fouad Jomaa, Director of Development</u>
Mr. Jomaa has been with Franchisor as Director of Development since January 2017.

b) <u>Development Managers</u>
There are currently five full-time Development Managers. These individuals are responsible for assisting with restaurant operational training in their regions, both for company and franchise personnel. They all have at least two years of actual operational and management experience with us.

c) <u>Managing Partners</u>
These individuals are responsible for restaurant operational training in their delis, both for company and franchise personnel. Most have at least two years of actual operational and management experience with us.

d) <u>Certified Employees at Store Level</u>
Certain hourly employees have been certified to train others in specific operational functions in Delis. These persons typically may have six months or more of training experience, but some have less.

We may also offer additional training programs for both you and your management personnel, some of which are or may be designated as mandatory. There is currently no charge payable to us for you or your personnel to attend any training program under the Franchise Agreement. You are responsible for all attendant expenses (travel, motel/hotel, food, etc.) for all training programs whether initial, advanced or otherwise. We charge each person attending the actual retail cost per day for meals while participating in the training program. At present, the only additional training programs take place at an annual Franchise Conference, which take place at revolving locations throughout the United States. Topics vary, but are geared towards the general interest of franchisees.

Development Agreement: We may require any principal or employee who is actively involved in the development and operation of Delis in the Option Area to attend and satisfactorily complete such training programs as we may require. You are required to complete the mandatory initial management training and technical training for a franchisee as described above. In addition, you, as a developer, must cause your employees to attend and satisfactorily complete all mandatory training programs, including basic and advanced training, refresher courses and technical or business seminars that we may require from time to time.

ITEM 12
TERRITORY

Development Agreement:

During the term of the Development Agreement, we will not establish or grant a franchise to any person, other than you, the right to open a Jason's Deli in your option area. The option area will be determined by you and us, based upon the number of stores that is determined the particular market will hold. In new markets, we prefer sell franchises to multi-unit operators, and as such a Development Agreement conveying an exclusive territory is mandatory. There are no exclusive territorial rights conveyed without a Development Agreement. The Development Agreement will give you an exclusive territory within the option area. This territory will be agreed to by the parties and memorialized in the Area Development Agreement. These rights may only be modified by written agreement of the parties. As such, without a Development Agreement, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The option area is described in an attachment to the Development Agreement and consists of a metropolitan area or a county or other political subdivision. The continuation of your territorial rights is subject to your compliance with a development schedule that will be agreed upon between you and us, and described in an attachment to the Development Agreement. You, as Developer, are required to open the first Deli within 12 months after execution of the Development Agreement. Typically, you must execute another Franchise Agreement and open a second Deli within 18 months after execution of the Development Agreement. After opening the first Deli, you, as Developer, must execute Franchise Agreements and open Delis in accordance with the development schedule. At our election, we may temporarily waive compliance and prohibit the development of a Deli required by the development schedule if, in our sole judgment, you are not operationally or financially capable of the development. You are required to meet a revised development schedule requiring the opening of the additional Deli within six months from the date that the Deli should have been opened, if you can then demonstrate your capability to financially and operationally open an additional Deli. If you cannot comply with the preceding, you are in material default of the development schedule. The number of Delis you are required to open under the development schedule is determined by us with reference to demographic characteristics of the option area. Your failure to have Delis open and in operation in the option area in accordance with the development schedule is a material default. Upon such default, we may take any one or more of the following actions:

1. Terminate the Development Agreement and all development rights granted without affording you any opportunity to cure the default, effective immediately upon mailing a written notice toyou;

2. Reduce the number of Delis you may establish in the option area;

3. Terminate the territorial exclusivity granted you under the Development Agreement;

4. Reduce the size of the option area by any amount;

5. Accelerate the development schedule; and

6. Avail ourselves of any other rights or remedies provided under the Development Agreement or permitted under law or equity. If the Development Agreement and/or the exclusive territory are terminated, you will not have any 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.

If you successfully complete the development schedule, then for a two year period of time after opening date of the last Deli is required to be opened, under the development schedule, we will not establish or sell a franchise for any Deli in the option area, except upon your request or consent. After expiration of the two year period and during the term of the Development Agreement, if we propose to grant a franchise or area franchise or development rights in the option area, you will have the right of first refusal to enter into such agreement, if the following are met:

1. You are then in compliance with all Franchise Agreements;

2. The total number of Delis required to be open and in operation pursuant to the schedule are then open and in operation in the option area;

3. Within fifteen (15) days after receipt of written notice of our proposal to enter into any such agreement, you notify us of your intent to exercise your rights of first refusal and after that, within thirty (30) days of such notice to us, you execute the agreement in the form proposed and forward to us the executed agreement, together with all then established initial fees; and

4. If you fail to notify us of your intent to exercise your right of first refusal or fail to submit the executed agreement and fees within the time limits prescribed above, we may establish or grant franchises to others to establish Delis in the option area.

Franchise Agreement:

You are granted the right and license and undertake the obligation to operate the Deli only at and from a specified location accepted by us. The franchise is non-exclusive and includes no right to sub-franchise to others. 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. Unless you execute a Development Agreement, you are granted no options, right of first refusal, or similar rights to obtain additional franchises.

If you have not secured a location for the Deli at the time of execution of the Franchise Agreement, you shall execute the Site Development Addendum attached to the Franchise Agreement. Exhibit "E" to this Franchise Disclosure Document contains a copy of this Addendum. You must then execute a lease with a third party or acquire a site acceptable to us in accordance with the terms and conditions of the Site Development Addendum. The Site Development Addendum provides that your site must be located within a specified general area, which is described in the Site Development Addendum, solely for the purpose of limiting the area within which you may seek a location for the Deli. Nothing in the Franchise Agreement or Site Development Addendum shall prevent us from granting franchises to others for locations within the "General Area" (as defined in the Site Development Addendum, normally a city, county or other political subdivision) at any time.

The right and license of the Proprietary Marks granted to you under the Franchise Agreement is non-exclusive, and we may:

1. Grant other licenses and franchises for the proprietary marks, in addition to those licenses already granted;

2. Use the proprietary marks in connection with marketing and selling products and services;

3. Develop and establish other systems for the same or similar proprietary marks, or any other proprietary marks, and grant licenses for franchises without providing any rights to you.

You may solicit or receive orders from customers anywhere, but you may not use any alternative distribution channels, such as the internet (other than our system-wide internet site), catalog sales, telemarketing or other direct marketing, without our prior written approval. We reserve the right to use alternative distribution channels, such as the internet, anywhere and without compensation paid to you, including within an option area granted by a development agreement.

At present, neither we nor any parent or affiliate has established other franchises or company-owned outlets selling or leasing similar products or services under a different trade name or trade mark.

You may not relocate a Deli without our consent. If your lease expires or the premises are lost as a result of eminent domain or casualty, within thirty (30) days of the event, you are entitled to apply to us to relocate the premises. Our consent will not be unreasonably withheld, but we must approve a new location and you must open within ninety (90) days of approval (360) days if the premises are to be a free-standing building).

ITEM 13
TRADEMARKS

You are granted the right to use our principal marks of JASON'S DELI and JASON'S in the operation and promotion of your business at the franchise location as well as the trade dress and all other symbols, logos and other marks now or adopted in the future and authorized for system-wide use.

You shall acknowledge in the Franchise Agreement: (1) our ownership and validity of our marks, JASON'S and JASON'S DELI, and other authorized marks to be used; (2) the marks shall at all times remain our sole property; and (3) the marks have substantial value.

We claim common law rights in our name, marks, trade dress and logos based on our use of each in the United States.

We have registered a number of service marks in the United States Patent and Trademark Office:

a) Reg. No. 1,325,158 – JASON'S DELI for restaurant and delicatessen services in Class 42 (U.S. Classes 100 and 101); registered on the Principal Register on March 12, 1985. The mark has been in use since

November 30, 1976; and

b) Reg. No. 1,352,239 – JASON'S for restaurant and delicatessen services in Class 42 (U.S. Classes 100 and 101); registered on the Principal Register on July 30, 1985. The mark has been in use since November 30, 1976.

c) Serial No. 98106915 – JASON'S DELI for restaurants; delicatessen services; catering; and restaurants featuring home delivery in Class 43 (U.S. Classes 100 and 101); application filed for the Principal Register on July 28, 2023. The mark has been in use since July 28, 2023.

d) Serial No. 98106951 – JASON'S for restaurants; delicatessen services; catering; and restaurants featuring home delivery in Class 43 (U.S. Classes 100 and 101); application filed for the Principal Register on July 28, 2023. The mark has been in use since July 28, 2023.

e) Serial No. 98106990 – JASON'S for restaurants; delicatessen services; catering; and restaurants featuring home delivery in Class 43 (U.S. Classes 100 and 101); application filed for the Principal Register on July 28, 2023. The mark has been in use since July 28, 2023.

There are no currently effective agreements that significantly limit our rights to use or license the use of the principal marks listed in this section in a manner material to the franchise. All required affidavits have been filed by us and no registration is due to be renewed, although all principal marks will be renewed when required.

There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, and State Trademark Administrator or any court, nor is there any pending infringement, opposition or cancellation proceeding pending material litigation involving the principal marks. We are not expressly obligated by the Franchise Agreement, or by any other agreement, to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving trademark licensed by the Franchisor or if the proceeding is resolved unfavorably to you. We have the right to control any administrative proceedings or litigation involving a principal mark licensed by us to you.

If it becomes advisable at any time, we may instruct you to modify or discontinue use of any mark or use one or more additional or substitute trademarks or service marks. We are not obligated to reimburse you for any loss of revenue or expenditures you make to implement the proceeding.

We are not aware of any current infringing uses of our marks and know of no infringing uses that would materially affect your use of our trademarks, service marks, trade names, logotypes or commercial symbols in the state.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any right in or to any patents or copyrights that are material to the franchise, except certain manuals that may be copyrighted, although the copyrights may not have been filed with the United States Registration of Copyrights. With respect to certain confidential and proprietary information disclosed to you in connection with the system, including information relating to recipes and preparation methods, and your operations, you agree to treat and maintain this information as confidential during the term of the Franchise/Development Agreement and afterwards. Information, techniques and know-how developed, compiled or prepared by you, your employees or agents during the term of the Franchise Agreement and relating to the system or the operation of the Deli is a part of the confidential information protected under the Agreement. Further, you agree, at our request, to obtain and deliver to us signed Confidentiality Agreements from any or all of your employees or agents who may have access to confidential information, in a form satisfactory to us and identifying us as a third-party beneficiary with the independent right to enforce them (a copy of the Confidentiality Agreement is attached as Exhibit "H").

There are currently no effective determinations of the Copyright Office (Library of Congress) or any

court regarding any of the copyrighted materials, nor are there any agreements currently in effect that significantly limit our right to use or authorize you to use the copyrighted materials. Furthermore, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when this action is in our best interest.

Our confidential operations manuals and other technical and business manuals we issue from time to time are accessible and maintained through our website. During the franchise sales process and after you are approved as a prospective franchisee, our representative will assist you with access to these manuals for your inspection. You will at all times treat the manuals as confidential and use all reasonable efforts to maintain the information as secret and confidential. You will not at any time copy, duplicate, record, or otherwise reproduce the manuals, in whole or in part, nor otherwise make them available to any unauthorized person.

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

Under the terms of the Franchise Agreement, you, a general manager, and three other management persons, all of whom have successfully completed the training course, are required to personally manage the Deli. As noted in Item 11, persons attending the training program should have certain full-service restaurant management experience. You and the other management persons must attend and successfully complete training provided by us. If you are doing business as a business entity, the controlling shareholder or member of such entity (along with the other previously described persons) shall attend. We believe the success of the Deli will depend upon your personal and continued efforts, supervision and attention. Therefore, you will be expected to actively participate in the operation of your business. You will also be required to take reasonable steps to safeguard the information contained in the Franchise Operations Manual as it is considered confidential in nature. Finally, you and your management personnel must enter the agreement attached as Exhibit “H”, or a similar agreement prepared by an attorney in the state in which the Deli is located and which we have approved.

If you are a corporation or limited liability company, your owners must not only personally guarantee your obligations under the Franchise Agreement, but also agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement, both monetary and non-monetary obligations, and agree to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Your spouse will also be required to execute the personal guarantee. This “Guaranty and Assumption of Obligations” is attached to the Franchise Agreement as Exhibit “J”.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We offer you the opportunity to own and operate Delis that provide restaurant and delicatessen services to the general public. You are not limited in the customers to whom you may provide services. You must operate in accordance with the systems and procedures we develop and modify from time to time to assure the services offered are of uniform quality. The Franchise Agreement provides that you will offer and sell from the Deli all services and products we require and will not offer or sell any other services or products of any kind or character without our prior written consent. We have the right to change the types of authorized goods and services from time to time at our sole discretion.

We offer many “health conscious” items in addition to traditional deli style sandwiches. All our food menu offerings are free of artificial trans-fat (hydrogenated oils), as well as artificial flavors, high fructose corn syrup (excluding some fountain beverages at the present time), and artificial dyes and flavors. In addition, many of our offerings are “organic”. You must not only offer such items, but you must ensure that such menu items meet the dietary requirements outlined in our operations manuals and other directives. You will discontinue offering any services or products (whether or not we previously authorized them) promptly upon notice from us.

The Franchise Agreement also provides that you use the Deli solely for the operation of the franchised business, keep the Deli open and in normal operation for minimum hours and days that we may from time to time specify or approve in writing, and refrain from using or permitting the use of the Deli premises for any other purpose or activity at any time without our express prior written consent. The building and premises of the franchise must also meet the design specifications we prescribe and a refurbishing or remodeling charge is required (see Franchise Agreement at Section 7(c).

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	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
a. Term of Franchise	Paragraph 2(a)	Term is 20 year from date Deli opens. If you purchase an existing Deli, you will obtain the remaining term of your seller's franchise.
b. Renewal or Extension of Term	Paragraph 2(b)	If you are in good standing, you can add successive terms of years (10 each). You may be asked to sign a contract with materially different terms and conditions than your original contract, and the continuing royalty on renewal will not be greater than the continuing royalty that we then impose on similarly-situated renewing franchisees.
c. Requirements for you to renew or extend	Paragraph 2(b)	Notify us, sign new agreement, remodel and sign release and not be in default with landlord or Company. Renewal will be for a ten year term and you may be required to sign a Franchise Agreement with materially different terms and conditions from the original Franchise Agreement.

d. Termination by You	None, except under Site Addendum.	If you are unable to locate an approved site within 180 days after execution of the Franchise Agreement and you timely provided notice and are not otherwise in default of your Franchise Agreement, you may terminate and receive a refund of 70% of your initial fee. The Franchise Agreement's provisions(s) regarding termination by the franchisee are subject to state law.
e. Termination by us Without Cause	None	N/A
f. Termination by us With Cause	Paragraph 13	We can terminate the Franchise Agreement if you commit a default that cannot be cured or fail to timely cure a default that may be cured under your Franchise Agreement for the location, or any other Franchise Agreement you have with us for this or other location.
g. "Cause" defined – defaults which can be cured	Paragraph 13(c)(d)	**You have 10 days to cure:** Non-payment of fees. **You have 30 days to cure:** Failure to submit reports, maintain standards, engaging in illegal practices, misuse of marks or confidential information and default in any other provision of Franchise Agreement. Cure periods may be extended by the laws of your state.

h. "Cause" defined – defaults which cannot be cured	Paragraph 13(a)(b)	**Non Curable Default:** Bankruptcy, conviction of felony, failure to find site or remodel, trademark misuse, false sales reports, abandonment of the premises, un-approved transfers, failure to comply with in-term covenants, failure to complete training, failure to timely pay taxes or creditors and your repeated violation to pay amounts due us. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchise may not be enforceable under Federal Bankruptcy Law (11 U.S.C. 8 Section 101 et seq.).
i. Your obligation to termination/non-renewal	Paragraph 13 (e)	Obligations include complete de-identification, payment of amounts due, and return of all records, and trademarked or copyrighted materials (see also "r" below).
j. Assignment of contract by us	Paragraph 14(b)(x)	There is no restriction on our right to assign.
k. "Transfer" by you – definition	Paragraph 14(b)	Includes transfer of contract or assets or ownership change.
l. Our approval of transfer by franchisee	Paragraph 14(b)	We have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Paragraph 13(i)(j)	New franchise qualifies, transfer fee paid, purchase agreement paid approved, training arranged, release signed by you and current agreement signed by new franchisee, guarantee by you of new franchisee's obligations, if requested by us (also see "r" below).
n. Our right of first refusal to acquire your business	Paragraph 14(b)(i)(v)	We can match any offer for your business.
o. Our option to purchase your business	Paragraph 14	Upon termination, we may purchase your inventory and assume your store lease.

p. Your death or disability	Paragraph 14(b)(u)	Franchise must be assigned by estate to approved buyer within 6 months.
q. Non-competition	Paragraph 15(a)	No involvement in competing business anywhere in U.S. The Franchise Agreement's provision(s) are subject to state law.
r. Non-competition covenants after Franchise is terminated or expires	Paragraph 15(b)	No competing business for 2 years within 25 miles of another Jason's Deli (including after assignment). The Franchise Agreement's provision(s) are subject to state law.
s. Modification of agreement	None	No modification generally, but Operating Manual subject to change.
t. Integration/merger	Paragraph 20	Only the terms of Franchise Agreement are binding (subject to state law). Any representations or promises outside this disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	N/A
v. Choice of forum	Paragraph 17	Litigation must be in Beaumont, Texas, unless prohibited by state law.
w. Choice of law	Paragraph 17	The Franchise Agreement is governed by the laws of Texas. Nevertheless, state laws may apply.

ITEM 18
PUBLIC FIGURES

No compensation or other benefit is given or promised to a public figure arising in whole or in part from the use of a public figure in the name or symbol of the franchise, or the endorsement of recommendation of the franchise by a public figure in advertisements. You may use the name of a public figure in your promotional efforts or advertising, but only with our prior approval. There are no public figures involved in our actual management or control.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential 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 the 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 Troy Cormier c/o Deli Management, Inc. 350 Pine Street, Suite 1775, Beaumont, Texas 77701, 409-838-1976, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-Wide Outlet Summary
For Years 2023/2024/2025

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2023	79	77	-2
	2024	77	73	-4
	2025	73	73	0
Company-Owned	2023	162	160	-2
	2024	160	163	3
	2025	163	163	0
Total Outlets	2023	241	237	-4
	2024	237	236	-1
	2025	236	236	0

*As of the close of last fiscal year there are no outstanding Area Development agreements.

Table No. 2
Transfer of Outlets from Franchisee to New Owners (Other than the Franchisor)
For Years 2023/2024/2025

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2023	0
	2024	0
	2025	0

Table No. 3
Status of Franchised Outlets
For Years 2023/2024/2025

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Re-acquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of Year
Alabama	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arizona	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Arkansas	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
California	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Colorado	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Florida	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Iowa	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Indiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Kansas	2023	5	1	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6
Kentucky	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
	2025	2	0	0	0	0	0	2
Louisiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Minnesota	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Mississippi	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Missouri	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3

	2025	3	0	0	0	0	0	3
Nebraska	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Nevada	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
New Mexico	2023	4	0	0	0	0	1	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Ohio	2023	3	0	0	0	0	1	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Oklahoma	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Pennsylvania	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
South Carolina	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Tennessee	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	0	10
	2025	10	0	0	0	0	0	10
Texas	2023	30	0	0	0	0	1	29
	2024	29	0	0	0	5	0	24
	2025	24	0	0	0	0	0	24
Utah	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Totals	2023	79	2	0	0	0	4	77
	2024	77	2	0	0	5	1	73
	2025	73	0	0	0	0	0	73

Table No. 4
Status of Company-Owned Outlets
For Years 2023/2024/2025

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Re-acquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Alabama	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
	2023	5	1	0	1	0	5

Arizona	2024	5	0	0	0	0	5
	2025	5	0	0	0	0	5
Florida	2023	10	0	0	0	0	10
	2024	10	0	0	0	0	10
	2025	10	0	0	0	0	10
Georgia	2023	14	0	0	0	0	14
	2024	14	0	0	1	0	13
	2025	13	0	0	2	0	11
Illinois	2023	8	0	0	2	0	6
	2024	6	0	0	0	0	6
	2025	6	0	0	1	0	5
Iowa	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Louisiana	2023	7	0	0	0	0	7
	2024	7	0	0	0	0	7
	2025	7	0	0	0	0	7
Maryland	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Missouri	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Nebraska	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Nevada	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
North Carolina	2023	13	0	0	0	0	13
	2024	13	0	0	0	0	13
	2025	13	0	0	0	0	13
Ohio	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Pennsylvania	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
South Carolina	2023	3	0	0	0	0	3
	2024	3	0	0	1	0	2
	2025	2	0	0	0	0	2
Tennessee	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

Texas	2023	80	2	0	0	0	82
	2024	82	7	0	2	0	87
	2025	87	3	0	0	0	90
Virginia	2023	7	0	0	2	0	5
	2024	5	0	0	0	0	5
	2025	5	0	0	0	0	5
Wisconsin	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Totals	2023	162	3	0	5	0	160
	2024	160	7	0	4	0	163
	2025	163	3	0	3	0	163

Table No. 5
Projected Openings as of December 31, 2025

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
Texas	**0**	**0**	**3**
Total	**0**	**0**	**3**

Attached as Exhibit "F" is a list of all franchises (including those with a signed Franchise Agreement, but the Deli has not yet opened), including their names, business address and telephone numbers, as of the date reflected on Exhibit "F".

The name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this Franchise Disclosure Document are listed below:

None

*Area developer

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

During our last three fiscal years, none of our Franchisees have signed confidentiality clauses restricting their ability to speak openly about their experience with Deli Management, Inc.

The names, addresses, telephone numbers, email address and web address of each trademark-specific Franchisee organization associated with the franchise system being offered, which we have created, sponsored or endorsed, are as follows:

Franchisee Advisory Council, c/o DMI, 350 Pine Street, Suite 1775, Beaumont, Texas 77701,
Attention: Troy Cormier
Email: troy.cormier@jasonsdeli.com
Website: www.jasonsdeli.com

There are no independent franchisee organizations that exist or that have asked to be included in this Franchise Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as "Exhibit A" are our audited financial statements for December 31, 2023, 2024, and 2025.

ITEM 22
CONTRACTS

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Exhibit "B"	Franchise Agreement
Exhibit "D"	Area Development Agreement
Exhibit "E"	Site Addendum
Exhibit "J"	Guaranty Agreement
Exhibit "M"	General Release

ITEM 23
RECEIPTS

You will find copies of a detachable receipt in Exhibit "O" at the very end of this Franchise Disclosure Document issued April 1, 2026.

EXHIBIT “A”
FRANCHISOR’S FINANCIAL STATEMENTS

GRANT THORNTON LLP
700 Milam St., Suite 300
Houston, TX, 77002

D +1 832 476 3600
F +1 713 655 8741

April 1, 2026

Mr. Troy Cormier
Chief Executive Officer
Deli Management, Inc.
350 Pine St.
17th Floor, Ste. 1775
Beaumont, TX 77702

Grant Thornton LLP agrees to the inclusion in the Franchise Disclosure Document, dated April 1, 2026 issued by Deli Management, Inc., of our report dated March 24, 2026, relating to the consolidated financial statements of Deli Management, Inc. and subsidiaries as of December 31, 2025 and 2024 and for the years then ended. Grant Thornton LLP has not performed any procedures subsequent to the date of this letter.

Grant Thornton LLP

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Deli Management, Inc.

December 31, 2025 and 2024

Contents

GRANT THORNTON LLP
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Deli Management, Inc.

Opinion

We have audited the consolidated financial statements of Deli Management, Inc. (a Texas S corporation) and subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statement of operations, changes in equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

GrantThornton

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Houston, Texas
March 24, 2026

Deli Management, Inc.

CONSOLIDATED BALANCE SHEETS

December 31, 2025

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,885,897	$ 18,838,261
Accounts receivable - trade, net of allowance for credit losses of $177,500	7,835,693	7,593,868
State income and sales tax refunds receivable	800,133	1,323,404
Other receivables	2,279,079	2,096,067
Inventories	15,759,787	14,150,041
Prepaid expenses	1,804,890	2,558,960
Total current assets	41,365,480	46,560,601
Property and equipment, net	81,293,087	76,967,261
Other assets		
Intangible assets, net	11,536,690	13,604,399
Goodwill, net	5,716,718	6,485,041
Other investments	5,410	5,929
Operating right of use assets	240,763,214	252,192,911
Deposits	297,186	301,324
Total non-current assets	258,319,218	272,589,604
Total assets	$ 380,977,785	$ 396,117,466
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable - trade	$ 12,449,333	$ 13,364,269
Accrued liabilities	20,117,741	22,025,684
Current lease liabilities	21,240,981	21,071,736
Current maturities of long-term notes payable	7,875,000	6,562,500
Total current liabilities	61,683,055	63,024,189
Long-term liabilities		
Profit based compensation, net of current portion	251,278	420,952
Interest rate swap liability	436,735	336,565
Non-current lease liabilities	243,436,730	254,952,624
Notes payable, net of current maturities	83,292,115	90,912,345
Total non-current liabilities	327,416,858	346,622,486
Equity (deficit)		
Common stock ($1 par value; 1,154 and 1,154 shares authorized, issued and outstanding)	1,154	1,154
Treasury stock, 1,344 and 1,344 shares, at cost	(99,181,525)	(99,181,525)
Note receivable for common stock	(3,765,323)	(3,765,323)
Additional paid-in capital	23,071,719	23,071,719
Retained earnings	71,751,837	66,344,766
Total deficit	(8,122,138)	(13,529,209)
Total liabilities and equity	$ 380,977,785	$ 396,117,466

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2025 and 2024

	2025	2024
Revenue		
Sales - delis	$ 420,980,922	$ 423,805,017
Sales - distribution centers	56,737,360	62,132,299
Franchise royalties	7,956,819	8,746,571
Backhaul income	2,361,111	2,444,336
Franchise sales	51,500	57,000
Total revenue	488,087,712	497,185,223
Cost of revenue	173,326,544	178,675,045
Gross profit	314,761,168	318,510,178
Operating expenses, excluding owners compensation		
Payroll and employee benefits	166,934,786	166,886,373
Selling, general and administrative expenses	67,044,571	69,427,239
Occupancy and other expenses	33,477,418	32,930,665
Other operating expense (income), net	16,269,695	12,790,970
Total operating expenses	283,726,470	282,035,247
Operating income before owners compensation	31,034,689	36,474,931
Owners compensation	2,044,065	2,259,239
Income from operations	28,990,633	34,215,692
Other income (expense)		
Interest, net	(5,967,027)	(5,399,722)
Other income	3,863,367	3,117,369
Total other expense	(2,103,660)	(2,282,353)
Income before taxes	26,886,973	31,933,339
State income taxes	975,000	997,391
NET INCOME	$ 25,911,973	$ 30,935,948

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

Years ended December 31, 2025 and 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Note Receivable for Common Stock	Total Equity (Deficit)
Balance at December 31, 2023	$ 1,154	$ 23,071,719	$ 55,514,763	$ (99,181,525)	$ (3,765,323)	$ (24,359,212)
Distributions	-	-	(20,105,945)	-	-	(20,105,945)
Net income	-	-	30,935,947	-	-	30,935,947
Balance at December 31, 2024	1,154	23,071,719	66,344,765	(99,181,525)	(3,765,323)	(13,529,210)
Distributions	-	-	(20,504,891)	-	-	(20,504,891)
Net income	-	-	25,911,973	-	-	25,911,973
Balance at December 31, 2025	$ 1,154	$ 23,071,719	$ 71,751,847	$ (99,181,525)	$ (3,765,323)	$ (8,122,128)

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Net income	$ 25,911,973	$ 30,935,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,551,878	12,430,738
Amortization of debt issuance costs	254,768	217,504
Loss on disposition of assets	1,391,845	75,700
Unrealized (gain) loss on interest rate swap	100,170	(447,911)
Proceeds from business interruption insurance	1,599,409	772,870
Bad debt expense	20,517	87,498
Net (increase) decrease in:		
Receivables	(1,521,492)	(1,958,005)
Inventories	(1,609,745)	966,218
Prepaid expenses	754,069	(210,551)
Deposits	4,138	(87,235)
Net (decrease) increase in:		
Accounts payable	(914,936)	2,990,890
Accrued liabilities	(2,077,616)	1,699,138
Operating lease assets and liabilities	83,046	593,250
Net cash provided by operating activities	38,548,024	48,066,052
Cash flows from investing activities:		
Purchase of property and equipment	(17,486,113)	(17,373,663)
Acquisition of locations and franchise rights from franchisee	-	(21,693,591)
Proceeds from sale of assets	53,116	2,859,035
Net cash used in investing activities	(17,432,997)	(36,208,219)
Cash flows from financing activities:		
Distributions	(20,504,891)	(20,105,440)
Proceeds from notes payable	-	20,000,000
Principal payments on notes payable	(6,562,500)	(4,500,000)
Debt issuance costs	-	(190,459)
Net cash used in financing activities	(27,067,391)	(4,795,899)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,952,364)	7,061,934
Cash and cash equivalents, beginning of year	18,838,261	11,776,327
Cash and cash equivalents, end of year	$ 12,885,897	$ 18,838,261
Supplemental disclosures of cash flow information:		
Interest paid	$ 6,197,264	$ 9,755,525
Non-cash investing activities and financing activities:		
Accounts payable excluded from property and equipment additions	$ 479,783	$ 316,479
Income taxes paid:		
State	$ 1,073,433	$ 958,891

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

NOTE 1 - HISTORY AND ORGANIZATION

Deli Management, Inc. ("DMI", "Company", or "Franchisor") was founded in Beaumont, Texas in 1976, and incorporated on October 3, 1983 under the laws of the State of Texas. The Company was organized for the purpose of establishing deli restaurants commonly known as "Jason's Deli®" throughout the State of Texas. Deli operations have subsequently been expanded across the country. Corporate owned restaurants were in operation in the following states at December 31, 2025 and 2024:

	2025	2024
Alabama	4	4
Arizona	5	5
Florida	10	10
Georgia	11	13
Illinois	5	6
Iowa	1	1
Louisiana	7	7
Maryland	1	1
Nebraska	2	2
Nevada	4	4
North Carolina	13	13
Pennsylvania	1	1
South Carolina	2	2
Tennessee	1	1
Texas	90	87
Virginia	5	5
Wisconsin	1	1
	163	163

The Company offers opportunities for new franchisees, and for the expansion of existing franchisees in multiple states. The franchise agreements offer a program which enables the franchisees to operate a deli that offers a variety of delicatessen products, including New Orleans style food and Texas barbecue. Current franchises are operational in Alabama, Arkansas, Colorado, Florida, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Tennessee, and Texas. At December 31, 2025 and 2024, respectively, there were 77 and 77 franchise restaurants in operation. In addition, there were no unopened franchise locations at December 31, 2025 and 2024, respectively.

The Company has two wholesale food distribution centers. One distribution center is located in Charlotte, North Carolina, and the second distribution center is located in Grand Prairie, Texas. These centers are operated primarily for the servicing of company owned and franchise delis. However, they generate additional revenue in the form of backhaul income, both from company suppliers and for other nearby businesses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

These financial statements present the consolidated financial results of Deli Management, Inc. and its subsidiaries after elimination of all significant accounts and transactions. The financial statements have been prepared in accordance with U.S. GAAP.

Reclassifications have been made for presentation purposes. These reclassifications did not have a material impact on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these financial statements, all highly liquid demand and time deposits with an original maturity of three months or less, including money market funds, are considered cash and cash equivalents.

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. As of December 31, 2025 and 2024, accounts were guaranteed by the Federal Deposit Insurance Corporation up to $250,000 and $250,000, respectively. The total amount in excess of the insured limit at December 31, 2025 and 2024 was $10,646,662 and $15,611,085, respectively.

Derivative Financial Instruments

Management reflects derivative financial instruments, which consists of interest rate derivatives, in the Consolidated Balance Sheets at their fair value. For interest rate derivatives, changes in fair value are reflected in interest expense on the income statement. The adjustment to interest expense for years ended December 31, 2025 was $100,170 and ($447,911) respectively. Consistent with the classification of interest paid, cash flows from interest rate derivatives are classified as operating on the Consolidated Statements of Cash Flows. At December 31, 2025 and 2024, interest rate swap liabilities were valued at $436,735 and $336,565 respectively.

Fair Value

The accounting standards for fair value measurements define fair value as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The accounting standards for fair value measurements establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets that are accessible as of the measurement date for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, accounts payable, and accrued liabilities and are reflected in the audited Consolidated Financial Statements at cost which approximates fair value for these items due to their short-term nature. The Company's other assets and liabilities measured at fair value on a non-recurring basis include long-lived assets, lease right of use assets, goodwill, and other indefinite-lived intangible assets, if determined to be impaired. Management reflects the value of the interest rate swap at its fair value.

Leases

Contracts entered into by the Company are evaluated to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant, and equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating or finance lease based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The lease term and risk free rate for each lease requires judgment by management and can impact the classification of leases as well as the value of the lease assets and liabilities. When determining the lease term, management considers option periods available, and includes option periods in the measurement of the lease right of use asset and lease liability where the exercise is reasonably certain to occur. The Company uses the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, the Company uses the risk free rate.

Upon the adoption of Accounting Standards Codification ("ASC") 842, *Leases*, the Company has elected to not separate the lease and non-lease components within the contract. Therefore, all fixed payments associated with the lease are included in the right of use asset and the lease liability. These costs often relate to the payments for a proportionate share of real estate taxes, insurance, common area maintenance and other operating costs in addition to a base rent. Any variable payments related to the lease are recorded as lease expense when and as incurred. The Company has elected this practical expedient for its real estate, vehicles and equipment leases. The Company has also elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Company will not apply the recognition requirements of ASC 842 and instead will recognize the lease payments as lease cost on a straight-line basis over the lease term.

In the same manner as long-lived fixed assets, the Company assesses lease right of use assets for potential impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of the right of use assets exceeds the sum of their undiscounted cash flows, the Company records an impairment charge in an amount equal to the excess of the carrying value of the assets over their estimated fair value. If a lease contract is terminated before the expiration of the lease term the remaining right of use asset and lease liability are derecognized, with any difference recognized as a gain or loss on lease termination. If the Company is required to make any payments or receives consideration when terminating the lease, it would include such amounts in the determination of the gain or loss upon termination.

Accounts Receivable and Bad Debts

All receivable invoices are due upon receipt, but are considered past due 31 days after the date of the invoice. Past due deli trade receivables do not accrue interest.

The Company's policy with respect to distribution center past due trade receivables is to assess finance charges at the end of each month on any balance that is older than 31 days. The distribution center receivables past due 90 days or more were $71,507 and $344,937 at December 31, 2025 and 2024, respectively.

Trade receivables are considered uncollectible only after repeated attempts from the collection department and/or an outside collection agency have been made. Past due invoices are routinely monitored by the Accounts Receivable Supervisor, who approves the write off of immaterial, uncollectible amounts throughout the year. Material past due balances are periodically discussed between the Accounts Receivable Supervisor, the Assistant Controller, and the Chief Financial Officer, to review and schedule their write off at yearend, or to elect continued collection efforts if deemed fruitful.

The allowance for credit losses is accounted based on *Current Expected Credit Losses*, ASC 326. The aging of the receivables, historical write-off experience, as well as management's knowledge and experience with the debtor, influences the allowance computations. Management has determined that an allowance for credit losses for the periods ended December 31, 2025 and 2024 was $177,500.

Accounts receivable, net was $7.8 million, $7.6 million and $8.0 million for the years ended December 31, 2025, 2024, and 2023, respectively.

Inventories

As noted in Note 1, the Company operates wholesale food distribution centers in Grand Prairie, Texas and Charlotte, North Carolina. At December 31, 2025 and 2024, inventories consist of $3,704,178 and $3,751,247, respectively, in deli menu items and related supplies at company owned delis, $11,397,000 and $10,167,000, respectively, in food and related supplies at the wholesale distribution centers, and $658,412 and $231,474, respectively, in distribution center truck parts and miscellaneous corporate supplies. Inventories are valued at the lower of cost or net realizable value based on the first-in, first-out ("FIFO") method for distribution centers and a combination of first-in, first-out and most recent cost for delis, which approximates the FIFO method due to the rapid turnover of items.

Shipping and Handling

The Company does not separately charge for shipping and handling. Company costs for shipping and handling are classified in the income statements as follows:

	2025	2024
Salaries and wages	$ 4,409,655	$ 4,432,509
Delivery expense	1,757,170	1,991,232
Handling fees (as part of cost of revenue)	4	-
Insurance	759,693	1,019,338
Rents	1,409,032	1,365,901
Depreciation and amortization	453,689	307,220
	$ 8,789,242	$ 9,280,014

Property and Equipment

Property and equipment are stated at cost. All costs of acquisition of deli equipment and construction of leasehold improvements related to store openings, or remodel projects that total $5,000 or more are capitalized. The Company also capitalizes other furniture and equipment purchases that cost $5,000 or more per item. Minor repairs and replacements are expensed as incurred.

Depreciation is computed on the straight-line method for financial reporting purposes based on the following useful lives, with no salvage value:

	Years
Corporate office facilities	31 - 40
Leasehold improvements	5 - 18
Deli equipment	5 - 10
Automobiles	5
Office furniture and equipment	3 - 10
Trucks and trailers	4 - 6

Impairment of Long-Lived Assets

Deli locations are reviewed for impairment on a location by location basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The recoverability of locations that are to be held and used is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying amount of the asset. If such assets are considered to be impaired, an impairment charge would be recorded in the amount by which the carrying amount of the assets exceeds their fair value using Level 3 measurements, as defined in Note 15.

The Company closed three restaurant locations in 2025 which were determined to be impaired based on the carrying amount of the assets compared to the future cash flows expected to be generated by these locations. Total net impairment expense of $418,600 was recognized in other operating expense in the amount of $1,130,493 and as a reduction to occupancy expenses of $711,893 respectively.

Amortization of Intangibles

The non-compete covenant related to the acquisition of two deli locations from a franchise in 2012 is being amortized over 15 years on a straight-line basis, with no residual value. Reacquired rights associated with the purchase of 12 deli locations from five franchisees and 5 deli locations from a single franchisee are being amortized over 2-12 years on a straight-line basis, with no residual value, one beginning in 2013, one in 2014, one in 2015, four in 2019, and five in 2024.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was $1,986,226 and $3,166,914 for the years ended December 31, 2025 and 2024, respectively.

Compensated Absences

Company policy provides that any unused amounts of accrued vacation and sick leave are forfeited at separation from service for any reason. Estimated accrued vacation at December 31, 2025 and 2024 was $2,035,711 and $2,007,251, respectively, as reflected in these financial statements. Management does not anticipate that the accumulated sick leave benefit will have a material impact on company operations in a single year, and no accrual for sick leave has been recorded.

Income Taxes

Deli Management, Inc. does not provide for federal income taxes because of the election by the Company, with the consent by its stockholders, that profits of the Company be taxed at the stockholder level under Subchapter S of the Internal Revenue Code ("IRC"). The Company does, however, pay income and other types of taxes to the states in which it operates or from which it generates revenue from franchise operations. Income tax payments to states on behalf of shareholders are reflected as distributions rather than income tax expense.

Accounting guidance requires entities to evaluate uncertain tax positions. This guidance prescribes a more-likely-than-not recognition threshold and a measurement attributable for all tax positions taken or expected to be taken on a tax return in order to be recognized in the financial statements. The Company has not recorded a liability for uncertain tax positions as of December 31, 2025 and 2024 as the Company has not identified any uncertain tax positions that meet the measurement criteria. The Company would recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Presentation of State Sales Taxes

The states in which the Company operates impose sales tax on substantially all of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the taxes to the states, less any applicable discounts. The Company's accounting policy is to exclude the taxes collected from revenue and cost of sales.

Amortization of Goodwill

The Company elects to amortize goodwill on a straight-line basis over either 10 years or less than 10 years if a shorter useful life is more appropriate. Under the guidance, impairment testing is performed upon the occurrence of a triggering event indicating that the fair value of the entity might be less than its carrying amount, and there is no annual goodwill impairment test. Goodwill from the purchase of the assets of seven deli locations from five franchisees and five locations from a single franchisee is being amortized over 10 years each, one beginning in 2013, one in 2014, one in 2015, four in 2019, and five in 2024. The Company recorded goodwill amortization expense in 2025 and 2024 of $768,677 and $426,874, respectively.

Debt Issuance Costs

The Company's policy is to net debt issuance costs against the carrying value of the related financial liability for financial statement presentation, in agreement with ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)*, the Company reported amortized debt issuance costs of $645,385 and $900,155 in 2025 and 2024, respectively. These costs were netted against long-term outstanding notes payable balances of $83,937,500 and $91,812,500 for 2025 and 2024, respectively.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting Standards Update (ASU) No. 2023-01, Topic 842, *Common Control Lease Arrangements*, on March 27, 2023. The new accounting standard offers a practical expedient that gives the company the options of using the written terms and conditions of a common-control arrangement when determining whether a lease exists and the subsequent accounting for the lease, including the lease's classification. The standard is effective for annual periods beginning after December 15, 2023. The company adopted the new standard effective January 1, 2024.

Subsequent Events

The Company has evaluated subsequent events through March 24, 2026, the date on which the consolidated financial statements were available for issuance.

NOTE 3 - ACQUISITIONS AND DIVESTITURES

On November 1, 2024, DMI completed the acquisition of all the assets at five deli locations from one franchisee for a net cash payout of $21,693,591. The acquisition allows the Company to operate in one additional market, San Antonio, Texas. The Company recognized the assets acquired at fair value as of the acquisition date. The following is a breakdown of assets acquired, liabilities assumed, and items netted against the purchase price:

San Antonio Deli Acquisitions

Assets Acquired:	
Reacquired franchise rights	$ 13,600,667
Furniture fixtures and equipment	2,150,691
Goodwill	5,820,642
Food inventory	141,252
Packaging and uniforms	41,212
Total identified assets acquired	$ 21,754,464
Liabilities Assumed and Cash Received:	
Gift card liabilities	$ (45,000)
Cash received	(15,873)
Net cash paid	$ 21,693,591

NOTE 4 - REVENUE RECOGNITION

ASC Topic 606, *Revenue from Contracts with Customers (“ASC 606”)* provides five core principles to be followed by organizations as part of their adoption and transition as follows: (1) Identify the contract; (2) Identify performance obligations in the contract; (3) Determine the transaction price as specified in the contract; (4) Allocate the transaction price to the performance obligations; and (5) Recognize revenue as each performance obligation is satisfied. In applying ASC 606, the Company applied these principles to identify components of each of the following goods and service offerings, and to apply changes where necessary to meet the standard.

Deli sales consist of sales of prepared food and beverage to customers on a transactional basis, where the Company’s performance obligation is complete, and substantially all direct costs are incurred and recognized within the same period. All deli sales are recognized as revenue in the same period that product delivery occurs. Deli revenues total $420,980,922 in 2025 and $423,805,017 in 2024.

Physical and virtual gift cards (“stored-value products”) are available for sale to customers in deli locations, on the Company’s website, on third-party seller websites, and in third-party retail establishments. Sales of stored-value products are initially recorded as a contract liability and are included in accrued liabilities at their expected redemption value. When the stored-value products are redeemed, the Company recognizes revenue and reduces the contract liability for the amount used. The portion of stored-value products that is never redeemed is referred to as “breakage” and was reported as a credit to discount expense of $309,126 and $5,454 at December 31, 2025 and 2024, respectively. ASC 606 requires that revenue or credit related to contracts with customers be recognized in a timeframe and amount commensurate with costs realized to provide the related goods or services. As this objective pertains to credits recognized for stored-value product breakage, the Company considers these amounts to be immaterial with respect to application of a change in accounting for them and has thus opted to continue present treatment. The Company will monitor future credits related to breakage to alter recognition methods to comply with ASC 606 should they become material. At December 31, 2025 and 2024, the Company had outstanding contract liability balances related to stored-value products, of $5,615,479 and $5,695,482, respectively. The balances represent the uncompleted performance obligations associated with the store-value products and $5,465,612 is expected to be earned during 2025 fiscal year with the remaining balance earned after 2026.

As a loyalty reward and future purchase incentive to customers, the Company maintains a loyalty program known as “deli-dollars”, whereby customers earn 25 deli-dollars for every $1 ordered online. Total reward values are tracked by the customer’s reward account id and expire one year from issuance. For this customer contract, the customers’ consideration is their online spend and purchases made in-house using their reward id, and the Company’s performance obligation is the honoring of value acquired. DMI recognizes sales related to earning deli dollars at their full value as they occur. Discounts and promotional reductions in price, including deli-dollars redeemed, are recognized when redeemed as an expense. Additionally, DMI records a monthly accrual to a deli-dollar liability account and to discounts expense to reflect the average monthly change in deli-dollar liability. The monthly accrual is recalculated annually when the liability is adjusted to remove expired deli-dollars; to reflect any difference in actual deli-dollars earned versus the value accumulated using an average; and to adjust for changes in customer redemption patterns. Costs to maintain the program, other than the costs of the discounts themselves, are nominal due to being an automated feature of the Company’s online ordering program. As of December 31, 2025 and 2024, the Company had outstanding contract liability balances related to deli-dollar loyalty rewards, of $798,387 and $747,387, respectively. The balances represent the uncompleted performance obligations associated with the loyalty rewards and is expected to be earned during the 2025 and 2024 fiscal years.

The Company grants franchises to independent operators (“franchisees”) via a legal contract (“franchise agreement”), that is executed by the franchisor and the franchisee, where future consideration (“royalties”) is promised by the franchisee in exchange for the rights provided by the franchisor to establish and operate a Jason’s Deli in a specified location, and to use, on an ongoing basis, the trade name, service marks, trademarks, copyrights, and proprietary operating and technological systems that the franchisor has acquired and developed. Royalty revenue is accrued and recognized by the Company monthly as a separate line of revenue in the Company’s financial statements. Royalties are calculated at 4% of franchisees’ reported gross sales, less discounts and sales tax collected, as allowed by the franchise agreement. The underlying costs of the Company’s performance obligations, including development and maintenance of registered trademarks, copyrights, and other proprietary systems that the franchisee has purchased rights to, are deemed to be provided equally, on average, on each dollar of franchisee sales, and are thus matched against royalties in the same period that they are earned and recognized as revenue by the franchisor. Franchise royalty revenues total $7,956,819 in 2025 and $8,746,571 in 2024.

In addition to royalties, the franchise agreement includes an initial franchise fee per location that is determined by the size and nature, and thus anticipated cost of performance obligation to the Company, of the location being licensed. The franchise fee entitles the franchisee’s location to two weeks of training, including payroll cost, benefits, payroll taxes, travel, food, lodging, and any other support cost, for a set number of the franchisors’ dedicated training staff and supervision. The Company sets this fee at its average cost to provide this service. Where a franchisee is established and elects to supply their own training, the franchise agreement allows the franchisor and franchisee to be absolved of the performance obligation and related consideration, in which case no revenue or associated costs are recognized. Where prior to adoption of ASC 606 franchise fees were recognized entirely in the month of opening, franchise fees under ASC 606 are allocated proportionately against the period(s) that underlying payroll and support costs are recognized. Franchise fees are recognized by the Company as a separate line of revenue in the Company's financial statements.

Franchise agreements expire 20 years after a franchise location opens and include a 10-year renewal option. Should the franchisee renew, the franchise agreement includes a renewal fee be paid at the time to cover the franchisor's legal and other filing fees. The fee is recognized and reported in the Company's financials with initial franchise fee revenue, entirely in the period that includes the renewal date. Franchise renewal fees were reported at $51,500 and $57,000 at December 31, 2025 and 2024, respectively. Underlying legal and filing costs are recognized as incurred. The Company considers these amounts to be immaterial with respect to ASC 606 reporting requirements.

The Company makes available to franchisees the option of signing an Area Development Agreement ("ADA"), which grants the franchisee exclusive rights to establish and operate multiple Jason's Deli locations in a specified area, to be opened over a period of time defined in the ADA. There is no cost to the franchisee other than a requirement that they provide a deposit to secure the exclusive rights equal to 100% of the first location's initial franchise fee, and 50% of all remaining locations' initial franchise fees covered by the ADA. These deposits are held in a contract liability account until such time that a location is prepared to open. At that time, the above method of accounting for initial franchise fees is followed. At December 31, 2025 and 2024, the Company had outstanding contract liability balances related to ADA's of $0 and $35,000, respectively. The balance represents the uncompleted performance obligations associated with the ADA's and are expected to be earned within the next fiscal year.

The franchise agreement allows, but does not require franchisees to purchase product from the Company's distribution centers, so while each customer order and subsequent obligation constitutes a customer contract, the long-term relationship of franchisee to distribution center does not. Sales by the distribution center to franchisees are recognized as revenue on the date of shipment to the franchisee in accordance with shipping terms (FOB shipping-point), with relevant costs to process the order closely preceding, and costs to deliver the order closely following. As such, costs to fulfill distribution center customer contract obligations are predominantly recognized and reported in the same period as the related revenue. Franchise and third-party distribution sales revenue is reported as a separate line of revenue on the Company's financial statements. Distribution sales returns are inconsequential and do not impact timing for revenue recognition. The Company has not estimated a sales return allowance as it is not material based on historical experience. Distribution center revenues total $56,737,360 in 2025 and $62,132,299 in 2024.

The distribution center offers Backhaul and over the road ("OTR") Services on a transaction-by-transaction basis, with no long-term contracts involved. Sales are reported as revenue on a dedicated line on the Company's financial statements and are recognized upon completion of the delivery service. Associated costs of backhaul and OTR service performance obligations include driver payroll and benefits, fuel, and expense to maintain the vehicles, and are recognized and reported as expense in the same period as the related revenue. Backhaul and OTR revenues total $2,361,111 and $1,763,113, respectively, in 2025 and $2,444,336 and $1,663,652, respectively, in 2024.

Other than recognition of franchise renewal fees combined with initial franchise fees, all other sources of revenue are presented separately on the financial statements, and thus no additional disaggregation steps were necessary to meet this requirement of ASC 606.

The Company has no contract assets.

NOTE 5 - PROPERTY AND EQUIPMENT

The major classes of property and equipment consisted of the following at December 31, 2025 and 2024:

	2025	2024
Buildings	$ 97,548	$ 97,548
Leasehold improvements	149,203,355	142,339,715
Deli equipment	69,373,298	65,397,229
Automobiles	49,878	119,710
Trucks and trailers	4,673,392	4,917,223
Office furniture and equipment	4,949,760	4,432,053
Construction in progress	2,863,821	1,187,986
	231,211,052	218,491,465
Less accumulated depreciation	(150,326,356)	(141,932,595)
	80,884,696	76,558,870
Land	408,391	408,391
Total property and equipment	$ 81,293,086	$ 76,967,261

Depreciation expenses for the years ended December 31, 2025 and 2024 were $11,723,921 and $11,512,891, respectively.

The estimated amount to complete construction projects in progress was $3,660,915 and $12,469,353 at December 31, 2025 and 2024, respectively.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. In 2025, the Company permanently removed from service three restaurant locations. The Company conducted an impairment evaluation, which resulted in a write-off totaling $418,599. $1,130,492 was recognized as a loss on disposal of assets and is recorded as other operating expenses and ($711,893) was recognized as a reduction to occupancy costs for early termination of the associated leases.

NOTE 6 - INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible assets including goodwill at December 31, 2025 and 2024 consisted of the following:

	December 31, 2024	Additions	Amortization Expense	December 31, 2025
Goodwill	$ 10,788,170	$ -	$ -	$ 10,788,170
Accumulated amortization - goodwill	(4,303,126)		(768,677)	(5,071,803)
Other intangibles:				
Trade name	9,364			9,364
Non-compete covenant	256,000			256,000
Reacquired franchise rights	17,847,670			17,847,670
Franchise development costs	6,560			6,560
Accumulated amortization - other	(4,515,197)		(2,067,356)	(6,582,553)
Total goodwill and intangibles - net	$ 20,089,441	$ -	$ (2,836,033)	$ 17,253,408

Amortization expense for the years ended December 31, 2025 and 2024 was $1,023,448 and $917,848, respectively. Estimated aggregate amortization is $2,373,521, $2,333,869, $2,275,615 and $2,082,873, $2,052,072 for 2026, 2027, 2028, 2029 and 2030, respectively. The weighted-average number of years of amortization remaining by major class of intangible assets as of December 31, 2025, was 11 years for reacquired rights; 9 years for goodwill; and 2 years for the non-compete agreement.

NOTE 7 - DEBT

The Company has open irrevocable stand-by letters of credit with banks as security for liability of gross receipt taxes, workers compensation insurance, deposits under certain city ordinances. At December 31, 2025 and 2024, the Company had a total of $8,550,000 and $7,950,000, respectively, in stand-by letters of credit, which are evaluated annually for relevance and appropriateness of amount.

The master term note has certain covenants including a maximum limit on sustaining capital expenditures. The Company was in compliance with respect to these covenants as of December 31, 2025 and 2024.

Amounts due in one year or less are presented as the current maturities of the obligations. The long-term portion represents the amount due after one year from the date of these statements. Short-term and long-term debt are the following at December 31, 2025 and 2024:

	2025	2024
Master term note with bank originally dated June 21, 2023, aggregated principal of $85,000,000. On October 28, 2024 the company borrowed an additional $20,000,000 which is subject to the terms of the original credit agreement. The total combined principal is payable in quarterly installments of $1,968,750, with remainder due at maturity on June 21, 2028. Interest due monthly, interest at one-month SOFR plus 2.00%,	$ 91,812,500	$ 98,375,000
Total outstanding debt	91,812,500	98,375,000
Less: current maturities	(7,875,000)	(6,562,500)
Deferred loan origination costs, net	(645,385)	(900,155)
Long-term debt	$ 83,292,115	$ 90,912,345

Debt is payable as follows:

Year Ending December 31,	
2026	$ 7,875,000
2027	9,187,500
2028	74,750,000
Total	$ 91,812,500

The Company incurred interest expenses of $6,302,601 and $5,990,068 in 2025 and 2024, respectively, none of which has been capitalized. The amount of interest that should have been capitalized for construction projects was immaterial.

The Company has a credit agreement in place with a lending group. The issuance date of the credit agreement was June 21, 2023. The credit agreement consists of a master term loan with original availability of $85,000,000. Additional borrowing of $20,000,000 under the terms of the original master credit agreement was executed on October 28, 2024. $91,812,500 was outstanding at December 31, 2025. The company has a master revolving line of credit with a limit of $20,000,000. Collectively, the term loan and revolving line of credit are referred to as “the notes”. The notes mature on June 21, 2028. At December 31, 2025 and 2024, the Company had $11,450,000 and $12,050,000, respectively, available to borrow under the master revolving line of credit total.

NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	2025	2024
Sales tax payable	$ 885,310	$ 2,338,958
Commissions payable	562,297	632,449
Payroll taxes payable	307,720	140,560
Accrued payroll	2,695,999	2,741,076
Accrued rent accretion payable	332,677	301,260
Accrued percentage rent	377,446	397,493
Accrued compensated absences	2,035,711	2,007,251
Accrued workers compensation	2,002,265	2,473,782
Other accrued expenses	3,419,296	4,285,616
Deferred franchise and other income	1,405,552	1,011,767
Deferred gift card income	5,615,479	5,695,482
	$ 19,599,851	$ 22,025,694

NOTE 9 - LEASES

At December 31, 2025 and 2024, the Company recognized $26,963,666 and $25,674,003 of costs related to their operating leases. As of December 31, 2025 and 2024, the Company's operating leases have a weighted average remaining lease term of 14.88 and 15.10 years and a weighted average discount rate of 2.52% and 2.30% respectively.

Rent expense under operating leases is calculated using the straight-line method whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. Rent expense generally begins on the date the Company obtained possession under the lease and includes option periods where available. Generally, this results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years, as many lease agreements have periodic scheduled rent increases over the lease term. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and presented as a non-current liability on the consolidated balance sheets. Tenant improvement allowances are amortized as a reduction to rent expense on a straight-line basis over the lease term, as defined above. Tenant improvement allowances are presented as a non-current liability in the consolidated balance sheets.

Supplemental balance sheet information related to leases as of December 31, 2025 are as follows:

ROU assets under operating leases	$ 240,763,214
Total operating lease assets	$ 240,763,214
Operating lease liabilities, current portion	$ 21,240,981
Operating lease liabilities, non-current portion	243,436,730
Total operating lease liabilities	$ 264,677,710

The maturities of the Company's operating and finance lease liabilities as of December 31, 2025 are as follows:

Year Ending December 31,	Operating Leases
2026	$ 27,261,658
2027	26,223,294
2028	25,119,437
2029	23,713,510
2030	22,673,360
Thereafter	199,484,444
Total lease payments	324,475,703
Less: imputed interest	57,757,273
Total	$ 266,718,429

NOTE 10 - RELATED-PARTY TRANSACTIONS

DMI leases two delis owned entirely by one stockholder of the Company. The leases have option periods through 2032 and 2045, with monthly payments escalating every five years.

Future minimum lease payments for the two delis over the next five years (included in Note 9 totals above), are as follows:

Year Ending December 31,	
2025	$ 296,862
2026	307,988
2027	308,999
2028	308,999
2029	311,924
Thereafter	3,974,830
Total	$ 5,509,602

Related party lease expense totaled $283,567 and $280,908 per year, for the years ended December 31, 2025 and 2024.

The Company has a franchise that is on the Company's board of directors and is related to four other stockholders. Total revenues from this franchise for 2025 and 2024 were approximately 2.42% and 2.76%, respectively, of consolidated DMI revenues. Total receivables from this franchise as of December 31, 2025 and 2024 were 2.69% and 2.05%, respectively, of consolidated DMI current assets.

NOTE 11 - INCOME TAXES

The absence of provisions for federal income taxes in 2025 and 2024 for the Company is due to the election by DMI in February 1984, and consent by its stockholders, that the stockholders will include their respective shares of taxable income of the Company in their individual tax returns in accordance with Section 1362(a) of the IRC. As a result, no federal income tax is imposed on the Company.

However, the Company does pay income taxes to most states in which it operates or from which it generates revenue from franchise operations. These taxes include franchise taxes and income taxes imposed on the Company, as well as income taxes imposed on the shareholders based on the shareholders' income from the Company, in lieu of the shareholders filing individual income tax returns with the states. These taxes are estimated to be $975,000 in 2025 and $997,391 in 2024. Amounts paid to the shareholders to assist in paying their personal income taxes totaled approximately $11,000,000 and $11,340,000 in 2025 and 2024, respectively.

Income tax years where the Company remains subject to examination by federal and state taxing entities at December 31, 2022, are 2021, 2020, 2019, and 2018.

The Company engaged with a third party service provider to assess tax credit opportunities granted by the CARES act. Based on review of wages which qualified for an Employee Retention Tax Credit ("ERTC") it was determined the Company is eligible for tax credits totaling $2,340,179. The payroll tax credits will be captured through amending of prior period payroll tax returns. The Company received the refund in 2023.

NOTE 12 - EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

In 1991, the Company established a 401(k) Savings and Incentive Retirement Plan. All full-time employees age 21 or older with one year of service are eligible to participate. Participating employees elect to contribute from 1% to 100% of compensation up to the maximum allowed by law ($23,500 for 2025 and ($23,000 for 2024). The Company provides a discretionary matching contribution to employee contributions between 0% and 6% of compensation.

The Company matching contribution for 2025 and 2024 was 20% of the employees' contribution, to a maximum of 6% of compensation. Employee contributions for 2025 and 2024 totaled $2,372,984 and $2,471,425, respectively. Company contributions for 2025 and 2024 totaled $339,618 and $394,155, respectively, and vest as follows:

Years of Service	Percentage
0 - 2	-
2	20
3	40
4	60
5	80
6	100

Self-Insured Medical Benefits

In May 1998, the Company established a self-insurance plan covering certain medical benefits for substantially all of its management and administrative employees. The Company's liability is limited through the purchase of a reinsurance policy. Liability for specific claims is limited to $250,000 and $250,000 for the years ended December 31, 2025 and 2024, respectively. Liability for the remaining aggregate claims is based on a formula, which includes estimated premium cost per participant and estimated participation. The Company has provided $3,440,653 and $4,294,768 in 2025 and 2024, respectively, for claims incurred and reported. An accrual of $370,000 and $482,000 for claims incurred but not reported has been included in these financial statements for the years ended December 31, 2025 and 2024, respectively. The contract year is May to April. Projections by the third-party administrator for the program indicate that the specific stop-loss point has been reached for various covered employees as of December 31, 2025 and 2024, while the aggregate stop-loss point has not been reached for either year.

Workers' Compensation Benefits

The Company maintains workers' compensation insurance coverage with a deductible of $250,000 for 2025 and 2024. The estimated realizable receivable from subrogation claims of $0 for 2025 and 2024, and has been netted against the accrued workers' compensation liability as of December 31, 2025 and 2024.

Profit-Based Compensation Arrangement

Effective January 1, 2000, the Company adopted a profit-based compensation arrangement (the "Plan") for certain eligible employees. Under the terms of the Plan, annual bonuses to participants vest immediately, except that all amounts due are forfeited immediately upon the participant's termination for cause. The underlying value of the bonuses is based on a formula containing overall profitability of the Company and discretionary participation awards from the Plan Administration Committee. For awards granted prior to January 1, 2005, each participant has the option to request cash payment at any point after award or to allow units of participation to accumulate value based on overall growth and profitability of the Company for any period not to exceed 10 years from date of issuance. For awards granted on or after January 1, 2005, awards are only exercisable by the participant upon the occurrence of one of the following events: separation, death, disability, expiration of term or change in control, as those terms are defined in the Plan document.

Under the terms of the Plan, payments of $50,000 or less are to be paid in a lump sum within 30 days of redemption. For payments greater than $50,000, the participant shall be paid in five installments of 20% each at the following intervals after the triggering event: 30 days, 6 months, 1 year, 18 months, and 24 months.

During the years ended December 31, 2025 and 2024, zero and zero units, respectively, of participation were issued, and 8,700 units and 11,450 units, respectively, were outstanding at year end. Under the terms of the Plan, exercise price is computed as of December 31 of each year. At December 31, 2025 and 2024, each unit was valued at up to $357.33 and $380.85, respectively, depending upon the year of issuance. During the years ended December 31, 2025 and 2024, 2,450 and 3,800 units, respectively, were converted to cash, totaling $117,117 and $192,904, respectively.

Participation expense is reflected in these financial statements as a charge to compensation for 2025 and 2024, and a related liability accrual of $418,796 and $701,587, respectively.

NOTE 13 - CONTINGENT LIABILITIES

The Company is party to various miscellaneous legal actions normally associated with the retail food industry. Management intends to vigorously defend these actions, the aggregate effect of which, if any, is not determinable at this time.

NOTE 14 - CORPORATE STRUCTURE

The Company filed Restated Articles of Incorporation with the Texas Office of the Secretary of State during 2003. The primary effect of the reorganization was to have two classes of common stock: Class A voting, and Class B non-voting. The authorized number of shares of Class A voting common stock was 24, and the authorized number of shares of Class B non-voting common stock was 2,376. All authorized shares were issued. Although each shareholder retained the same ownership percentage after the reorganization as was owned previously, the Class A voting shares were held equally by the two primary shareholders exclusively. The number of directors and method of selecting directors were also changed. Contemporaneously with the filing of the Restated Articles of Incorporation, the Company also adopted Amended and Restated By-laws and an Amended and Restated Stock Redemption and Purchase Agreement. Each shareholder also assigned his shares of Class A and Class B stock to newly formed grantor trusts.

In April 2011, the Company reorganized, which included the purchase of a portion of the common stock shares and a subsequent sale to new shareholders. 1,155 of the 2,400 shares of common stock were purchased by the Company for $87,191,177. 45 shares were subsequently sold for cash and 210 shares were sold to new shareholders and were financed by the Company through the issuance of notes receivable. Interest income recognized on the payment on notes receivables from shareholders was $150,613 in 2025 and $137,976 in 2024.

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April 1, 2025

Mr. Troy Co mier
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Grant Tho n on LLP grees to he in lusion in the F nchise Disclosure Document, d ted April 1, 2025 issued by Deli M nagemen , Inc., of our epo dated Ma ch 27, 2025 elating to the consolida ed finan ial statemen s of Deli M n gemen , Inc. and subsidiaries as of December 31, 2024 and 2023 and for the ye rs then ended. G an Thorn on LLP has not performed ny procedures subsequen to the da e of his lette .

Grant Thornton LLP

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Deli Management, Inc.

December 31, 2024 and 2023

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Deli Management, Inc.

Opinion

We have audited the consolidated financial statements of Deli Management, Inc. (a Texas S corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statement of operations, changes in equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Houston, Texas
March 27, 2025

Deli Management, Inc.

CONSOLIDATED BALANCE SHEETS

December 31, 2024

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,838,261	$ 11,776,327
Accounts receivable - trade, net of allowance for credit losses of $177,500 and $177,500	7,593,868	8,019,660
State income and sales tax refunds receivable	1,323,404	1,323,404
Other receivables	2,096,067	572,637
Inventories	14,150,041	14,933,795
Prepaid expenses	2,558,960	2,348,408
Total current assets	46,560,601	38,974,233
Property and equipment, net	76,967,261	71,890,534
Other assets		
Intangible assets, net	13,604,399	494,796
Goodwill, net	6,485,041	1,091,184
Other investments	5,929	6,433
Operating right of use assets	252,192,911	239,843,773
Deposits	301,324	214,089
Total other assets	272,589,604	241,650,275
Total assets	$ 396,117,466	$ 352,515,042
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable - trade	$ 13,364,269	$ 10,373,379
Accrued liabilities	22,025,684	20,008,991
Short term lease liability	21,071,736	19,883,442
Current maturities of long-term notes payable	6,562,500	4,250,000
Total current liabilities	63,024,189	54,515,812
Long-term liabilities		
Profit based compensation, net of current portion	420,952	677,635
Interest rate swap liability	336,565	784,476
Long-term lease liability	254,952,624	243,198,531
Notes payable, net of current maturities	90,912,345	77,697,800
Total long-term liabilities	346,622,486	322,358,442
Equity (deficit)		
Common stock ($1 par value; 1,154 and 1,154 shares authorized, issued and outstanding)	1,154	1,154
Treasury stock, 1,344 and 1,344 shares, at cost	(99,181,525)	(99,181,525)
Note receivable for common stock	(3,765,323)	(3,765,323)
Additional paid-in capital	23,071,719	23,071,719
Retained earnings	66,344,766	55,514,763
Total deficit	(13,529,209)	(24,359,212)
Total liabilities and equity	$ 396,117,466	$ 352,515,042

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2024 and 2023

	2024	2023
Revenue		
Sales - delis	$ 423,805,017	$ 422,414,574
Sales - distribution centers	62,132,299	65,100,682
Franchise royalties	8,746,571	8,930,335
Backhaul income	2,444,336	2,517,985
Franchise sales	57,000	63,435
Total revenue	497,185,223	499,027,011
Cost of revenue	178,675,045	187,773,300
Gross profit	318,510,178	311,253,711
Operating expenses, excluding owners compensation		
Payroll and employee benefits	166,886,373	164,879,901
Selling, general and administrative expenses	69,427,239	63,762,691
Occupancy and other expenses	32,930,665	33,081,675
Other operating expense (Income), net	12,790,970	14,043,820
Total operating expenses	282,035,247	275,768,087
Operating income before owners compensation	36,474,931	35,485,624
Owners compensation	2,259,239	2,040,161
Income from operations	34,215,692	33,445,463
Other income (expense)		
Interest, net	(5,399,722)	(13,966,056)
Other income	3,117,369	2,786,005
Total other expense	(2,282,353)	(11,180,051)
Income before taxes	31,933,339	22,265,412
State income taxes	997,391	862,292
NET INCOME	$ 30,935,948	$ 21,403,120

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

Years ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Note Receivable for Common Stock	Total Equity (Deficit)
Balance at December 31, 2022	$ 1,154	$ 23,071,719	$ 54,206,034	$ (99,181,525)	$ (3,481,253)	$ (25,383,871)
Distributions	-	-	(20,094,390)	-	-	(20,094,390)
Net income	-	-	21,403,119	-	-	21,403,119
Contribution of capital	-	-	-	-	(284,070)	(284,070)
Balance at December 31, 2023	1,154	23,071,719	55,514,763	(99,181,525)	(3,765,323)	(24,359,212)
Distributions	-	-	(20,105,945)	-	-	(20,105,945)
Net income	-	-	30,935,948	-	-	30,935,948
Contribution of capital	-	-	-	-	-	-
Balance at December 31, 2024	$ 1,154	$ 23,071,719	$ 66,344,766	$ (99,181,525)	$ (3,765,323)	$ (13,529,209)

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net income	$ 30,935,948	$ 21,403,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,430,738	11,710,628
Amortization of debt issuance costs	217,504	1,269,692
Loss on disposition of assets	75,700	1,036,130
Unrealized (gain) loss on interest rate swap	(447,911)	784,476
Proceeds from business interruption insurance	772,870	271,302
Bad debt expense	87,498	24,376
Net (increase) decrease in:		
Receivables	(1,958,005)	4,373,082
Inventories	966,218	(1,362,477)
Prepaid expenses	(210,551)	(1,015,385)
Deposits	(87,235)	6,260,638
Net increase (decrease) in:		
Accounts payable	2,990,890	(865,804)
Accrued liabilities	1,699,138	1,612,497
Operating lease assets and liabilities	593,250	161,646
Net cash provided by operating activities	48,066,052	45,663,920
Cash flows from investing activities:		
Purchase of property and equipment	(17,373,663)	(13,579,159)
Acquisition of locations and franchise rights from franchisee	(21,693,591)	-
Proceeds from sale of assets	2,859,035	13,215
Net cash used in investing activities	(36,208,219)	(13,565,944)
Cash flows from financing activities:		
Distributions	(20,105,440)	(20,094,390)
Proceeds from draws on line of credit	-	7,000,000
Proceeds from notes payable	20,000,000	85,000,000
Principal payments on notes payable	(4,500,000)	(98,561,819)
Principal payment of line of credit	-	(7,000,000)
Increase in owner note receivable	-	(284,320)
Debt issuance costs	(190,459)	1,545,051
Net cash used in financing activities	(4,795,899)	(32,395,478)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,061,934	(297,502)
Cash and cash equivalents, beginning of year	11,776,327	12,073,832
Cash and cash equivalents, end of year	$ 18,838,261	$ 11,776,330
Supplemental disclosures of cash flow information:		
Interest paid	$ 6,124,323	$ 8,971,049
Income taxes paid:		
State	$ 958,891	$ 895,792

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

NOTE 1 - HISTORY AND ORGANIZATION

Deli Management, Inc. ("DMI", "Company", or "Franchisor") was founded in Beaumont, Texas in 1976, and incorporated on October 3, 1983 under the laws of the State of Texas. The Company was organized for the purpose of establishing deli restaurants commonly known as "Jason's Deli®" throughout the State of Texas. Deli operations have subsequently been expanded across the country. Corporate owned restaurants were in operation in the following states at December 31, 2024 and 2023:

	2024	2023
Alabama	4	4
Arizona	5	5
Florida	10	10
Georgia	13	14
Illinois	6	6
Iowa	1	1
Louisiana	7	7
Maryland	1	1
Nebraska	2	2
Nevada	4	4
North Carolina	13	13
Pennsylvania	1	1
South Carolina	2	3
Tennessee	1	1
Texas	87	80
Virginia	5	5
Wisconsin	1	1
	163	158

The Company offers opportunities for new franchisees, and for the expansion of existing franchisees in multiple states. The franchise agreements offer a program which enables the franchisees to operate a deli that offers a variety of delicatessen products, including New Orleans style food and Texas barbecue. Current franchises are operational in Alabama, Arkansas, Colorado, Florida, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Tennessee, and Texas. At December 31, 2024 and 2023, respectively, there were 77 and 81 franchise restaurants in operation. In addition, there were no unopened franchise locations at December 31, 2024 and 2023, respectively.

The Company has two wholesale food distribution centers. One distribution center is located in Charlotte, North Carolina, and the second distribution center is located in Grand Prairie, Texas. These centers are operated primarily for the servicing of company owned and franchise delis. However, they generate additional revenue in the form of backhaul income, both from company suppliers and for other nearby businesses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

These financial statements present the consolidated financial results of Deli Management, Inc. and its subsidiaries after elimination of all significant accounts and transactions. The financial statements have been prepared in accordance with U.S. GAAP.

Reclassifications have been made for presentation purposes. These reclassifications did not have a material impact on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these financial statements, all highly liquid demand and time deposits with an original maturity of three months or less, including money market funds, are considered cash and cash equivalents.

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. As of December 31, 2024 and 2023, accounts were guaranteed by the Federal Deposit Insurance Corporation up to $250,000 and $250,000, respectively. The total amount in excess of the insured limit at December 31, 2024 and 2023 was $15,611,085 and $10,055,496, respectively.

Derivative Financial Instruments

Management reflects derivative financial instruments, which consists of interest rate derivatives, in the Consolidated Balance Sheets at their fair value. For interest rate derivatives, changes in fair value are reflected in interest expense on the income statement. The adjustment to interest expense for years ended December 31, 2024 was ($447,911) and $784,476 respectively. Consistent with the classification of interest paid, cash flows from interest rate derivatives are classified as operating on the Consolidated Statements of Cash Flows. At December 31, 2024 and 2023, interest rate swap liabilities were valued at $336,565 and $784,476 respectively.

Fair Value

The accounting standards for fair value measurements define fair value as the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The accounting standards for fair value measurements establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets that are accessible as of the measurement date for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, accounts payable, and accrued liabilities and are reflected in the audited Consolidated Financial Statements at cost which approximates fair value for these items due to their short-term nature. The Company's other assets and liabilities measured at fair value on a non-recurring basis include long-lived assets, lease right of use assets, goodwill, and other indefinite-lived intangible assets, if determined to be impaired. Management reflects the value of the interest rate swap at its fair value.

Leases

Contracts entered into by the Company are evaluated to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant, and equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating or finance lease based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The lease term and risk free rate for each lease requires judgment by management and can impact the classification of leases as well as the value of the lease assets and liabilities. When determining the lease term, management considers option periods available, and includes option periods in the measurement of the lease right of use asset and lease liability where the exercise is reasonably certain to occur. The Company uses the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, the Company uses the risk free rate.

Upon the adoption of Accounting Standards Codification ("ASC") 842, Leases, the Company has elected to not separate the lease and non-lease components within the contract. Therefore, all fixed payments associated with the lease are included in the right of use asset and the lease liability. These costs often relate to the payments for a proportionate share of real estate taxes, insurance, common area maintenance and other operating costs in addition to a base rent. Any variable payments related to the lease are recorded as lease expense when and as incurred. The Company has elected this practical expedient for its real estate, vehicles and equipment leases. The Company has also elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Company will not apply the recognition requirements of ASC 842 and instead will recognize the lease payments as lease cost on a straight-line basis over the lease term.

In the same manner as long-lived fixed assets, the Company assesses lease right of use assets for potential impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of the right of use assets exceeds the sum of their undiscounted cash flows, the Company records an impairment charge in an amount equal to the excess of the carrying value of the assets over their estimated fair value. If a lease contract is terminated before the expiration of the lease term the remaining right of use asset and lease liability are derecognized, with any difference recognized as a gain or loss on lease termination. If the Company is required to make any payments or receives consideration when terminating the lease, it would include such amounts in the determination of the gain or loss upon termination.

Accounts Receivable and Bad Debts

All receivable invoices are due upon receipt, but are considered past due 31 days after the date of the invoice. Past due deli trade receivables do not accrue interest.

The Company's policy with respect to distribution center past due trade receivables is to assess finance charges at the end of each month on any balance that is older than 31 days. The distribution center receivables past due 90 days or more were $344,937 and $532,222 at December 31, 2024 and 2023, respectively.

Trade receivables are considered uncollectible only after repeated attempts from the collection department and/or an outside collection agency have been made. Past due invoices are routinely monitored by the Accounts Receivable Supervisor, who approves the write off of immaterial, uncollectible amounts throughout the year. Material past due balances are periodically discussed between the Accounts Receivable Supervisor, the Assistant Controller, and the Chief Financial Officer, to review and schedule their write off at yearend, or to elect continued collection efforts if deemed fruitful.

The allowance for credit losses is accounted based on Current Expected Credit Losses, ASC 326. The aging of the receivables, historical write-off experience, as well as management's knowledge and experience with the debtor, influences the allowance computations. Management has determined that an allowance for credit losses for the periods ended December 31, 2024 and 2023 was $177,500.

Inventories

As noted in Note 1, the Company operates wholesale food distribution centers in Grand Prairie, Texas and Charlotte, North Carolina. At December 31, 2024 and 2023, inventories consist of $3,751,247 and $3,238,327, respectively, in deli menu items and related supplies at company owned delis, $10,167,000 and $10,398,164, respectively, in food and related supplies at the wholesale distribution centers, and $231,474 and $1,308,525, respectively, in distribution center truck parts and miscellaneous corporate supplies. Inventories are valued at the lower of cost or net realizable value based on the first-in, first-out ("FIFO") method for distribution centers and a combination of first-in, first-out and most recent cost for delis, which approximates the FIFO method due to the rapid turnover of items.

Shipping and Handling

The Company does not separately charge for shipping and handling. Company costs for shipping and handling are classified in the income statements as follows:

	2024	2023
Salaries and wages	$ $4,432,509	$ 4,596,323
Delivery expense	1,991,232	2,486,559
Handling fees (as part of cost of revenue)	-	36
Insurance	1,019,338	593,464
Rents	1,365,901	1,191,968
Depreciation and amortization	307,220	194,170
	$ 9,280,014	$ 9,062,520

Property and Equipment

Property and equipment are stated at cost. All costs of acquisition of deli equipment and construction of leasehold improvements related to store openings, or remodel projects that total $5,000 or more are capitalized. The Company also capitalizes other furniture and equipment purchases that cost $5,000 or more per item. Minor repairs and replacements are expensed as incurred.

Depreciation is computed on the straight-line method for financial reporting purposes based on the following useful lives, with no salvage value:

	Years
Corporate office facilities	31 - 40
Leasehold improvements	5 - 18
Deli equipment	5 - 10
Automobiles	5
Office furniture and equipment	3 - 10
Trucks and trailers	4 - 6

Impairment of Long-Lived Assets

Deli locations are reviewed for impairment on a location by location basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The recoverability of locations that are to be held and used is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying amount of the asset. If such assets are considered to be impaired, an impairment charge would be recorded in the amount by which the carrying amount of the assets exceeds their fair value using Level 3 measurements, as defined in Note 15. There were no impairment charges of long-lived assets in 2024 or 2023.

Amortization of Intangibles

The non-compete covenant related to the acquisition of two deli locations from a franchise in 2012 is being amortized over 15 years on a straight-line basis, with no residual value. Reacquired rights associated with the purchase of 12 deli locations from five franchisees and 5 deli locations from a single franchisee are being amortized over 2-12 years on a straight-line basis, with no residual value. Goodwill from the purchase of the assets of seven deli locations from five franchisees and five locations from a single franchisee is being amortized over 10 years each, one beginning in 2013, one in 2014, one in 2015, four in 2019, and five in 2024.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was $3,166,914 and $2,807,887 for the years ended December 31, 2024 and 2023, respectively.

Compensated Absences

Company policy provides that any unused amounts of accrued vacation and sick leave are forfeited at separation from service for any reason. Estimated accrued vacation at December 31, 2024 and 2023 was $2,007,251 and $1,944,143, respectively, as reflected in these financial statements. Management does not anticipate that the accumulated sick leave benefit will have a material impact on company operations in a single year, and no accrual for sick leave has been recorded.

Income Taxes

Deli Management, Inc. does not provide for federal income taxes because of the election by the Company, with the consent by its stockholders, that profits of the Company be taxed at the stockholder level under Subchapter S of the Internal Revenue Code (“IRC”). The Company does, however, pay income and other types of taxes to the states in which it operates or from which it generates revenue from franchise operations. Income tax payments to states on behalf of shareholders are reflected as distributions rather than income tax expense.

Accounting guidance requires entities to evaluate uncertain tax positions. This guidance prescribes a more-likely-than-not recognition threshold and a measurement attributable for all tax positions taken or expected to be taken on a tax return in order to be recognized in the financial statements. The Company has not recorded a liability for uncertain tax positions as of December 31, 2024 and 2023 as the Company has not identified any uncertain tax positions that meet the measurement criteria. The Company would recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Presentation of State Sales Taxes

The states in which the Company operates impose sales tax on substantially all of the Company’s sales to nonexempt customers. The Company collects the taxes from customers and remits the taxes to the states, less any applicable discounts. The Company’s accounting policy is to exclude the taxes collected from revenue and cost of sales.

Amortization of Goodwill

The Company elects to amortize goodwill on a straight-line basis over either 10 years or less than 10 years if a shorter useful life is more appropriate. Under the guidance, impairment testing is performed upon the occurrence of a triggering event indicating that the fair value of the entity might be less than its carrying amount, and there is no annual goodwill impairment test. The Company recorded goodwill amortization expense in 2024 and 2023 of $426,874 and $339,455, respectively.

Debt Issuance Costs

The Company’s policy is to net debt issuance costs against the carrying value of the related financial liability for financial statement presentation, in agreement with ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)*, the Company reported unamortized debt issuance costs of $1,215,874 and $1,025,416 in 2024 and 2023, respectively. These costs were netted against long-term outstanding notes payable balances of $91,812,500 and $78,625,000 for 2024 and 2023, respectively. In 2023, the Company wrote off $4,346,260 in loan originations costs, net of amortization, due to the extinguishment of debt which was recognized as interest expense.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting Standards Update (ASU) No. 2023-01, Topic 842, Common Control Lease Arrangements, on March 27, 2023. The new accounting standard offers a practical expedient that gives the company the options of using the written terms and conditions of a common-control arrangement when determining whether a lease exists and the subsequent accounting for the lease, including the lease’s classification. The standard is effective for annual periods beginning after December 15, 2023. The company adopted the new standard effective January 1, 2024.

Subsequent Events

The Company has evaluated subsequent events through March 27, 2025, the date on which the consolidated financial statements were available for issuance.

NOTE 3 - ACQUISITIONS AND DIVESTITURES

On November 1, 2024, DMI completed the acquisition of all the assets at five deli locations from one franchisee for a net cash payout of $21,693.591. The acquisition allows the Company to operate in one additional market, San Antonio, Texas. The Company recognized the assets acquired at fair value as of the acquisition date. The following is a breakdown of assets acquired, liabilities assumed, and items netted against the purchase price:

San Antonio Deli Acquisitions

Assets Acquired:	
Reacquired franchise rights	$ 13,600,667
Furniture fixtures and equipment	2,150,691
Goodwill	5,820,642
Food inventory	141,252
Packaging and uniforms	41,212
Total identified assets acquired	$ 21,754,464
Liabilities assumed and cash received:	
Gift card liabilities	$ (45,000)
Cash received	(15,873)
Net cash paid	$ 21,693,591

NOTE 4 - REVENUE RECOGNITION

ASC Topic 606, *Revenue from Contracts with Customers (“ASC 606”)* provides five core principles to be followed by organizations as part of their adoption and transition as follows: (1) Identify the contract; (2) Identify performance obligations in the contract; (3) Determine the transaction price as specified in the contract; (4) Allocate the transaction price to the performance obligations; and (5) Recognize revenue as each performance obligation is satisfied. In applying ASC 606, the Company applied these principles to identify components of each of the following goods and service offerings, and to apply changes where necessary to meet the standard.

Deli sales consist of sales of prepared food and beverage to customers on a transaction by transaction basis, where the Company’s performance obligation is complete, and substantially all direct costs are incurred and recognized within the same period. All deli sales are recognized as revenue in the same period that product delivery occurs. Deli revenues total $423,805,017 in 2024 and $422,414,574 in 2023.

Physical and virtual gift cards ("stored-value products") are available for sale to customers in deli locations, on the Company's website, on third-party seller websites, and in third-party retail establishments. Sales of stored-value products are initially recorded as a contract liability and are included in accrued liabilities at their expected redemption value. When the stored-value products are redeemed, the Company recognizes revenue, and reduces the contract liability for the amount used. The portion of stored-value products that is never redeemed is referred to as "breakage" and was reported as a credit to discount expense of $5,454 and $55,541 at December 31, 2024 and 2023, respectively. ASC 606 requires that revenue or credit related to contracts with customers be recognized in a timeframe and amount commensurate with costs realized to provide the related goods or services. As this objective pertains to credits recognized for stored-value product breakage, the Company considers these amounts to be immaterial with respect to application of a change in accounting for them and has thus opted to continue present treatment. The Company will monitor future credits related to breakage to alter recognition methods to comply with ASC 606 should they become material. At December 31, 2024 and 2023, the Company had outstanding contract liability balances related to stored-value products, of $5,695,482 and $5,299,552, respectively. The balances represent the uncompleted performance obligations associated with the store-value products and $5,686,731 is expected to be earned during 2024 fiscal year with the remaining balance earned after 2024.

As a loyalty reward and future purchase incentive to customers, the Company maintains a loyalty program known as "deli-dollars", whereby customers earn 25 deli-dollars for every $1 ordered online. Total reward values are tracked by the customer's reward account id and expire one year from issuance. For this customer contract, the customers' consideration is their online spend and purchases made in-house using their reward id, and the Company's performance obligation is the honoring of value acquired. DMI recognizes sales related to earning deli dollars at their full value as they occur. Discounts and promotional reductions in price, including deli-dollars redeemed, are recognized when redeemed as an expense. Additionally, DMI records a monthly accrual to a deli-dollar liability account and to discounts expense to reflect the average monthly change in deli-dollar liability. The monthly accrual is recalculated annually when the liability is adjusted to remove expired deli-dollars; to reflect any difference in actual deli-dollars earned versus the value accumulated using an average; and to adjust for changes in customer redemption patterns. Costs to maintain the program, other than the costs of the discounts themselves, are nominal due to being an automated feature of the Company's online ordering program. As of December 31, 2024 and 2023, the Company had outstanding contract liability balances related to deli-dollar loyalty rewards, of $747,387 and $738,867, respectively. The balances represent the uncompleted performance obligations associated with the loyalty rewards and is expected to be earned during the 2025 and 2024 fiscal years.

The Company grants franchises to independent operators ("franchisees") via a legal contract ("franchise agreement"), that is executed by the franchisor and the franchisee, where future consideration ("royalties") is promised by the franchisee in exchange for the rights provided by the franchisor to establish and operate a Jason's Deli in a specified location, and to use, on an ongoing basis, the trade name, service marks, trademarks, copyrights, and proprietary operating and technological systems that the franchisor has acquired and developed. Royalty revenue is accrued and recognized by the Company monthly as a separate line of revenue in the Company's financial statements. Royalties are calculated at 4% of franchisees' reported gross sales, less discounts and sales tax collected, as allowed by the franchise agreement. The underlying costs of the Company's performance obligations, including development and maintenance of registered trademarks, copyrights, and other proprietary systems that the franchisee has purchased rights to, are deemed to be provided equally, on average, on each dollar of franchisee sales, and are thus matched against royalties in the same period that they are earned and recognized as revenue by the franchisor. Franchise royalty revenues total $8,746,571 in 2024 and $8,930,335 in 2023.

In addition to royalties, the franchise agreement includes an initial franchise fee per location that is determined by the size and nature, and thus anticipated cost of performance obligation to the Company, of the location being licensed. The franchise fee entitles the franchisee's location to two weeks of training, including payroll cost, benefits, payroll taxes, travel, food, lodging, and any other support cost, for a set number of the franchisors' dedicated training staff and supervision. The Company sets this fee at its average cost to provide this service. Where a franchisee is established and elects to supply their own training, the franchise agreement allows the franchisor and franchisee to be absolved of the performance obligation and related consideration, in which case no revenue or associated costs are recognized. Where prior to adoption of ASC 606 franchise fees were recognized entirely in the month of opening, franchise fees under ASC 606 are allocated proportionately against the period(s) that underlying payroll and support costs are recognized. Franchise fees are recognized by the Company as a separate line of revenue in the Company's financial statements.

Franchise agreements expire 20 years after a franchise location opens and include a 10-year renewal option. Should the franchisee renew, the franchise agreement includes a renewal fee be paid at the time to cover the franchisor's legal and other filing fees. The fee is recognized and reported in the Company's financials with initial franchise fee revenue, entirely in the period that includes the renewal date. Franchise renewal fees were reported at $57,000 and $0 at December 31, 2024 and 2023, respectively. Underlying legal and filing costs are recognized as incurred. The Company considers these amounts to be immaterial with respect to ASC 606 reporting requirements.

The Company makes available to franchisees the option of signing an Area Development Agreement ("ADA"), which grants the franchisee exclusive rights to establish and operate multiple Jason's Deli locations in a specified area, to be opened over a period of time defined in the ADA. There is no cost to the franchisee other than a requirement that they provide a deposit to secure the exclusive rights equal to 100% of the first location's initial franchise fee, and 50% of all remaining locations' initial franchise fees covered by the ADA. These deposits are held in a contract liability account until such time that a location is prepared to open. At that time, the above method of accounting for initial franchise fees is followed. At December 31, 2024 and 2023, the Company had outstanding contract liability balances related to ADA's of $35,000 and $35,000, respectively. The balance represents the uncompleted performance obligations associated with the ADA's and are expected to be earned within the next fiscal year.

The franchise agreement allows, but does not require franchisees to purchase product from the Company's distribution centers, so while each customer order and subsequent obligation constitutes a customer contract, the long-term relationship of franchisee to distribution center does not. Sales by the distribution center to franchisees are recognized as revenue on the date of shipment to the franchisee in accordance with shipping terms (FOB shipping-point), with relevant costs to process the order closely preceding, and costs to deliver the order closely following. As such, costs to fulfill distribution center customer contract obligations are predominantly recognized and reported in the same period as the related revenue. Franchise and third-party distribution sales revenue is reported as a separate line of revenue on the Company's financial statements. Distribution sales returns are inconsequential and do not impact timing for revenue recognition. The Company has not estimated a sales return allowance as it is not material based on historical experience. Distribution center revenues total $62,132,299 in 2024 and $65,100,682 in 2023.

The distribution center offers Backhaul and over the road ("OTR") Services on a transaction-by-transaction basis, with no long-term contracts involved. Sales are reported as revenue on a dedicated line on the Company's financial statements and are recognized upon completion of the delivery service. Associated costs of backhaul and OTR service performance obligations include driver payroll and benefits, fuel, and expense to maintain the vehicles, and are recognized and reported as expense in the same period as the related revenue. Backhaul and OTR revenues total $2,444,336 and $1,663,652, respectively, in 2024 and $2,517,985 and $2,359,114, respectively, in 2023.

Other than recognition of franchise renewal fees combined with initial franchise fees, all other sources of revenue are presented separately on the financial statements, and thus no additional disaggregation steps were necessary to meet this requirement of ASC 606.

The Company has no contract assets.

NOTE 5 - PROPERTY AND EQUIPMENT

The major classes of property and equipment consisted of the following at December 31, 2024 and 2023:

	2024	2023
Buildings	$ 97,548	$ 97,548
Leasehold improvements	142,339,715	135,495,291
Deli equipment	65,397,229	60,482,965
Automobiles	119,710	119,710
Trucks and trailers	4,917,223	3,619,512
Office furniture and equipment	4,432,053	4,850,928
Construction in progress	1,187,986	569,927
	218,491,465	205,235,882
Less accumulated depreciation	(141,932,595)	(133,753,739)
	76,558,870	71,482,143
Land	408,391	408,391
Total property and equipment	$ 76,967,261	$ 71,890,534

Depreciation expenses for the years ended December 31, 2024 and 2023 were $11,512,891 and $11,333,079, respectively.

The estimated amount to complete construction projects in progress was $12,469,353 and $10,568,240 at December 31, 2024 and 2023, respectively.

NOTE 5 - INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible assets including goodwill at December 31, 2024 and 2023 consisted of the following:

	December 31, 2023	Additions	Amortization Expense	December 31, 2024
Goodwill	$ 4,967,527	$ 5,820,643	$ -	$ 10,788,170
Accumulated amortization - goodwill	(3,878,343)	-	(424,784)	(4,303,126)
Other intangibles:				
Trade name	9,364	-	-	9,364
Non-compete covenant	256,000	-	-	256,000
Reacquired franchise rights	4,247,003	13,600,667	-	17,847,670
Franchise development costs	6,560	-	-	6,560
Accumulated amortization - other	(4,022,128)	-	(493,069)	(4,515,197)
Total goodwill and intangibles - net	$ 1,585,980	$ 19,421,309	$ (917,848)	$ 20,089,441

Amortization expense for the years ended December 31, 2024 and 2023 was $917,848and $566,037, respectively. Estimated aggregate amortization is $2,843,688, $2,373,521, $2,333,869, $2,275,615 and $2,082,873 for 2025, 2026, 2027, 2028 and 2029, respectively. The weighted-average number of years of amortization remaining by major class of intangible assets as of December 31, 2024, was 12 years for reacquired rights; 10 years for goodwill; and 3 years for the non-compete agreement.

NOTE 6 - DEBT

The Company has open irrevocable stand-by letters of credit with banks as security for liability of gross receipt taxes, workers compensation insurance, deposits under certain city ordinances. At December 31, 2024 and 2023, the Company had a total of $7,950,000 and $7,658,000, respectively, in stand-by letters of credit, which are evaluated annually for relevance and appropriateness of amount.

The master term note has certain covenants including a maximum limit on sustaining capital expenditures. The Company was in compliance with respect to these covenants as of December 31, 2024 and 2023.

Amounts due in one year or less are presented as the current maturities of the obligations. The long-term portion represents the amount due after one year from the date of these statements. Short-term and long-term debt are the following at December 31, 2024 and 2023:

	2024	2023
Master term note with bank originally dated June 21, 2023, aggregated principal of $85,000,000. On October 28, 2024 the company borrowed an additional $20,000,000 which is subject to the terms of the original credit agreement. The total combined principal is payable in quarterly installments of $1,312,500, with remainder due at maturity on June 21, 2028. Interest due monthly, interest at one-month SOFR plus 2.00%,	$ 98,375,000	$ 82,875,000
Total outstanding debt	98,375,000	82,875,000
Less: current maturities	(6,562,500)	(4,250,000)
Deferred loan origination costs, net	(900,155)	(927,200)
Long-term debt	$ 90,912,345	$ 77,697,800

Debt is payable as follows:

Year Ending December 31,	
2025	$ 6,562,500
2026	7,875,000
2027	9,187,500
2028	74,750,000
Thereafter	-
Total	$ 98,375,000

The Company incurred interest expenses of $5,990,068 and $9,029,178 in 2024 and 2023, respectively, none of which has been capitalized. The amount of interest that should have been capitalized for construction projects was immaterial.

The Company has a credit agreement in place with a lending group. The issuance date of the credit agreement was June 21, 2023. The credit agreement consists of a master term loan with original availability of $85,000,000. Additional borrowing of $20,000,000 under the terms of the original master credit agreement was executed on October 28, 2024. $98,375,000 was outstanding at December 31, 2024. The company has a master revolving line of credit with a limit of $20,000,000. Collectively, the term loan and revolving line of credit are referred to as “the notes”. The notes mature on June 21, 2028. At December 31, 2024 and 2023, the Company had $12,050,000 and $12,342,000, respectively, available to borrow under the master revolving line of credit total.

NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	2024	2023
Sales tax payable	$ 2,338,958	$ 948,811
Commissions payable	632,449	802,190
Payroll taxes payable	140,560	492,694
Accrued payroll	2,741,076	2,462,820
Accrued rent accretion payable	301,260	207,287
Accrued percentage rent	397,493	322,460
Accrued compensated absences	2,007,251	1,944,143
Accrued workers compensation	2,473,782	1,827,089
Other accrued expenses	4,285,616	4,788,614
Deferred franchise and other income	1,011,767	913,331
Deferred gift card income	5,695,482	5,299,552
	$ 22,025,694	$ 20,008,991

NOTE 8 - LEASES

At December 31, 2024 and 2023, the Company recognized $25,674,003 and $25,188,089 of costs related to their operating leases. As of December 31, 2024 and 2023, the Company’s operating leases have a weighted average remaining lease term of 15.10 and 15.39 years and a weighted average discount rate of 2.30% and 1.75% respectively.

Rent expense under operating leases is calculated using the straight-line method whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. Rent expense generally begins on the date the Company obtained possession under the lease and includes option periods where available. Generally, this results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years, as many lease agreements have periodic scheduled rent increases over the lease term. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and presented as a non-current liability on the consolidated balance sheets. Tenant improvement allowances are amortized as a reduction to rent expense on a straight-line basis over the lease term, as defined above. Tenant improvement allowances are presented as a non-current liability in the consolidated balance sheets.

Supplemental balance sheet information related to leases as of December 31, 2024 are as follows:

ROU assets under operating leases	$ 252,192,911
Total operating lease assets	$ 252,192,911
Operating lease liabilities, current portion	$ 21,071,736
Operating lease liabilities, non-current portion	254,952,624
Total operating lease liabilities	$ 276,024,360

The maturities of the Company's operating and finance lease liabilities as of December 31, 2024 are as follows:

Year Ending December 31,	Operating Leases
2025	$ 26,910,404
2026	26,871,955
2027	25,467,807
2028	24,508,943
2029	23,084,748
Thereafter	205,504,795
Total lease payments	332,348,654
Less: imputed interest	55,405,477
Total	$ 276,943,177

NOTE 9 - RELATED-PARTY TRANSACTIONS

DMI leases two delis owned entirely by one stockholder of the Company. The leases have option periods through 2032 and 2045, with monthly payments escalating every five years.

Future minimum lease payments for the two delis over the next five years (included in Note 9 totals above), are as follows:

Year Ending December 31,	
2024	$ 283,567
2025	296,862
2026	307,988
2027	308,999
2028	308,999
Thereafter	4,286,754
Total	$ 5,793,169

Related party lease expense totaled $280,908 per year, for the years ended December 31, 2024 and 2023.

The Company has a franchise that is on the Company's board of directors and is related to four other stockholders. Total revenues from this franchise for 2024 and 2023 were approximately 2.76% and 2.66%, respectively, of consolidated DMI revenues. Total receivables from this franchise as of December 31, 2024 and 2023 were 2.05% and 2.11%, respectively, of consolidated DMI current assets.

NOTE 10 - INCOME TAXES

The absence of provisions for federal income taxes in 2024 and 2023 for the Company is due to the election by DMI in February 1984, and consent by its stockholders, that the stockholders will include their respective shares of taxable income of the Company in their individual tax returns in accordance with Section 1362(a) of the IRC. As a result, no federal income tax is imposed on the Company.

However, the Company does pay income taxes to most states in which it operates or from which it generates revenue from franchise operations. These taxes include franchise taxes and income taxes imposed on the Company, as well as income taxes imposed on the shareholders based on the shareholders' income from the Company, in lieu of the shareholders filing individual income tax returns with the states. These taxes are estimated to be $997,391 in 2024 and $862,292 in 2023. Amounts paid to the shareholders to assist in paying their personal income taxes totaled approximately $11,340,000 and $10,100,000 in 2024 and 2023, respectively.

Income tax years where the Company remains subject to examination by federal and state taxing entities at December 31, 2022, are 2021, 2020, 2019, and 2018.

The Company engaged with a third party service provider to assess tax credit opportunities granted by the CARES act. Based on review of wages which qualified for an Employee Retention Tax Credit ("ERTC") it was determined the Company is eligible for tax credits totaling $2,340,179. The payroll tax credits will be captured through amending of prior period payroll tax returns. The Company received the refund in 2023.

NOTE 11 - EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

In 1991, the Company established a 401(k) Savings and Incentive Retirement Plan. All full-time employees age 21 or older with one year of service are eligible to participate. Participating employees elect to contribute from 1% to 100% of compensation up to the maximum allowed by law ($23,000 for 2024 and $22,500 for 2023). The Company provides a discretionary matching contribution to employee contributions between 0% and 6% of compensation.

The Company matching contribution for 2024 and 2023 was 20% of the employees' contribution, to a maximum of 6% of compensation. Employee contributions for 2024 and 2023 totaled $2,471,425 and $2,230,994, respectively. Company contributions for 2024 and 2023 totaled $394,155 and $368,029, respectively, and vest as follows:

Years of Service	Percentage
0 - 2	-
2	20
3	40
4	60
5	80
6	100

Self-Insured Medical Benefits

In May 1998, the Company established a self-insurance plan covering certain medical benefits for substantially all of its management and administrative employees. The Company's liability is limited through the purchase of a reinsurance policy. Liability for specific claims is limited to $250,000 and $250,000 for the years ended December 31, 2024 and 2023, respectively. Liability for the remaining aggregate claims is based on a formula, which includes estimated premium cost per participant and estimated participation. The Company has provided $4,294,768 and $3,806,482 in 2024 and 2023, respectively, for claims incurred and reported. An accrual of $482,000 and $441,000 for claims incurred but not reported has been included in these financial statements for the years ended December 31, 2024 and 2023, respectively. The contract year is May to April. Projections by the third-party administrator for the program indicate that the specific stop-loss point has been reached for various covered employees as of December 31, 2024 and 2023, while the aggregate stop-loss point has not been reached for either year.

Workers' Compensation Benefits

The Company maintains workers' compensation insurance coverage with a deductible of $250,000 for 2024 and 2023 respectively. The estimated realizable receivable from subrogation claims of $0 for 2024 and 2023 respectively and has been netted against the accrued workers' compensation liability as of December 31, 2024 and 2023, respectively.

Profit-Based Compensation Arrangement

Effective January 1, 2000, the Company adopted a profit-based compensation arrangement (the "Plan") for certain eligible employees. Under the terms of the Plan, annual bonuses to participants vest immediately, except that all amounts due are forfeited immediately upon the participant's termination for cause. The underlying value of the bonuses is based on a formula containing overall profitability of the Company and discretionary participation awards from the Plan Administration Committee. For awards granted prior to January 1, 2005, each participant has the option to request cash payment at any point after award or to allow units of participation to accumulate value based on overall growth and profitability of the Company for any period not to exceed 10 years from date of issuance. For awards granted on or after January 1, 2005, awards are only exercisable by the participant upon the occurrence of one of the following events: separation, death, disability, expiration of term or change in control, as those terms are defined in the Plan document.

Under the terms of the Plan, payments of $50,000 or less are to be paid in a lump sum within 30 days of redemption. For payments greater than $50,000, the participant shall be paid in five installments of 20% each at the following intervals after the triggering event: 30 days, 6 months, 1 year, 18 months, and 24 months.

During the years ended December 31, 2024 and 2023, zero and zero units, respectively, of participation were issued, and 11,450 units and 15,250 units, respectively, were outstanding at year end. Under the terms of the Plan, exercise price is computed as of December 31 of each year. At December 31, 2024 and 2023, each unit was valued at up to $380.85 and $386.74, respectively, depending upon the year of issuance. During the years ended December 31, 2024 and 2023, 3,800 and 12,700 units, respectively, were converted to cash, totaling $192,904 and $612,440, respectively.

Participation expense is reflected in these financial statements as a charge to compensation for 2024 and 2023, and a related liability accrual of $701,587 and $962,724, respectively.

NOTE 12 - CONTINGENT LIABILITIES

The Company is party to various miscellaneous legal actions normally associated with the retail food industry. Management intends to vigorously defend these actions, the aggregate effect of which, if any, is not determinable at this time.

NOTE 13 - CORPORATE STRUCTURE

The Company filed Restated Articles of Incorporation with the Texas Office of the Secretary of State during 2003. The primary effect of the reorganization was to have two classes of common stock: Class A voting, and Class B non-voting. The authorized number of shares of Class A voting common stock was 24, and the authorized number of shares of Class B non-voting common stock was 2,376. All authorized shares were issued. Although each shareholder retained the same ownership percentage after the reorganization as was owned previously, the Class A voting shares were held equally by the two primary shareholders exclusively. The number of directors and method of selecting directors were also changed. Contemporaneously with the filing of the Restated Articles of Incorporation, the Company also adopted Amended and Restated By-laws and an Amended and Restated Stock Redemption and Purchase Agreement. Each shareholder also assigned his shares of Class A and Class B stock to newly formed grantor trusts.

In April 2011, the Company reorganized, which included the purchase of a portion of the common stock shares and a subsequent sale to new shareholders. 1,155 of the 2,400 shares of common stock were purchased by the Company for $87,191,177. 45 shares were subsequently sold for cash and 210 shares were sold to new shareholders and were financed by the Company through the issuance of notes receivable. Based on the terms of the notes, U.S. GAAP requires stock-based compensation accounting whereby the notes exchanged for common stock resulted in the recognition of expense in the amount of $8,628,060 in 2011. Interest income recognized on the payment on notes receivables from shareholders was $ $137,976 in 2024 and $148,708 in 2023.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Deli Management, Inc.

December 31, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Deli Management, Inc.

Opinion
We have audited the consolidated financial statements of Deli Management, Inc. (a Texas S corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued.

Grant Thornton

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Houston, Texas
March 28, 2024

Deli Management, Inc.

CONSOLIDATED BALANCE SHEETS

December 31, 2023

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,776,327	$ 12,073,832
Accounts receivable - trade, net of allowance for credit losses of $177,500 and $177,500	8,019,660	9,105,610
State income and sales tax refunds receivable	1,323,404	4,501,242
Other receivables	572,637	977,608
Inventories	14,933,795	13,571,318
Prepaid expenses	2,348,408	1,333,023
Total current assets	38,974,233	41,562,633
Property and equipment, net	71,890,534	70,693,798
Other assets:		
Intangible assets, net	494,796	721,379
Goodwill, net	1,091,184	1,430,638
Other investments	6,433	6,570
Operating right of use assets	239,843,773	240,785,256
Deposits	214,089	6,474,727
Total other assets	241,650,275	249,418,570
Total assets	$ 352,515,042	$ 361,675,001
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable - trade	$ 10,373,379	$ 11,239,183
Accrued liabilities	20,008,991	19,074,376
Short term lease liability	19,883,442	20,271,014
Current maturities of long-term notes payable	4,250,000	5,348,500
Total current liabilities	54,515,812	55,933,073
Long-term liabilities:		
Profit based compensation, net of current portion	677,635	-
Interest rate swap liability	784,476	-
Long-term lease liability	243,198,531	243,590,795
Notes payable, net of current maturities	77,697,800	87,535,004
Total long-term liabilities	322,358,442	331,125,799
Equity (deficit):		
Deli Management, Inc. stockholders' equity		-
Common stock ($1 par value; 1,154 and 1,154 shares authorized, issued and outstanding)	1,154	1,154
Treasury stock, 1,344 and 1,344 shares, at cost	(99,181,525)	(99,181,525)
Note receivable for common stock	(3,765,323)	(3,481,253)
Additional paid-in capital	23,071,719	23,071,719
Retained earnings	55,514,763	54,206,034
Total deficit	(24,359,212)	(25,383,871)
Total liabilities and equity	$ 352,515,042	$ 361,675,001

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2023 and 2022

	2023	2022
Revenue		
Sales - delis	$ 422,414,574	$ 408,090,429
Sales - distribution centers	65,100,682	64,170,878
Franchise sales	63,435	16,000
Franchise royalties	8,930,335	8,392,822
Backhaul income	2,517,985	4,020,327
Total revenue	499,027,011	484,690,456
Cost of revenue	187,773,300	188,669,325
Gross profit	311,253,711	296,021,131
Operating expenses, excluding owners compensation	275,768,088	265,707,827
Operating income before owners compensation	35,485,623	30,313,304
Owners compensation	2,040,161	1,470,290
Income from operations	33,445,462	28,843,014
Other income (expense)		-
Interest, net	(13,966,056)	(9,835,946)
Other income	2,786,005	1,086,114
Total other expense	(11,180,051)	(8,749,832)
Income before taxes	22,265,411	20,093,182
State income taxes	862,292	728,987
NET INCOME	$ 21,403,119	$ 19,364,195

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

Years ended December 31, 2023 and 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Note Receivable for Common Stock	Total Equity (Deficit)
Balance at December 31, 2021	$ 1,154	$ 23,071,719	$ 48,614,487	$ (99,181,525)	$ (3,481,253)	$ (30,975,418)
Distributions	-	-	(13,772,648)	-	-	(13,772,648)
Net income	-	-	19,364,195	-	-	19,364,195
Balance at December 31, 2022	1,154	23,071,719	54,206,034	(99,181,525)	(3,481,253)	(25,383,871)
Distributions	-	-	(20,094,390)	-	-	(20,094,390)
Net income	-	-	21,403,119	-	-	21,403,119
Contribution of capital	-	-	-	-	(284,070)	(284,070)
Balance at December 31, 2023	$ 1,154	$ 23,071,719	$ 55,514,763	$ (99,181,525)	$ (3,765,323)	$ (24,359,212)

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

Deli Management, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 21,403,119	$ 19,364,195
Adjustments to reconcile net income to net cash provided by operating activities:		-
Depreciation and amortization	11,710,628	12,650,347
Amortization of deferred loan origination costs	1,269,692	566,844
Loss on disposition of assets	1,036,130	805,425
Unrealized loss on interest rate swap	784,476	-
Proceeds from business interruption insurance, net of deductible	271,302	-
Bad debt expense	24,376	39,060
Net increase (decrease) in:		
Receivables	4,373,082	(3,707,988)
Inventories	(1,362,477)	(905,700)
Prepaid expenses	(1,015,385)	720,016
Deposits	6,260,638	41,066
Net increase (decrease) in:		
Accounts payable	(865,804)	330,761
Accrued liabilities	1,774,140	(2,504,043)
Net cash provided by operating activities	45,663,917	27,399,983
Cash flows from investing activities:		
Purchase of property and equipment	(13,579,159)	(7,773,799)
Proceeds from sale of assets	13,215	37,756
Net cash used in investing activities	(13,565,944)	(7,736,043)
Cash flows from financing activities:		
Distributions	(20,094,390)	(13,772,352)
Proceeds from draws on line of credit	7,000,000	2,500,000
Proceeds from notes payable	85,000,000	-
Principal payments on notes payable	(98,561,819)	(5,707,689)
Principal payment of line of credit	(7,000,000)	(2,500,000)
Increase in owner note receivable	(284,320)	-
Loan origination costs	1,545,051	-
Net cash used in financing activities	(32,395,478)	(19,480,041)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(297,505)	183,899
Cash and cash equivalents, beginning of year	12,073,832	11,889,933
Cash and cash equivalents, end of year	$ 11,776,327	$ 12,073,832
Supplemental disclosures of cash flow information:		
Interest paid	$ 8,971,049	$ 9,507,244
Income taxes paid:		
State	$ 895,792	$ 614,987

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

NOTE 1 - HISTORY AND ORGANIZATION

Deli Management, Inc. ("DMI", "Company", or "Franchisor") was founded in Beaumont, Texas in 1976, and incorporated on October 3, 1983 under the laws of the State of Texas. The Company was organized for the purpose of establishing deli restaurants commonly known as "Jason's Deli®" throughout the State of Texas. Deli operations have subsequently been expanded across the country. Corporate owned restaurants were in operation in the following states at December 31, 2023 and 2022:

	2023	2022
Alabama	4	4
Arizona	5	5
Florida	10	10
Georgia	14	14
Illinois	6	8
Iowa	1	1
Louisiana	7	7
Maryland	1	1
Nebraska	2	2
Nevada	4	4
North Carolina	13	13
Pennsylvania	1	1
South Carolina	3	3
Tennessee	1	1
Texas	80	79
Virginia	5	7
Wisconsin	1	1
	158	161

The Company offers opportunities for new franchisees, and for the expansion of existing franchisees in multiple states. The franchise agreements offer a program which enables the franchisees to operate a deli that offers a variety of delicatessen products, including New Orleans style food and Texas barbecue. Current franchises are operational in Alabama, Arkansas, Colorado, Florida, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Tennessee, and Texas. At December 31, 2023 and 2022, respectively, there were 81 and 82 franchise restaurants in operation. In addition, there were no unopened franchise locations at December 31, 2023 and 2022, respectively.

The Company has two wholesale food distribution centers. One distribution center is located in Charlotte, North Carolina, and the second distribution center is located in Grand Prairie, Texas. These centers are operated primarily for the servicing of company owned and franchise delis. However, they generate additional revenue in the form of backhaul income, both from company suppliers and for other nearby businesses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation

These financial statements present the consolidated financial results of Deli Management, Inc. and its subsidiaries after elimination of all significant accounts and transactions. The financial statements have been prepared in accordance with U.S. GAAP.

Reclassifications have been made for presentation purposes. These reclassifications did not have a material impact on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these financial statements, all highly liquid demand and time deposits with a maturity of three months or less, including money market funds, are considered cash and cash equivalents.

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. As of December 31, 2023, accounts were guaranteed by the Federal Deposit Insurance Corporation up to $250,000. The total amount in excess of the insured limit at December 31, 2023 was $10,055,496.

Revenue Recognition

See Note 4. Revenue Recognition.

Accounts Receivable and Bad Debts

All receivable invoices are due upon receipt, but are considered past due 31 days after the date of the invoice. Past due deli trade receivables do not accrue interest.

The Company’s policy with respect to distribution center past due trade receivables is to assess finance charges at the end of each month on any balance that is older than 31 days. The distribution center receivables past due 90 days or more were $532,222 and $500,702 at December 31, 2023 and 2022, respectively.

Trade receivables are considered uncollectible only after repeated attempts from the collection department and/or an outside collection agency have been made. Past due invoices are routinely monitored by the Accounts Receivable Supervisor, who approves the write off of immaterial, uncollectible amounts throughout the year. Material past due balances are periodically discussed between the Accounts Receivable Supervisor, the Assistant Controller, and the Chief Financial Officer, to review and schedule their write off at yearend, or to elect continued collection efforts if deemed fruitful.

Bad debts are determined by the allowance method. The aging of the receivables, historical write-off experience, as well as management’s knowledge and experience with the debtor, influences the allowance computations. Management has determined that an allowance of $177,500 was appropriate at December 31, 2023, and $177,500 was appropriate at December 31, 2022.

Inventories

As noted in Note 1, the Company operates wholesale food distribution centers in Grand Prairie, Texas and Charlotte, North Carolina. At December 31, 2023 and 2022, inventories consist of $3,238,327 and $3,163,215, respectively, in deli menu items and related supplies at company owned delis, $10,398,163 and $10,237,500, respectively, in food and related supplies at the wholesale distribution centers, and $1,308,525 and $177,889, respectively, in distribution center truck parts and miscellaneous corporate supplies. Inventories are valued at the lower of cost or net realizable value based on the first-in, first-out ("FIFO") method for distribution centers and a combination of first-in, first-out and most recent cost for delis, which approximates the FIFO method due to the rapid turnover of items.

Shipping and Handling

The Company does not separately charge for shipping and handling. Company costs for shipping and handling are classified in the income statements as follows:

	2023	2022
Salaries and wages	$ 4,596,323	$ 4,272,200
Delivery expense	2,486,559	2,691,082
Handling fees (as part of cost of revenue)	36	2,570
Insurance	593,464	516,050
Rents	1,191,968	1,058,435
Depreciation and amortization	194,170	193,967
	$ 9,062,520	$ 8,734,304

Property and Equipment

Property and equipment are stated at cost. All costs of acquisition of deli equipment and construction of leasehold improvements related to store openings, or remodel projects that total $5,000 or more are capitalized. The Company also capitalizes other furniture and equipment purchases that cost $5,000 or more per item. Minor repairs and replacements are expensed as incurred.

Depreciation is computed on the straight-line method for financial reporting purposes based on the following useful lives, with no salvage value:

	Years
Corporate office facilities	31 - 40
Leasehold improvements	5 - 18
Deli equipment	5 - 10
Automobiles	5
Office furniture and equipment	3 - 10
Trucks and trailers	4 - 6

Impairment of Long-Lived Assets

Deli locations are reviewed for impairment on a location by location basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The recoverability of locations that are to be held and used is measured by comparison of the estimated future undiscounted cash flows associated with the asset to the carrying amount of the asset. If such assets are considered to be impaired, an impairment charge would be recorded in the amount by which the carrying amount of the assets exceeds their fair value using Level 3 measurements, as defined in Note 15. There were no impairment charges of long-lived assets in 2023 or 2022.

Amortization of Intangibles

The non-compete covenant related to the acquisition of two deli locations from a franchise in 2012 is being amortized over 15 years on a straight-line basis, with no residual value. Reacquired rights associated with the purchase of 12 deli locations from five franchisees are being amortized over 2-11 years on a straight-line basis, with no residual value. Goodwill from the purchase of the assets of seven deli locations from five franchisees is being amortized over 10 years each, one beginning in 2013, one in 2014, one in 2015, and four in 2019.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was $2,807,887 and $2,812,865 for the years ended December 31, 2023 and 2022, respectively.

Compensated Absences

Company policy provides that any unused amounts of accrued vacation and sick leave are forfeited at separation from service for any reason. Estimated accrued vacation at December 31, 2023 and 2022 was $1,944,143 and $1,881,899, respectively, as reflected in these financial statements. Management does not anticipate that the accumulated sick leave benefit will have a material impact on company operations in a single year, and no accrual for sick leave has been recorded.

Income Taxes

Deli Management, Inc. does not provide for federal income taxes because of the election by the Company, with the consent by its stockholders, that profits of the Company be taxed at the stockholder level under Subchapter S of the Internal Revenue Code (“IRC”). The Company does, however, pay income and other types of taxes to the states in which it operates or from which it generates revenue from franchise operations. Income tax payments to states on behalf of shareholders are reflected as distributions rather than income tax expense.

Accounting guidance requires entities to evaluate uncertain tax positions. This guidance prescribes a more-likely-than-not recognition threshold and a measurement attributable for all tax positions taken or expected to be taken on a tax return in order to be recognized in the financial statements. The Company has not recorded a liability for uncertain tax positions as of December 31, 2023 and 2022 as the Company has not identified any uncertain tax positions that meet the measurement criteria. The Company would recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Presentation of State Sales Taxes

The states in which the Company operates impose sales tax on substantially all of the Company’s sales to nonexempt customers. The Company collects the taxes from customers and remits the taxes to the states, less any applicable discounts. The Company’s accounting policy is to exclude the taxes collected from revenue and cost of sales.

Amortization of Goodwill

The Company elects to amortize goodwill on a straight-line basis over either 10 years or less than 10 years if a shorter useful life is more appropriate. Under the guidance, impairment testing is performed upon the occurrence of a triggering event indicating that the fair value of the entity might be less than its carrying amount, and there is no annual goodwill impairment test. The Company recorded goodwill amortization expense in 2023 and 2022 of $339,455 and $494,878, respectively.

Debt Issuance Costs

The Company's policy is to net debt issuance costs against the carrying value of the related financial liability for financial statement presentation, in agreement with ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)*, the Company reported unamortized debt issuance costs of $1,025,416 and $5,131,130 in 2023 and 2022, respectively. These costs were netted against long-term outstanding notes payable balances of $78,625,000 and $91,088,319 for 2023 and 2022, respectively. In 2023, the company wrote off $4,346,260 in loan originations costs, net of amortization, due to the extinguishment of debt which was recognized as interest expense.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting Standards Update (ASU) No. 2016-13, Topic 326, *Financial Instruments – Credit Losses*, on June 16, 2016. The new accounting standard introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. The standard is effective for annual periods beginning after December 15, 2022. The company adopted the new standard effective January 1,2023.

Change in Capitalization Policy

During the first quarter of 2024, the Company made a change to its capitalization policy. At December 31, 2022, this change understated property and equipment by $1,142,008 and overstated operating expense by $1,142,008. Our schedule of changes in the December 31, 2022, financial statements can be seen below.

Financial Statement	Financial Statement Account	As Reported	Revision	Revised
Consolidated Balance Sheet	Property and Equipment, net	$ 69,551,790	$ 1,142,008	$ 70,693,798
Consolidated Balance Sheet	Retained Earnings	53,064,026	1,142,008	54,206,034
Consolidated Statements of Operations	Operating Expenses	266,849,835	(1,142,008)	267,991,843
Consolidated Changes in Equity	Net Income	18,222,187	1,142,008	19,364,195
Consolidated Statements of Cash Flows	Net Income	18,222,187	1,142,008	19,364,195
Consolidated Statements of Cash Flows	Depreciation and amortization	10,382,635	2,267,712	12,650,347
Consolidated Statements of Cash Flows	Purchase of property and equipment	(4,364,079)	(3,409,720)	(7,736,799)

We evaluated whether our previously issued consolidated financial statements for December 31, 2022 were materially misstated due to this change. Based upon our evaluation of both quantitative and qualitative factors, we concluded that the effects of these changes were not material individually or in the aggregate to this previously reported period.

Subsequent Events

The Company has evaluated subsequent events through March 28, 2024, the date on which the consolidated financial statements were available for issuance.

NOTE 3 - REVENUE RECOGNITION

ASC Topic 606, *Revenue from Contracts with Customers (“ASC 606”)* provides five core principles to be followed by organizations as part of their adoption and transition as follows: (1) Identify the contract; (2) Identify performance obligations in the contract; (3) Determine the transaction price as specified in the contract; (4) Allocate the transaction price to the performance obligations; and (5) Recognize revenue as each performance obligation is satisfied. In applying ASC 606, the Company applied these principles to identify components of each of the following goods and service offerings, and to apply changes where necessary to meet the standard.

Deli sales consist of sales of prepared food and beverage to customers on a transaction by transaction basis, where the Company’s performance obligation is complete, and substantially all direct costs are incurred and recognized within the same period. All deli sales are recognized as revenue in the same period that product delivery occurs. Deli revenues total $422,414,574 in 2023 and $408,090,429 in 2022.

Physical and virtual gift cards (“stored-value products”) are available for sale to customers in deli locations, on the Company’s website, on third-party seller websites, and in third-party retail establishments. Sales of stored-value products are initially recorded as a contract liability and are included in accrued liabilities at their expected redemption value. When the stored-value products are redeemed, the Company recognizes revenue, and reduces the contract liability for the amount used. The portion of stored-value products that is never redeemed is referred to as “breakage”, and was reported as a credit to discount expense of $55,541 and $16,479 at December 31, 2023 and 2022, respectively. ASC 606 requires that revenue or credit related to contracts with customers be recognized in a timeframe and amount commensurate with costs realized to provide the related goods or services. As this objective pertains to credits recognized for stored-value product breakage, the Company considers these amounts to be immaterial with respect to application of a change in accounting for them and has thus opted to continue present treatment. The Company will monitor future credits related to breakage to alter recognition methods to comply with ASC 606 should they become material. At December 31, 2023 and 2022, the Company had outstanding contract liability balances related to stored-value products, of $5,299,552 and $5,165,002, respectively. The balances represent the uncompleted performance obligations associated with the store-value products and $5,034,741 is expected to be earned during 2024 fiscal year with the remaining balance earned after 2024.

As a loyalty reward and future purchase incentive to customers, the Company maintains a loyalty program known as “deli-dollars”, whereby customers earn 25 deli-dollars for every $1 ordered online. Total reward values are tracked by the customer’s reward account id and expire one year from issuance. For this customer contract, the customers’ consideration is their online spend and purchases made in-house using their reward id, and the Company’s performance obligation is the honoring of value acquired. DMI recognizes sales related to earning deli dollars at their full value as they occur. Discounts and promotional reductions in price, including deli-dollars redeemed, are recognized when redeemed as an expense. Additionally, DMI records a monthly accrual to a deli-dollar liability account and to discounts expense to reflect the average monthly change in deli-dollar liability. The monthly accrual is recalculated annually when the liability is adjusted to remove expired deli-dollars; to reflect any difference in actual deli-dollars earned versus the value accumulated using an average; and to adjust for changes in customer redemption patterns. Costs to maintain the program, other than the costs of the discounts themselves, are nominal due to being an automated feature of the Company’s online ordering program. As of December 31, 2023 and 2022, the Company had outstanding contract liability balances related to deli-dollar loyalty rewards, of

$738,867 and $738,867, respectively. The balances represent the uncompleted performance obligations associated with the loyalty rewards and is expected to be earned during the 2023 and 2024 fiscal years.

The Company grants franchises to independent operators (“franchisees”) via a legal contract (“franchise agreement”), that is executed by the franchisor and the franchisee, where future consideration (“royalties”) is promised by the franchisee in exchange for the rights provided by the franchisor to establish and operate a Jason’s Deli in a specified location, and to use, on an ongoing basis, the trade name, service marks, trademarks, copyrights, and proprietary operating and technological systems that the franchisor has acquired and developed. Royalty revenue is accrued and recognized by the Company monthly as a separate line of revenue in the Company’s financial statements. Royalties are calculated at 4% of franchisees’ reported gross sales, less discounts and sales tax collected, as allowed by the franchise agreement. The underlying costs of the Company’s performance obligations, including development and maintenance of registered trademarks, copyrights, and other proprietary systems that the franchisee has purchased rights to, are deemed to be provided equally, on average, on each dollar of franchisee sales, and are thus matched against royalties in the same period that they are earned and recognized as revenue by the franchisor. Franchise royalty revenues total $8,930,335 in 2023 and $8,392,822 in 2022.

In addition to royalties, the franchise agreement includes an initial franchise fee per location that is determined by the size and nature, and thus anticipated cost of performance obligation to the Company, of the location being licensed. The franchise fee entitles the franchisee’s location to two weeks of training, including payroll cost, benefits, payroll taxes, travel, food, lodging, and any other support cost, for a set number of the franchisors’ dedicated training staff and supervision. The Company sets this fee at its average cost to provide this service. Where a franchisee is established and elects to supply their own training, the franchise agreement allows the franchisor and franchisee to be absolved of the performance obligation and related consideration, in which case no revenue or associated costs are recognized. Where prior to adoption of ASC 606 franchise fees were recognized entirely in the month of opening, franchise fees under ASC 606 are allocated proportionately against the period(s) that underlying payroll and support costs are recognized. Franchise fees are recognized by the Company as a separate line of revenue in the Company’s financial statements.

Franchise agreements expire 20 years after a franchise location opens, and include a 10-year renewal option. Should the franchisee renew, the franchise agreement includes a renewal fee be paid at the time to cover the franchisor’s legal and other filing fees. The fee is recognized and reported in the Company’s financials with initial franchise fee revenue, entirely in the period that includes the renewal date. Franchise renewal fees were reported at $0 and $4,000 at December 31, 2023 and 2022, respectively. Underlying legal and filing costs are recognized as incurred. The Company considers these amounts to be immaterial with respect to ASC 606 reporting requirements.

The Company makes available to franchisees the option of signing an Area Development Agreement (“ADA”), which grants the franchisee exclusive rights to establish and operate multiple Jason’s Deli locations in a specified area, to be opened over a period of time defined in the ADA. There is no cost to the franchisee other than a requirement that they provide a deposit to secure the exclusive rights equal to 100% of the first location’s initial franchise fee, and 50% of all remaining locations’ initial franchise fees covered by the ADA. These deposits are held in a contract liability account until such time that a location is prepared to open. At that time, the above method of accounting for initial franchise fees is followed. At December 31, 2023 and 2022, the Company had outstanding contract liability balances related to ADA’s of $35,000 and $39,000, respectively. The balance represents the uncompleted performance obligations associated with the ADA’s and are expected to be earned within the next fiscal year.

The franchise agreement allows, but does not require franchisees to purchase product from the Company’s distribution centers, so while each customer order and subsequent obligation constitutes a customer contract, the long-term relationship of franchisee to distribution center does not. Sales by the distribution center to franchisees are recognized as revenue on the date of shipment to the franchisee in accordance with shipping terms (FOB shipping-point), with relevant costs to process the order closely preceding, and costs to deliver the order closely following. As such, costs to fulfill distribution center customer contract obligations are predominantly recognized and reported in the same period as the related revenue. Franchise and third-party distribution sales revenue is reported as a separate line of revenue on the Company's financial statements. Distribution sales returns are inconsequential and do not impact timing for revenue recognition. The Company has not estimated a sales return allowance as it is not material based on historical experience. Distribution center revenues total $65,100,682 in 2023 and $64,170,878 in 2022.

The distribution center offers Backhaul and over the road ("OTR") Services on a transaction-by-transaction basis, with no long-term contracts involved. Sales are reported as revenue on a dedicated line on the Company's financial statements and are recognized upon completion of the delivery service. Associated costs of backhaul and OTR service performance obligations include driver payroll and benefits, fuel, and expense to maintain the vehicles, and are recognized and reported as expense in the same period as the related revenue. Backhaul and OTR revenues total $2,517,985 and 2,359,114, respectively, in 2023 and $4,020,327 and 687,470, respectively, in 2022.

Other than recognition of franchise renewal fees combined with initial franchise fees, all other sources of revenue are presented separately on the financial statements, and thus no additional disaggregation steps were necessary to meet this requirement of ASC 606.

The Company has no contract assets.

NOTE 4 - PROPERTY AND EQUIPMENT

The major classes of property and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Buildings	$ 97,548	$ 97,548
Leasehold improvements	135,495,291	130,714,977
Deli equipment	60,482,965	56,708,218
Automobiles	119,710	211,868
Trucks and trailers	3,619,512	3,116,863
Office furniture and equipment	4,850,928	4,876,290
Construction in progress	569,927	1,941,014
	205,235,882	197,666,778
Less accumulated depreciation	(133,753,739)	(127,381,371)
	71,482,143	70,285,407
Land	408,391	408,391
	$ 71,890,534	$ 70,693,798

Depreciation expenses for the years ended December 31, 2023 and 2022 were $11,333,079 and $11,422,553, respectively.

The estimated amount to complete construction projects in progress was $10,568,240 and $4,242,483 at December 31, 2023 and 2022, respectively.

NOTE 5 - INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible assets including goodwill at December 31, 2023 and 2022 consisted of the following:

	December 31, 2022	Additions	Amortization Expense	December 31, 2023
Goodwill	$ 4,967,527	$ -	$ -	$ 4,967,527
Accumulated amortization - goodwill	(3,538,888)	-	(339,454)	(3,878,343)
Other intangibles:				
Trade name	9,364	-	-	9,364
Non-compete covenant	256,000	-	-	256,000
Reacquired franchise rights	4,247,003	-	-	4,247,003
Franchise development costs	6,530	-	-	6,560
Accumulated amortization - other	(3,795,549)	-	(226,583)	(4,022,128)
Total goodwill and intangibles - net	$ 2,152,017	$ -	$ (566,037)	$ 1,585,980

Amortization expense for the years ended December 31, 2023 and 2022 was $566,037 and $778,330, respectively. Estimated aggregate amortization is $500,384, $331,249, $269,048, $266,484, and $208,230 for 2024, 2025, 2026, 2027 and 2028, respectively. The weighted-average number of years of amortization remaining by major class of intangible assets as of December 31, 2023, was 5 years for reacquired rights; 5 years for goodwill; and 4 years for the non-compete agreement.

NOTE 6 - DEBT

The Company has open irrevocable stand-by letters of credit with banks as security for liability of gross receipt taxes, workers compensation insurance, deposits under certain city ordinances. At December 31, 2023 and 2022, the Company had a total of $7,658,000 and $6,208,000, respectively, in stand-by letters of credit, which are evaluated annually for relevance and appropriateness of amount.

The master term note has certain covenants including a maximum limit on sustaining capital expenditures. The Company was in compliance with respect to these covenants as of December 31, 2023 and 2022.

Amounts due in one year or less are presented as the current maturities of the obligations. The long-term portion represents the amount due after one year from the date of these statements. Short-term and long-term debt are the following at December 31, 2023 and 2022:

	2023	2022
Master term note with bank originally dated June 21, 2023, aggregated principal of $85,000,000 payable in quarterly installments of $1,062,500, with remainder due at maturity on June 21, 2028. Interest due monthly, interest at one-month SOFR plus 2.25%, Collateralized by substantially all of the assets of the Company.	$ 82,875,000	$ 95,796,568
Master term note with bank originally dated June 18, 2021, aggregated principal of $105,000,000, payable in quarterly installments of $1,312,500, with remainder due at maturity on July 18, 2026. Interest due monthly, interest at one-month LIBOR plus 7.50%, with a LIBOR floor of 1.0%. Collateralized by substantially all of the assets of the Company.	-	95,796,568
Note payable to bank, payable in monthly installments of $8,208. Interest due monthly, interest at one-month LIBOR plus 2.75%. Matures June 17, 2024 with balloon payment of approximately $492,500. Collateralized by land and building in Beaumont, Texas (Gemba - DOW, LLC).	-	640,251
	82,875,000	96,436,819
Less current maturities	(4,250,000)	(5,348,500)
Deferred loan origination costs, net	(927,200)	(3,553,316)
Long-term debt	$ 77,697,800	$ 87,535,004

Debt is payable as follows:

Year Ending December 31,	
2024	$ 4,250,000
2025	5,312,500
2026	6,375,000
2027	7,437,500
2028	59,500,000
Thereafter	-
Total	$ 82,875,000

The Company incurred interest expenses of $9,029,178 and $9,994,952 in 2023 and 2022, respectively, none of which has been capitalized. The amount of interest that should have been capitalized for construction projects was immaterial.

The Company has a new credit agreement in place with a lending group. The issuance date of the credit agreement was June 21, 2023. The credit agreement consists of a master term loan with original availability of $85,000,000, $82,875,000 of which was outstanding at December 31, 2023, and a master revolving line of credit with a limit of $20,000,000. Collectively, the term loan and revolving line of credit are referred to as “the notes”. The notes mature on June 21, 2028. At December 31, 2023 and 2022, the Company had

$12,342,000 and $10,000,000, respectively, available to borrow under the master revolving line of credit total.

NOTE 7 - ACCRUED LIABILITIES

Accrued liabilities are comprised of the following:

	2023	2022
Sales tax payable	$ 948,811	$ 974,983
Commissions payable	802,190	533,660
Payroll taxes payable	492,694	479,376
Accrued payroll	2,462,820	2,051,954
Accrued rent accretion payable	207,287	148,930
Accrued percentage rent	322,460	231,094
Accrued compensated absences	1,944,143	1,881,899
Accrued workers compensation	1,827,089	1,788,847
Other accrued expenses	4,788,614	4,629,915
Deferred franchise and other income	913,331	1,188,716
Deferred gift card income	5,299,552	5,165,002
	$ 20,008,991	$ 19,074,376

NOTE 8 - LEASES

In February 2016, the FASB established Topic 842, *Leases*, by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard was effective and we adopted and implemented the standard on January 1, 2022 with a modified retrospective transition approach, as permitted, applying the new standard to all leases existing at the date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2022. The new standard provides a number of optional practical expedients in transition. We elected the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs.

The Company has operating leases for certain corporate offices and operating locations and finance leases for certain vehicles. The Company determines if a contract is a lease or contains an embedded lease at the inception of the contract. Operating lease ROU assets are included in other current and other non-current assets, operating lease liabilities are included in other current and other non-current liabilities in our consolidated balance sheets. Finance lease ROU assets are included in property and equipment, net, and finance lease liabilities are included in our current portion of long-term debt, and long-term debt on our consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, we use the risk free rate using periods comparable with the lease terms based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The Company's lease terms may include options to extend or terminate the lease. The Company's leases have remaining lease terms of less than one year to five years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. Lease expense for lease payments is recognized on a straight-line basis over the non-cancelable term of the lease.

The Company recognized $25,188,089 of costs related to their operating leases during the 12 months ended December 31, 2023. As of December 31, 2023, the Company's operating leases have a weighted average remaining lease term of 15.39 years and a weighted average discount rate of 1.75%.

Rent expense under operating leases is calculated using the straight-line method whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. Rent expense generally begins on the date the Company obtained possession under the lease and includes option periods where available. Generally, this results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years, as many lease agreements have periodic scheduled rent increases over the lease term. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and presented as a non-current liability on the consolidated balance sheets. Tenant improvement allowances are amortized as a reduction to rent expense on a straight-line basis over the lease term, as defined above. Tenant improvement allowances are presented as a non-current liability in the consolidated balance sheets.

Supplemental balance sheet information related to leases as of December 31, 2023 are as follows:

ROU assets under operating leases	$ 239,843,773
Total operating lease assets	$ 239,843,773
Operating lease liabilities, current portion	$ 19,883,442
Operating lease liabilities, non-current portion	243,198,531
Total operating lease liabilities	$ 263,081,973

The maturities of the Company's operating and finance lease liabilities as of December 31, 2023 are as follows:

Year Ending December 31,	Operating Leases
2024	$ 24,454,806
2025	23,629,009
2026	23,558,968
2027	22,118,022
2028	21,005,862
Thereafter	190,467,475
Total lease payments	305,234,142
Less imputed interest	42,152,170
Total	$ 263,081,972

NOTE 9 - RELATED-PARTY TRANSACTIONS

DMI leases two delis owned entirely by one stockholder of the Company. The leases have option periods through 2032 and 2045, with monthly payments escalating every five years.

Future minimum lease payments for the two delis over the next five years (included in Note 9 totals above), are as follows:

Year Ending December 31,	
2024	$ 280,908
2025	283,567
2026	296,862
2027	185,607
2028	175,492
Thereafter	321,736
Total	$ 1,544,172

Related party lease expense totaled $280,908 and $279,999 per year, respectively, for 2023 and 2022.

The Company has a franchise that is on the Company's board of directors and is related to four other stockholders. Total revenues from this franchise for 2023 and 2022 were approximately 2.66% and 2%, respectively, of consolidated DMI revenues. Total receivables from this franchise as of December 31, 2023 and 2022 were 2.11% and 3%, respectively, of consolidated DMI current assets.

NOTE 10 - INCOME TAXES

The absence of provisions for federal income taxes in 2023 and 2022 for the Company is due to the election by DMI in February 1984, and consent by its stockholders, that the stockholders will include their respective shares of taxable income of the Company in their individual tax returns in accordance with Section 1362(a) of the IRC. As a result, no federal income tax is imposed on the Company.

However, the Company does pay income taxes to most states in which it operates or from which it generates revenue from franchise operations. These taxes include franchise taxes and income taxes imposed on the Company, as well as income taxes imposed on the shareholders based on the shareholders' income from the Company, in lieu of the shareholders filing individual income tax returns with the states. These taxes are estimated to be $862,292 in 2023 and $728,987 in 2022. Amounts paid to the shareholders to assist in paying their personal income taxes totaled approximately $10,100,000 and $13,300,000 in 2023 and 2022, respectively.

Income tax years where the Company remains subject to examination by federal and state taxing entities at December 31, 2022, are 2021, 2020, 2019, and 2018.

The Company engaged with a third party service provider to assess tax credit opportunities granted by the CARES act. Based on review of wages which qualified for an Employee Retention Tax Credit ("ERTC") it was determined the Company is eligible for tax credits totaling $2,340,179. The payroll tax credits will be captured through amending of prior period payroll tax returns. The Company received the refund in 2023.

NOTE 11 - EMPLOYEE BENEFIT PLANS

401(k) Profit Sharing Plan

In 1991, the Company established a 401(k) Savings and Incentive Retirement Plan. All full-time employees age 21 or older with one year of service are eligible to participate. Participating employees elect to contribute from 1% to 100% of compensation up to the maximum allowed by law ($22,500 for 2023 and $20,500 for 2022). The Company provides a discretionary matching contribution to employee contributions between 0% and 6% of compensation.

The Company matching contribution for 2023 and 2022 was 20% of the employees' contribution, to a maximum of 6% of compensation. Employee contributions for 2023 and 2022 totaled $2,230,994 and $1,995,474, respectively. Company contributions for 2023 and 2022 totaled $368,029 and $329,646, respectively, and vest as follows:

Years of Service	Percentage
0 - 2	0
2	20
3	40
4	60
5	80
6	100

Self-Insured Medical Benefits

In May 1998, the Company established a self-insurance plan covering certain medical benefits for substantially all of its management and administrative employees. The Company's liability is limited through the purchase of a reinsurance policy. Liability for specific claims is limited to $250,000 and $200,000 for the years ended December 31, 2023 and 2022 respectively. Liability for the remaining aggregate claims is based on a formula, which includes estimated premium cost per participant and estimated participation. The Company has provided $3,806,482 and $3,015,536 in 2023 and 2022, respectively, for claims incurred and reported. An accrual of $441,000 and $476,000 for claims incurred but not reported has been included in these financial statements for the years ended December 31, 2023 and 2022, respectively. The contract year is May to April. Projections by the third-party administrator for the program indicate that the specific stop-loss point has been reached for various covered employees as of December 31, 2023 and 2022, while the aggregate stop-loss point has not been reached for either year.

Workers' Compensation Benefits

The Company maintains workers' compensation insurance coverage with a deductible of $250,000, and $250,000 per incident for the years ended 2023 and 2022, respectively. The estimated realizable receivable from subrogation claims of $0 and $33,686 has been netted against the accrued workers' compensation liability as of December 31, 2023 and 2022, respectively.

Profit-Based Compensation Arrangement

Effective January 1, 2000, the Company adopted a profit-based compensation arrangement (the "Plan") for certain eligible employees. Under the terms of the Plan, annual bonuses to participants vest immediately, except that all amounts due are forfeited immediately upon the participant's termination for cause. The underlying value of the bonuses is based on a formula containing overall profitability of the Company and discretionary participation awards from the Plan Administration Committee. For awards granted prior to January 1, 2005, each participant has the option to request cash payment at any point after award or to allow units of participation to accumulate value based on overall growth and profitability of the Company for any period not to exceed 10 years from date of issuance. For awards granted on or after January 1, 2005, awards are only exercisable by the participant upon the occurrence of one of the following events: separation, death, disability, expiration of term or change in control, as those terms are defined in the Plan document.

Under the terms of the Plan, payments of $50,000 or less are to be paid in a lump sum within 30 days of redemption. For payments greater than $50,000, the participant shall be paid in five installments of 20% each at the following intervals after the triggering event: 30 days, 6 months, 1 year, 18 months, and 24 months.

During the years ended December 31, 2023 and 2022, zero and zero units, respectively, of participation were issued, and 15,250 and 29,400 units, respectively, were outstanding at year end. Under the terms of the Plan, exercise price is computed as of December 31 of each year. At December 31, 2023 and 2022, each unit was valued at up to $386.74 and $315.23, respectively, depending upon the year of issuance. During the years ended December 31, 2023 and 2022, 12,700 and zero units, respectively, were converted to cash, totaling $612,440 and zero, respectively.

Participation expense is reflected in these financial statements as a charge to compensation for 2023 and 2022, and a related liability accrual of $962,724 and $811,505, respectively.

NOTE 12 - CONTINGENT LIABILITIES

The Company is party to various miscellaneous legal actions normally associated with the retail food industry. Management intends to vigorously defend these actions, the aggregate effect of which, if any, is not determinable at this time.

NOTE 13 - CORPORATE STRUCTURE

The Company filed Restated Articles of Incorporation with the Texas Office of the Secretary of State during 2003. The primary effect of the reorganization was to have two classes of common stock: Class A voting, and Class B non-voting. The authorized number of shares of Class A voting common stock was 24, and the authorized number of shares of Class B non-voting common stock was 2,376. All authorized shares were issued. Although each shareholder retained the same ownership percentage after the reorganization as was owned previously, the Class A voting shares were held equally by the two primary shareholders exclusively. The number of directors and method of selecting directors were also changed. Contemporaneously with the filing of the Restated Articles of Incorporation, the Company also adopted Amended and Restated By-laws and an Amended and Restated Stock Redemption & Purchase Agreement. Each shareholder also assigned his shares of Class A and Class B stock to newly formed grantor trusts.

In April 2011, the Company reorganized, which included the purchase of a portion of the common stock shares and a subsequent sale to new shareholders. 1,155 of the 2,400 shares of common stock were purchased by the Company for $87,191,177. 45 shares were subsequently sold for cash and 210 shares were sold to new shareholders and were financed by the Company through the issuance of notes receivable. Based on the terms of the notes, U.S. GAAP requires stock-based compensation accounting whereby the notes exchanged for common stock resulted in the recognition of expense in the amount of $8,628,060 in 2011. Interest income recognized on the payment on notes receivables from shareholders was $148,708 in 2023 and $142,989 in 2022.

EXHIBIT "B"

FRANCHISE AGREEMENT

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DELI MANAGEMENT, INC.

FRANCHISE AGREEMENT

THIS AGREEMENT, made at Beaumont, Texas, as of the date set forth below, by and between DELI MANAGEMENT, INC., a Texas corporation (hereinafter ***"Franchisor"***), and ____, (hereinafter ***"Franchisee")***.

WHEREAS, Franchisor is engaged in the business of franchising a restaurant and delicatessen under the name of "Jason's Deli"; and

WHEREAS, Franchisor has developed a business plan and method in connection with the operation of a Jason's Deli (hereinafter sometimes ***"Deli"***) for providing products and services, utilizing certain standards, specifications, methods, procedures, techniques, management systems, identification schemes, proprietary marks and information (hereinafter ***"Jason's Deli System"***), all of which may be changed, improved and further developed from time to time by Franchisor; and

WHEREAS, the distinguishing characteristics of the Jason's Deli System include, without limitation, the name and marks "Jason's Deli," together with such other trade names, service marks, trademarks and trade symbols, emblems, signs, slogans, insignia and copyrights as Franchisor has adopted and designated for use in connection with the Jason's Deli System and as Franchisor may hereafter acquire or develop and designate for use in connection with the Jason's Deli System (hereinafter ***"Licensed Rights"***); and

WHEREAS, Franchisor has established an excellent reputation and goodwill with the public with respect to the quality of products and services available at the Delis, which reputation and goodwill have been, and continue to be, of major benefit to Franchisor and its Franchisees; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and being able to utilize the Jason's Deli System and the Licensed Rights which Franchisor makes available to its Franchisees; and

WHEREAS, Franchisee desires to own and operate a Deli at the location described in paragraph 1 hereof or at such other approved location as it may hereafter select, upon the terms and conditions set forth herein, which terms and conditions are reasonably necessary to maintain Franchisor's high and uniform standards of quality and service, and to protect the goodwill and enhance the public image of the Jason's Deli System and the Licensed Rights;

NOW, THEREFORE, in consideration of the foregoing and of the covenants herein contained, the parties, intending to be legally bound, hereby agree as follows:

1. **<u>Grant of Franchise and Licensed Rights.</u>**

a) Subject to the terms and conditions of this Agreement, Franchisor hereby grants to the Franchisee the exclusive right to own and operate a Deli at the following location:______________________. At the time of execution of this Agreement, if Franchisee has not secured an approved location for the Deli, Franchisee will have the right to select and locate the Deli upon an approved site in the general area set forth on the Site Development Addendum to this Agreement.

b) Subject to the terms and conditions of this Agreement, Franchisor hereby franchises and licenses to Franchisee the right to use the Jason's Deli System and the Licensed Rights at the Deli.

c) It is understood and agreed that Franchisee will have the exclusive right to operate the Deli and to use the Jason's Deli System and Licensed Rights only at the Deli, and no rights to sublicense will exist.

2. **<u>Term and Renewal.</u>**

a) Term: The term of this Agreement will commence on the date of execution of this Agreement by Franchisor at Beaumont, Texas, and will expire twenty (20) years from the date Deli opens for business, unless sooner terminated under the terms hereof.

b) Option to Renew: Franchisee will have the right to renew the Franchise granted herein, for successive ten (10) year terms, upon the following conditions:

i) Franchisee will have substantially complied with all terms and conditions of the Franchise Agreement throughout the current term and, at the time of renewal, will not be in default of any material term or condition of that Agreement, any amendment thereof, or any other agreement between Franchisee and Franchisor, or its subsidiaries, affiliates or divisions;

ii) Franchisee will give Franchisor written notice of Franchisee's election to renew not less than ninety (90) nor more than one hundred eighty (180) days prior to the end of the current term;

iii) At the time of renewal, Franchisee will have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries, affiliates and divisions.

iv) Franchisee will present satisfactory evidence to Franchisor that Franchisee has the right to remain in possession of the accepted location for the duration of the renewal term or, in the alternative, will obtain Franchisor's acceptance of a new location for the Deli.

v) Franchisee will make or commit to provide, in a manner satisfactory to Franchisor, such renovation and modernization of the Deli premises as Franchisor may reasonably require, to reflect the then-current standards and image of the Jason's Deli System;

vi) Franchisee will comply with Franchisor's then-current qualification and training requirements for Franchisee and its employees;

vii) Franchisee will execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries, affiliates, and divisions, and their respective officers, directors, shareholders, employees and agents;

viii) Franchisee will execute Franchisor's then-current form of renewal Franchise Agreement, which Agreement will supersede the expiring Franchise Agreement in all respects (except the original renewal provisions), and the terms of which may differ from the terms of that Agreement; provided, however, that Franchisee will not be required to pay operating fees more than two (2) percentage points higher than the operating fees provided under the expiring Franchise Agreement and provided that in lieu of an initial fee, Franchisee will pay a renewal fee of Five Thousand and No/100 Dollars ($5,000.00).

3. <u>Payments.</u>

a) ***Initial Franchise Fee.*** Upon execution of this Agreement by Franchisor, Franchisee will pay to Franchisor, by certified check, an initial Franchise fee of Thirty Five Thousand and No/100 Dollars ($35,000.00). The initial Franchise fee is non-refundable, other than as provided in the Site Development Addendum, if any.

b) ***Operating Fee.*** Franchisee agrees to pay to Franchisor a monthly operating fee equal to four percent (4%) of the gross sales of the Deli during the month, or Two Thousand Five Hundred and No/100 Dollars ($2,500.00), whichever is greater. The operating fee will be payable commencing on the date the Deli is opened to the public, and paid each month, or fraction thereof, thereafter throughout the original and any renewal term hereof. Payment of the operating fee will be made as described in Section 3(f), and received on or before the 15th day following the last day of the month for which gross sales are due. In the event Franchisee fails to make such payment within the preceding time period, such payment will be considered overdue. In addition to any other remedies Franchisor may have, if Franchisee is more than ten (10) days late in paying such operating fee, interest at the maximum rate permitted by state and/or federal law will be payable on the unpaid operating fee from the date such payment was due, unless Franchisor will designate a lower interest rate.

c) ***Advertising Fees.*** Commencing from the date Deli opens for business, Franchisee will pay on a monthly basis to Franchisor, or an assignee of Franchisor, an advertising fee of two percent (2%) of the gross sales generated monthly by Franchisee, or the sum of Five Hundred and No/100 Dollars ($500.00) per month, whichever sum is greater. All advertising fees payable hereunder will be subject to the same interest payments required for late or non-payment as set forth under Section 3(b). Such fees will accompany the operating fees and otherwise be due and payable in the manner prescribed under Sections 3(b) and 3(f). However, payment of all or a portion of such advertising fees may be waived by Franchisor from time to time, or Franchisor may instruct Franchisee to pay such fees, or a portion thereof, to a designated national, regional or local advertising cooperative, or may otherwise place conditions upon the use of the funds. Currently, the Franchisor allows each Franchisee to retain the funds otherwise payable to Franchisor as an advertising fee on the condition that the funds retained will be spent monthly on local and/or regional retail advertising by Franchisee on Franchisor approved retail advertising. If advertising fees are collected by local, regional or national cooperative, Franchisor may charge a reasonable administrative fee, not to exceed one half of one percent of gross sales. Franchisee understands that Franchisor may, when it deems appropriate, request and expend one-half of one percent of gross sales of Franchisee for production and placement of retail advertising which may be used by all Jason's Delis.

d) ***Gross Sales.*** As used in this Agreement, the term "gross sales" will mean the amount of sales of all products and services sold in, on about or from the Deli by Franchisee, whether for cash or on a charge, credit or time basis, without reserve or deduction for inability or failure to collect, including, but not limited to, such sales and services (i) where orders originate and/or are accepted by Franchisee in the Deli, but delivery or performance thereof is made from or at any place other than the Deli, or (ii) pursuant to telephone or other similar orders received or filled at or in the Deli. Gross sales may be reduced by (i) the amount of over rings, refunds, allowances or discounts to customers (including coupon sales), provided they have been included in gross sales and provided credits have been taken, documentation provided and all other terms are met within the time periods and requirements established by Licensor; (ii) the amount of any excise or sales tax levied upon retail sales and payable over to appropriate governmental authority; and (iii) isolated sales of non-inventory items or the bulk sale of the business itself, if the same have been included in gross sales.

e) ***Governmental Taxes.*** Should any local or state governmental taxing authority acting under any present or future law, ordinance or regulation, levy, assess, or impose a tax, excise and/or assessment (other than an income or franchise tax) upon or against the initial Franchise fee or the operating fee, or any part of either, either by way of substitution for, or in addition to, any existing tax, Franchisee will be responsible for and will pay such tax, excise and/or assessment, or will on demand reimburse Franchisor for the amount thereof, as the case may be.

f) ***Method of Payment.*** Operating fees, advertising fees, amounts due for purchases by Franchisee from Franchisor, and other amounts that Franchisee may owe to Franchisor will be paid by electronic transfer of funds in a manner described in the Operations Manual or will be paid in such other manner as may be prescribed by Franchisor from time to time.

4. Services by Franchisor.

Franchisor agrees to make available to Franchisee, or assist Franchisee in obtaining the following:

a) Such standard construction plans, specifications and layouts for the structures, equipment, furnishings, décor and signs identified with Delis as Franchisor from time to time makes available to all Franchisees.

b) Guidance in the selection by Franchisee of an approvable site for the location of its Deli.

c) Review and approve site plans and final construction plans and specifications for conformity to the construction standards and specifications of the Jason's Deli System.

d) Initial and advanced training in the Jason's Deli System, including standards, methods, procedures and techniques, at such times and places as Franchisor may designate for its training program in its discretion, and subject to other terms of paragraph 10 herein.

e) Assistance with operational standards, as Franchisor determines is required in connection with the opening of the Deli by Franchisee, including assistance by Franchisor's personnel.

f) The use of Franchisor's Operations Manual and other manuals and training aids, as revised by Franchisor from time to time when, in Franchisor's discretion, modifications are necessary.

g) Such merchandising, marketing and other data and advice as may from time to time be developed by Franchisor and deemed by it to be helpful in the operation of the Deli.

h) Such periodic individual or group advice, consultation and assistance regarding operational standards rendered by personal visit or telephone, or by newsletters or bulletins made available from time to time to all Franchisees of Franchisor, as Franchisor may deem necessary or appropriate.

i) Such bulletins, brochures, manuals and reports as may from time to time be published by Franchisor, or on behalf of Franchisor, regarding its plans, policies, research, developments, activities and changes to operational standards.

j) Such other resources and assistance as may hereafter be developed and offered by Franchisor to its Franchisees.

5. Limitations of Franchise and License Rights.

Franchisee acknowledges and agrees that:

a) Franchise and Licensed Rights granted hereunder are personal to Franchisee and cannot be sold, assigned or transferred or encumbered, in whole or in part, except as set forth in paragraph 14 herein.

b) Franchisor is the owner of the Licensed Rights and of the identification schemes, standards, specifications, operating procedures and other concepts embodied in the Jason's Deli System. Franchisee will use the Jason's Deli System and the Licensed Rights strictly in accordance with the terms of this Agreement and the terms of the Operations Manual. Franchisor may add, remove or change any of the Licensed Rights and/or other concepts that constitute the Jason's Deli System. Any unauthorized use of the Jason's Deli System and the Licensed Rights is, and will be, deemed an infringement of Franchisor's rights. The grants of the use of the Licensed Rights are limited solely to use at the Deli. Except as expressly provided by this Agreement, Franchisee will acquire no right, title or interest to the Jason's Deli System or the Licensed Rights. Any and all goodwill associated with the Jason's Deli System and the Licensed Rights will inure exclusively to Franchisor's benefit. Upon the expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Jason's Deli System and the Licensed Rights. Franchisee will at no time take any action whatsoever to contest the validity or ownership of the Licensed Rights and the goodwill associated therewith.

c) Franchisee will have no right to use in its corporate name the name "Deli Management" or "Jason's Deli" or any other names used by Franchisor or a subsidiary thereof. Without Franchisor's prior written approval, Franchisee will not use any Licensed Rights as part of any e-mail address, internet website, domain name or any other electronic media (including use with any prefix, suffix other modifying words, terms, designs or symbols), or in any other manner connected with an internet website, advertisements on an internet website or other similar electronic media means.

d) Except as provided in paragraph one herein, the Franchise and Licensed Rights granted hereunder are non-exclusive, and Franchisor retains the right, in its sole discretion:

i) To continue to construct and operate other Delis and to use the Jason's Deli System and Licensed Rights at any location, except the location of the Deli described in paragraph 1(a), and to license others to do so.

ii) To develop, use and franchise rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia or copyrights not designated by Franchisor as Licensed Rights, for use with similar or different franchise Systems for the sale of the same, similar or different products or services, other than in connection with the Jason's Deli System at any location, on such terms and conditions as Franchisor may deem advisable and without granting Franchisee any rights therein.

iii) To develop, merchandise, sell and license others to sell products to the public through non-deli outlets and to use the Licensed Rights in connection therewith.

e) Franchisor has the right to determine, approve and supervise the quality of the service, products and equipment used by Franchisee; to conduct periodic inspection of the Deli, equipment, furnishings and products, to examine the Deli; and to take all action deemed necessary to maintain the quality and standards of the services and products, the Deli and the Jason's Deli System.

f) Franchisee will carefully monitor the performance of any person actively involved in management or operation of the Deli.

g) Any disputes between Franchisee and Franchisor as to matters such as merchandising, production, distribution, sales promotions, advertising, sales and general brand operating policies will be resolved as determined by Franchisor.

h) Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion, and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any Franchisee, based on the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such Franchisee's business. Franchisee will not be heard to complain on account of any variation from standard specifications and practices granted to any other Franchisee and will not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

i) Pursuant to this Agreement, Franchisee has sole responsibility for performance of all obligations arising out of operation of its business, including, but not limited to, payment when due of any and all taxes, including, but not limited to, workers' compensation, real estate, sales, payroll, franchise, income, personal property and gross receipt taxes levied or assessed by reason of such operation.

j) Pursuant to this Agreement and all other agreements between the parties, Franchisee and each person who is actively involved in management or operation of the business of Franchisee must continuously demonstrate to Franchisor its ability to operate the business of Franchisee.

k) In all public records, in its relationship with other persons, and in any Franchise Disclosure Document, prospectus or similar document, Franchisee will indicate clearly the independent ownership of Franchisee's business, and that the operations of said business are separate and distinct from the operation of Franchisor's business.

l) Franchisee will conspicuously post at the Deli a notice to the effect that the Deli is a franchised business operated independently of Franchisor.

m) Further, it will be the sole responsibility of Franchisee to assert control over, and direct the work of, its employees. Subject to any applicable labor and employment laws, Franchisee will have the sole authority and responsibility to:

i) Hire, fire and discipline its employees;

ii) Supervise and control employee work schedules and employment conditions;

iii) Maintain employment records;

iv) Determine rate and method of pay of its employees;

v) Maintain ownership of equipment and facilities;

vi) Assign tasks and direction of employees; and

vii) Promulgate workplace rules, employee handbooks, working conditions and other human resource activities.

Franchisor will not control, nor be responsible for, matters pertaining to the relationship between Franchisee and its employees. Franchisor specifically disclaims any authority or ability to make any employment-related decisions as they relate to employees of Franchisee.

6. <u>Site.</u>

a) Franchisee agrees to acquire a site and open the Deli for business within one (1) year of the date of this Agreement.

b) Before commencing any construction or remodeling of the Deli, Franchisee will comply, to Franchisor's satisfaction, with all the following requirements:

i) Franchisee will employ a qualified architect or engineer who is reasonably acceptable to Franchisor to prepare for Franchisor's review and acceptance, preliminary plans and specifications for site improvement and construction of the Deli. If Franchisee elects to do so, it may request

Franchisor's standard prototype drawings, which will be furnished by Franchisor at a single cost of $1,500.00 for each prototypical drawing supplied. The architect or engineer will meet the insurance requirements established by Franchisor from time to time and published in the Operations Manual.

ii) Franchisee will be responsible for obtaining all zoning and environmental classifications and clearances that may be required by state or local laws, ordinances, or regulations, or that may be necessary or advisable, owing to any applicable restrictive covenants. After having obtained such classifications and clearances, Franchisee will submit to Franchisor for review and acceptance final plans for construction or remodeling, based on the preliminary plans and specifications. Once accepted by Franchisor, the final plans may not be substantially changed or modified without Franchisor's permission.

iii) Franchisee will be responsible for obtaining all permits and certifications required for the lawful construction, remodeling and operation of the Deli and will certify to Franchisor that all such permits and certifications have been obtained.

iv) Franchisee will employ a qualified licensed general contractor, who is reasonably acceptable to Franchisor, to complete all site improvements and construction of the Deli. During the entire period of construction, Franchisee will obtain and maintain liability insurance as provided under Section 12 of the Franchise Agreement.

c) Upon expiration of the lease covering the Deli, and upon Franchisee's inability to renew the lease, Franchisee will have the right to relocate the Deli, provided that:

i) Franchisee secures a Franchisor-approved location prior to expiration of lease, or within a reasonable period of time thereafter, where Franchisee has diligently attempted over a period of at least sixty (60) days prior to the expiration of the lease, to find a new location. Franchisor may refuse to approve a location for business reasons, solely within Franchisor's discretion.

ii) Within ninety (90) days of securing a Franchisor-approved location, or within three hundred sixty (360) days where Franchisee has secured a build-to-suit location, in accordance with Franchisor's specifications, Franchisee will totally equip and prepare the location for opening to the public. Franchisee will cause the commencement of operation of the Franchise immediately thereafter.

iii) Franchisee will continue to pay the minimum operating and advertising fees required under paragraph three of this Agreement.

7. **Equipment and Furnishings.**

a) Franchisee will only install in and about the Deli such equipment, fixtures, interior and exterior signs and other personal property as are required and which strictly conform to the appearance uniform standards and specifications of Franchisor existing from time to time. Franchisor will have the right to inspect all equipment, fixtures, furnishings, furniture and signs and their installation, to assure Franchisee's compliance with its standards and specifications.

b) In the event Franchisee installs any equipment, fixtures, furniture, interior or exterior signs or any other personal property which is not in conformity with Franchisor's appearance, uniform standards or specifications, in addition to any other remedies under this Agreement Franchisor may demand that Franchisee close the Deli and take the necessary steps to bring its equipment, fixtures, furnishings, furniture, interior and exterior signs and other personal property into conformity with Franchisor's appearance, uniform standards and specifications. Franchisee will not reopen said Deli until it has been approved by Franchisor in writing. Franchisee will continue to pay the minimum monthly operating and advertising fees required under paragraph three of this Agreement. In the event Franchisor designates that new or additional equipment will be utilized in conjunction with the Jason's Deli System, Franchisee agrees to promptly obtain such equipment at its expense, and utilize the same in accordance with Franchisor's requirements and instructions.

c) Franchisor will have the right, at any time and from time to time, after the expiration of five (5) years from opening for business of the Deli by Franchisee, to require Franchisee to perform such remodeling, repairs, replacements and redecoration in and upon the Deli, fixtures and furnishings as Franchisor will deem necessary and practical to bring the Deli, equipment and furnishings up to the then current standards of other Delis; provided, however, that in making and performing same, Franchisee will not be required to expend an amount in excess of a Hundred Thousand and No/100 Dollars ($100,000.00) in any five year period. Any previous remodeling and refurbishing by Franchisee will only be credited against this requirement if such remodeling and refurbishing was non-maintenance remodeling or refurbishing and received the prior written consent of Franchisor.

8. **Opening.**

Franchisee will give Franchisor at least thirty (30) days' prior written notice of the opening of the Deli.

9. **Operations.**

Franchisee covenants and agrees that:

a) In order to protect the Jason's Deli System and to maintain uniform standards of operation under the Licensed Rights, Franchisee will operate the Deli in accordance with

Franchisor's Operations Manual, and such other supplemental manuals as may be utilized by Franchisor from time to time. Franchisee understands and acknowledges that Franchisor may, from time to time, revise the contents of the Operations Manual and such other manuals to implement new or different operating requirements applicable to all Delis, including any Delis owned by Franchisor, and Franchisee will at all times insure that its copy of the Operations Manual and any other manuals given to it are kept current and up to date. In the event of any dispute as to the contents thereof, the terms of the master copies maintained by Franchisor at its principal place of business will be controlling.

b) In order to further protect the Jason's Deli System, the Licensed Rights and goodwill associated therewith, Franchisee will:

i) Operate under the name "Jason's Deli," or such other name or mark as may be designated by Franchisor, and advertise only under the Licensed Rights designated by Franchisor for use for that purpose, and will use such rights without prefix or suffix, except where such use may conflict with a prior registration or use, in which event Franchisee will operate and advertise only under such other names as Franchisor has previously approved in writing.

ii) Feature and use the Licensed Rights solely in the manner prescribed by Franchisor.

iii) Observe such reasonable requirements with respect to service mark, tradesman, trademark and fictitious name registrations and copyright notices as Franchisor may, from time to time, direct in writing.

c) Franchisee will sell from the Deli all products and services specified by Franchisor and will not sell or offer for sale any other products or services of any kind or character without first obtaining the express written consent of Franchisor. Franchisee will use only such products and provide such services as conform to the specifications and standards of Franchisor in effect from time to time, including additional services required by Franchisor. Franchisee will discontinue selling or offering for sale any products or services Franchisor may, in its discretion, disapprove in writing at any time.

d) Franchisee and four other management personnel who have successfully completed the training course are required to personally manage the Deli. The Franchisee and manager(s) of the Deli must attend and successfully complete training provided by the Franchisor as previously described. The Franchisor believes the success of the Deli will depend upon the personal and continued efforts, supervision and attention of the Franchisee.

e) Franchisee will provide personnel from other Jason's Delis ("Traveling Trainers") owned by Franchisee, if any, prior to the opening of the Deli for the training period prescribed by Franchisor. Franchisee will provide the number of Traveling Trainers designated by Franchisor, and from time to time otherwise meet the requirements related to training personnel prescribed by Franchisor in the Operations Manual. Franchisee will receive a payment from Franchisor of $2,500.00 for each required Traveling Trainer that it supplies for opening. Upon receipt of invoice from Franchisee after opening, payment will be made by Franchisor. If Franchisee fails to meet all or some of the requirements of this Section 9(e), Franchisor may, at its option, provide all necessary Traveling Trainers and charge Franchisee $3,500.00 for each Traveling Trainer provided by Franchisor. For purposes of this Section 9(e), if Franchisee is a business entity, another Jason's Deli owned by it will include any Jason's Deli in which any member or shareholder owning greater than 25% of Franchisee also owns greater than 25% of the ownership interest in an entity that owns another Jason's Deli Franchise, or such member or shareholder owns a Jason's Deli Franchise personally.

f) Franchisee will cause its employees to wear apparel which conforms strictly to the specifications, design and style approved by Franchisor from time to time.

g) Franchisee will maintain, at its expense, at all times, the Deli, equipment, fixtures, furnishings and furniture and related premises, parking areas, landscape areas and interior and exterior signs, in a good, clean, attractive and safe condition in conformity with Franchisor's high standards, public image and local codes. In connection therewith, Franchisee will make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent), as may be required to keep the Deli in the highest degree of sanitation, repair and condition, including, without limitation, such periodic repainting, repairs to equipment not in good working order, and replacement, at its cost, of outdated signs, as Franchisor may reasonably direct.

h) Franchisee will comply with all laws, ordinances and regulations affecting the operation of the Deli. Without limiting the generality of the foregoing, Franchisee specifically agrees to comply with applicable health and safety laws, ordinances and regulations, all state and federal labor and employment laws, and applicable data privacy regulations. Franchisee also agrees to obtain at its expense, the services of an approved third-party food safety auditor, and authorize such auditor to perform safety inspections on at least an annual basis.

i) Franchisee will notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect Franchisee's financial condition or ability to meet its obligations hereunder.

j) Franchisee will display as directed by Franchisor, franchise sales literature and similar materials which are supplied from time to time by Franchisor.

k) Franchisee will permit personnel of Franchisor, without notice, to enter the Deli at any time during normal business hours for the purpose of inspecting and examining the operations and facilities.

l) Franchisee will obtain and utilize all fixtures, furnishings, signs (exterior and interior), equipment, inventory and other supplies, products, and materials used in the operation of the Deli as Franchisor, in its discretion, may specify from time to time, solely from suppliers who demonstrate to Franchisor's reasonable satisfaction, the ability to meet Franchisor's standards and specifications for such items, and who have been approved in writing by Franchisor and not thereafter disapproved. If Franchisee desires to purchase any such items from an unapproved supplier, Franchisee will submit to Franchisor a written request for such approval or will request the supplier to do so. Franchisor reserves the right, at its option, to re-inspect and retest the products of any such approved supplier at any time and to revoke such approval, if the supplier has failed to continue to meet any of the Franchisor's criteria. Franchisee agrees that Franchisor may charge a testing fee which will compensate Franchisor for its reasonable expenses in testing such products.

m) The need for uniformity in the Jason's Deli image is acknowledged by Franchisee. Franchisee agrees to distribute and/or display at Franchisee's location, literature, display and promotional materials specified and developed by Franchisor, or on its behalf. Initial, replacement and/or updated literature, display and promotional materials may be obtained from Franchisor at Franchisee's expense. Literature, display and/or promotional materials, including all advertising, developed by Franchisee will not be used by Franchisee without the prior written approval of Franchisor.

n) Franchisee will operate the Franchise granted herein under the name ***"JASON'S DELI,"*** or such other name or mark as may be established by Franchisor from time to time and authorized for use. Franchisee will properly designate the Franchise location with such name.

o) Franchisee will open and operate the Deli every day (except during such periods as it may be required by law or permitted by Franchisor to be closed) during the hours prescribed by Franchisor.

p) Franchisee will pay on a timely basis for all products and other items used in the operation of the Deli. Franchisee is aware that failure to make prompt payment to its suppliers may cause irreparable harm to the reputation and credit of Franchisor and other Franchisees.

q) Franchisee will execute and submit a monthly report, on Franchisor's prescribed form, of its gross sales from the reported month's operations, a monthly profit and loss statement, in a form prescribed by Franchisor, and any additional information which Franchisor reasonably requests. These reports must be mailed to Franchisor together with payment of the monthly operating fee and advertising fee, as prescribed in paragraph three3 herein.

r) Franchisee agrees to execute, at Franchisor's request, a power of attorney, I.R.S. Form 4506 or similar document to authorize Franchisor to obtain copies of Franchisee's previous years' state and federal tax filings.

s) Franchisee will maintain the premises in a clean and attractive manner as prescribed by Franchisor, will continually train and supervise its personnel, and will conduct the Franchise using its best efforts, in furtherance of the mutual business interest of both Franchisor and Franchisee.

t) Franchisee will keep books of account in accordance with generally accepted accounting practices which accurately show the gross sales of the Deli and will deliver to Franchisor, within ninety (90) days after the end of each fiscal year of Franchisee, a profit and loss statement for the Deli, covering operations during such fiscal year, a balance sheet of the Franchisee taken as of the close of such fiscal year, and such other operating forms that are prescribed by Franchisor, at its expense. The original of each such report required by this paragraph will be mailed by Franchisee to Franchisor. Additionally, such statement and report will be accompanied by a statement sworn to under penalty of perjury by Franchisee, or by the president and vice president of any Franchisee which is a corporation, or by each partner or joint venture of any Franchisee which is a partnership or joint venture, that the items contained therein are true and accurate, and completely and fully describe and disclose the information sought in such statement, and that the signer thereof has made diligent and careful efforts to ascertain the truth, accuracy and completeness of such information. Franchisee agrees that all financial data submitted by it pursuant to this Agreement may be used by Franchisor as it deems appropriate, and Franchisee hereby waives any right to confidentiality in the data. In addition, Franchisee will permit certified public accountants or other representatives of Franchisor, designated by Franchisor, to audit its books of account at any reasonable time. If such an audit discloses the reported gross sales of Franchisee have been understated, Franchisee will immediately pay to Franchisor the amount overdue, unreported, or understated, together with interest at the highest rate permitted under state or federal law, unless Franchisor will designate a lower interest rate. In addition, if such audit discloses the reported gross sales of Franchisee have been understated to the extent of two percent (2%) or more, Franchisee will reimburse Franchisor for any and all expenses connected with the audit. The foregoing remedies will be in addition to any other remedies available to Franchisor.

u) Franchisee will keep the computer system in good repair, and will promptly install additions, changes, modifications, substitutions and/or replacements to the computer system as Franchisor directs. Franchisee will have the sole and complete responsibility for (a) the acquisition, operation, maintenance and upgrading of its computer system; (b) the manner in which Franchisee's computer system may interface with Franchisor's computer systems and the computer systems of third parties; and (c) any and all consequences that may arise if Franchisee's computer system is not properly operated, maintained and upgraded.

v) From time to time and at Franchisor's discretion, the hardware and software will permit Franchisor to have access, either electronically or by such other method as

Franchisor may determine, to each computer on which Franchisee will have installed the software specified by Franchisor, for the purposes of obtaining revenue, expense, billing and other information with respect to Franchisee's operations. From time to time, Franchisor may specify in the Manuals or otherwise in writing the information that Franchisee will collect and maintain on the computer system installed at the Deli, and Franchisee will provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. The reporting requirements set forth herein will be in addition to, and not in lieu of, the reporting requirements set forth under Section 9(s) herein. Franchisee will cooperate with Franchisor and will execute all documents required by Franchisor to permit access. All data provided by Franchisee, downloaded from Franchisee's computer system, and otherwise collected from Franchisee's computer system by Franchisor, and/or otherwise provided to Franchisor is, and will be, owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee.

w) At its expense, Franchisee will participate in any on-line ordering system established from time to time by Franchisor, as further outlined in the Operating Manual.

x) Franchisee agrees to maintain a sufficient working capital to cover lease deposits, prepaid rents, sales tax deposits, prepaid insurance, utility deposits, business license fees and other operating needs.

y) Franchisee will be responsible for all terms and conditions of the lease covering the Franchise location, including any required security deposit and prepaid rent, unless otherwise agreed to in writing between Franchisor and Franchisee. Upon execution of same, Franchisee will furnish a copy of said lease to Franchisor.

z) Franchisee will be responsible for the expenses incurred for leasehold improvements.

aa) Franchisee will operate the Deli only at the location designated by Franchisor, except Franchisee may operate a catering service from the Deli in accordance with Franchisor’s prescribed method of operation.

bb) Franchisee agrees to comply with all Payment Card Industry Security Compliance Requirements (PCI) for credit card processing, as revised from time to time. Franchisee will notify a customer immediately of any unauthorized use of any password, account or any other known or suspected breach of security. Franchisee will protect cardholder data by allowing it to be viewed only by authorized personnel and to destroy the data once it is no longer needed for a transaction. PCI include, but are not limited to, the requirement that printed copies of cardholder data are cross-shredded once the data is no longer needed for a transaction. Franchisee confirms that all other service providers with whom there are contracts and who may have access to credit card data, including, but not limited to, their point of sale vendor and credit card processor are certified to be in compliance with PCI.

For the purpose of conducting audits and examinations of PCI compliance, Franchisor or its authorized representatives will have the right of direct access to all of Franchisee's equipment and records related to payment transactions. These records will also include licensed software and any records in electronic form, including, but not limited to, computer hard drives, tape backups and other such storage devices. Franchisor or its authorized representatives will give Franchisee written notice of the results of an audit. If a deficiency or non-compliance exists, then Franchisee will have fifteen (15) days from the date of such notice to remedy a deficiency or non-compliance, and to provide Franchisor with documentation of said remedy. In the event that a deficiency or non-compliance by Franchisee results in damages to Franchisor, including, but not limited to, brand image, Franchisee will pay to Franchisor the amount of such damages and indemnify and hold Franchisor harmless, as required by Section 12 of this Agreement.

cc) Franchisee will comply with all other requirements set forth in this Agreement.

10. Franchisor's Training Program.

a) Prior to the date Deli opens for business and at all times thereafter, the following persons will satisfy all the conditions established by Franchisor from time to time for admission to, and graduation from, Franchisor's initial training program, at the training school designated by Franchisor, and will attend and satisfactorily complete additional training programs established by Franchisor:

i) Franchisee or if Franchisee is a corporation, the controlling shareholder of such corporation (or if no controlling shareholder exists, such person with Franchisee as may be designated by Franchisor); and

ii) Four additional management persons who are actively involved in the operation of the Deli.

Such persons will successfully complete Franchisor's training programs to Franchisor's satisfaction. Upon the failure of Franchisee or any other such person to complete the training program successfully for any reason, a substituted trainee, satisfactory to Franchisor, will attend and successfully complete the program and will operate or supervise the operation of the Deli thereafter, if Franchisor, at its option, so directs.

b) No fee will be charged by Franchisor for participation in the initial training programs by up to five (5) management level persons, including Franchisee, although Franchisor may charge a cancellation fee if Franchisee cancels its registration. Franchisor may charge a fee for attendance at any time by additional persons. Franchisee will be responsible for the costs and expenses (such as room, board and transportation) of each person who attends the program.

c) The management level persons listed above will also attend any advanced training programs or seminars and other mandatory training programs conducted by or on behalf of Franchisor, if requested to do so by Franchisor. Franchisee will be responsible for the costs and expenses of each person who attends any such program.

11. Advertising and Promotions.

a) Franchisee agrees to expend not less than Five Thousand and No/100 Dollars ($5,000.00) for pre-opening and grand opening advertising.

b) In the event payment of the advertising fee provided for under paragraph three is waived in whole or in part by Franchisor, that portion retained by Franchisee will be spent on Franchisor-approved local and/or cooperative advertising and promotional activities. If Franchisee fails to expend the advertising monies retained by it, then, in addition to any other remedies set forth herein, Franchisor may require Franchisee to pay to Franchisor an amount equal to the amount of retained advertising funds not spent by Franchisee. However, the retail cost of meals for all attendees will be charged.

c) Franchisee will be free to conduct, at its expense, additional advertising and marketing activities in its local market area. Samples of all local advertising and marketing materials not prepared or previously approved by Franchisor or its designated agents will be submitted (by certified mail, return receipt requested) to Franchisor for approval (except with respect to prices to be charged), which approval will not be withheld unreasonably, prior to their use by Franchisee. If written disapproval is not received by Franchisee within fifteen (15) days from the date of receipt by Franchisor of such materials, Franchisor will be deemed to have waived the required approval, provided that Franchisee will discontinue the use thereof within a reasonable time, if Franchisor subsequently requests such action in writing. Franchisor reserves the right to require Franchisee to participate with other Franchisees in connection with national and regional marketing activities.

d) Franchisee agrees to honor any Franchisor-approved coupons or similar promotional materials issued or authorized by Franchisor, including Deli Dollars.

e) In the event all or a part of the monies referred to in paragraph three relating to advertising are retained by Franchisor, such funds will be spent by it for national, regional or local advertising as Franchisor deems appropriate. Franchisee agrees and understands that Franchisor will charge a reasonable administrative fee against such funds, which charge will not exceed .05 percent (.05%) of gross sales. During regular business hours, Franchisee may inspect the records of Franchisor, at Franchisee's expense and at Franchisor's corporate office, upon thirty (30) days' written notice. The Advertising Fund, when established, is intended to maximize recognition of the Franchisor's Marks. Although Franchisor will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Jason's Delis, Franchisor will undertake no obligation to ensure that such expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising Fund by Jason's Delis operating in that geographic area, or that any specific Jason's Delis will benefit directly or in proportion to its contribution to the Advertising Fund from the development of advertising and marketing materials or the placement of advertising.

f) Franchisee specifically acknowledges and agrees that any website (as defined below) will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under this Section 11. Franchisor is not currently approving any website, other than the site maintained by Franchisor. (As used in this Agreement, the term "website" means interactive electronic documents, contained in a network of computers linked by communications software that the Franchisee operates or authorizes others to operate, and that refers to the Deli, the Marks, Franchisor and/or the System. The term "website" also includes, but is not limited to, internet and worldwide web home pages). In connection with any future approved website, Franchisee agrees to the following:

g) Before establishing the website, Franchisee will submit to Franchisor a sample of the website format and information in the form and manner Franchisor may reasonably require.

h) Franchisee will not establish or use the website without Franchisor's prior written approval.

i) In addition to any other applicable requirements, Franchisee will comply with Franchisor's standards and specifications for websites as prescribed from time to time by Franchisor in the Manual or otherwise in writing. If required by Franchisor, Franchisee will, at its expense, establish its website as part of Franchisor's website and/or establish electronic links to Franchisor's website.

j) If Franchisee proposes any material revision to the website or any of the information contained in the website, Franchisee will submit each such revision to Franchisor for Franchisor's prior written approval as provided above.

12. <u>Hold Harmless; Insurance.</u>

a) Franchisee agrees to indemnify, defend and hold Franchisor, its officers, directors and shareholders harmless from any liability or damage Franchisor or others may incur, including reasonable attorneys' fees, as a result of claims, demands, costs or judgment, of any kind or nature, by anyone whomsoever, arising out of or otherwise connected with this Agreement, the Franchise, the Licensed Rights, claims by or on behalf of Franchisee's employees, state or federal labor laws, data privacy laws, acts of employees or agents of Franchisee or the ownership, maintenance or operation of the Deli by the Franchisee or an agent or employee of Franchisee. Pursuant to paragraph 13, this paragraph will survive termination of the Agreement. Notwithstanding the foregoing, Franchisor agrees to cooperate with Franchisee to protect Franchisee against the infringement of the Jason's Deli System and the Licensed Rights, including, but not limited to, the defense or prosecution of any lawsuits if, in the judgment of Franchisor's counsel, such action is necessary or advisable.

b) Franchisee agrees to maintain at its expense and throughout the term of this Agreement, insurance with an insurance company satisfactory to Franchisor as follows:

i) All insurable properties will be insured against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, air traffic, vehicle, smoke, or other risks usually insured against by persons operating like properties in the localities where the properties operated by Franchisee are located, in amounts sufficient to prevent the Franchisee from becoming a co-insurer within the terms of the policies in question, and in any event, in amounts not less than eighty percent (80%) of the then insurable value thereof.

ii) Public liability insurance will be maintained in an amount not less than One Million and No/100 Dollars ($1,000,000.00) combined single limits for bodily injury and property damage, to include products and completed operations and personal injury protection. The Franchisee will also maintain combined single limits bodily injury and property damage insurance in an amount not less than One Million and No/100 Dollars ($1,000,000.00).

iii) Workers' compensation insurance in the amount of One Million and No/100 Dollars ($1,000,000.00). Unemployment compensation, disability insurance, social security and other insurance coverage will be maintained in such amounts as may now or hereafter be required by any applicable law.

iv) A business automobile policy in the amount of One Million and No/100 Dollars ($1,000,000.00) covering hired, not owned, vehicles.

v) Such other insurance as Franchisor may, from time to time, require in amounts designated by Franchisor. All such policies will insure Franchisee and Franchisor (Franchisor will be a named insured), and will protect the Franchisee and Franchisor against any liability which may accrue by reason of this Agreement, the Franchise, the Licensed Rights or the ownership, maintenance or operation by Franchisee or an employee or agent of Franchisee of the Deli. Franchisee's obligation to obtain and maintain the foregoing policy or policies of insurance will not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor will Franchisee's performance of this obligation relieve it of liability under the indemnity provision set forth in paragraph 12 herein. Franchisee will deliver to Franchisor certificates of insurance evidencing its compliance with this paragraph 12 and instruct the carrier to provide thirty (30) days' notice of cancellation to Franchisor.

13. Default; Termination.

a) Except as otherwise required or prohibited under applicable statute, this Agreement and all rights granted to Franchisee hereunder will automatically terminate if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or filed against Franchisee and not opposed by Franchisee; or if Franchisee is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee; or if a final judgment remains unsatisfied or off record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if a suit to foreclose any lien or mortgage against the premises or equipment of the Deli is instituted against Franchisee and not dismissed within thirty (30) days; or if execution is levied against Franchisee's business or property; or if the real or personal property of the Deli is sold after levy thereupon by any sheriff, marshal or constable.

b) Except as otherwise required or prohibited under applicable statute, Franchisee will be deemed to be in default, and Franchisor, may at its option, terminate this Agreement and all rights granted Franchisee hereunder, effective immediately upon receipt of notice by Franchisee and without affording Franchisee any opportunity to cure the default, upon the occurrence of any of the following events:

i) If Franchisee fails to secure an acceptable site or fails to commence construction or remodeling of the Deli, or fails to open the Deli for business within the time periods specified in the Site Development Addendum or Franchise Agreements;

ii) If Franchisee, without Franchisor's prior written consent, ceases to operate or otherwise abandons the Deli, or loses the right to possession of the Deli premises, or forfeits the legal right to do so or transact business in the jurisdiction where the Deli is located; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain or if, through no fault of Franchisee, the premises are damaged or destroyed, within thirty (30) days after such event, Franchisee will be entitled to apply for Franchisor's consent to relocate or reconstruct the premises, which consent will not be unreasonably withheld;

iii) If Franchisee (or if Franchisee is a corporation, limited liability company or partnership, any principal of Franchisee) is convicted of a felony, a fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud or any unfair or deceptive act or practice that Franchisor believes is reasonably likely to have an adverse effect on the system, the proprietary marks, the goodwill associated therewith, or Franchisor's interest therein;

iv) If a threat or danger to the public health or safety results from the construction, maintenance, or operation of the Deli;

v) If Franchisee or any member, partner or shareholder in Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee to a third party without Franchisor's prior written consent, contrary to paragraph 14;

vi) If Franchisee (or if Franchisee is a corporation, limited liability company or partnership, any principal of Franchisee) fails to comply with the in-term covenants in paragraph 15;

vii) If Franchisee or its designee fails to attend and complete, to Franchisor's satisfaction, the initial Franchise management training program required by Franchisor, as provided in paragraph 10;

viii) If contrary to the terms of paragraph 15, Franchisee discloses or divulges the contents of the Operations Manual or other manuals or any other confidential information provided to Franchisee by Franchisor;

ix) If an approved transfer is not effected within a reasonable time, as required under Paragraph 14, following Franchisee's death or mental incapacity;

x) If Franchisee knowingly maintains false books or records or submits any false reports to Franchisor, or if Franchisee makes any material false statements to Franchisor in connection with its application for the Franchise;

xi) If Franchisee repeatedly fails to pay on a timely basis its taxes or other governmental charges, rent, lease payments or payments to suppliers or other trade creditors;

xii) If Franchisee repeatedly is in default under paragraph 13(c) or 13(d), for failure substantially to comply with any of the requirements imposed under this Agreement, whether or not cured, after notice; and/or

xiii) If Franchisee knowingly fails to comply with the provision of paragraph 5(i).

c) If Franchisee fails, refuses, or neglects promptly to pay when due any operating or advertising fees or any other amounts owing to Franchisor, its subsidiaries, affiliates, or divisions, except as otherwise prohibited or required under applicable statute, Franchisee will have ten (10) days after receipt from Franchisor of a written Notice of Termination within which to cure such default. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee immediately upon the expiration of said period.

d) Except as provided in Paragraphs (a), (b), and (c) herein, and except as otherwise prohibited or required under applicable statute, Franchisee will have thirty (30) days after receipt from Franchisor of a written Notice of Termination within which to remedy any other default hereunder and provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee immediately upon the expiration of said period. Franchisee will be in default hereunder for any failure to substantially comply with any of its obligations under this Agreement or to carry out the terms of this Agreement in good faith. Such defaults include, without limitation, the occurrence of any of the following events:

i) If Franchisee fails to submit when due any reports, financial information, or other information or documents required by Franchisor under this Agreement;

ii) If Franchisee fails to observe or maintain any of the standards or procedures prescribed by Franchisor in this Agreement, the Operations Manual, or otherwise in writing;

iii) If Franchisee engages in any illegal, fraudulent, unfair or deceptive business practices;

iv) If Franchisee misuses or makes any unauthorized use of the proprietary marks;

v) If Franchisee directly or indirectly commences or conducts any business operation, or markets any product or service, under any name or proprietary mark which, in Franchisor's sole opinion, is confusingly similar to the proprietary marks;

vi) If Franchisee fails to obtain Franchisor's prior approval or consent as required under this Agreement;

vii) If Franchisee is in default of any other provision of this Agreement

e) Upon termination of this Agreement for any reason, or upon expiration of the term hereof, all of Franchisee's rights hereunder will terminate and Franchisee will cease to operate the Jason's Deli Franchise. Franchisee agrees as follows:

i) To pay immediately to Franchisor, or any subsidiary or division of Franchisor, the full amount of all sums due under this Agreement;

ii) To cease immediately to use the Jason's Deli System and all the Licensed Rights provided by Franchisor hereunder and any confusingly similar names, marks, systems, insignia, symbols or other rights, procedures or methods;

iii) To return Franchisor's Operations Manual and all other manuals, plans and specifications, designs, records, data, samples, models, programs, training tapes, handbooks copyrighted or trademarked materials, or drawings touching or concerning Franchisor's operation or business (no such materials will be copied or duplicated in any manner);

iv) To cease immediately to hold itself out in any way as a Franchisee of Franchisor or to do anything which would indicate any relationship between it and Franchisor and;

v) To remove from public display signs or advertisements containing the name "Jason's Deli," Jason's Deli and its graphics or any other mark or designation associated with Franchisor, including the Jason's Deli price sign, and ship the same, at its expense, to Franchisor.

f) Termination or expiration of this Agreement will not affect the rights of Franchisee to operate other Delis in accordance with the terms of any other Franchise Agreements until and unless such other Franchise Agreements, or any of them, are terminated in accordance with their terms. Notwithstanding the foregoing, termination of this Agreement or any default hereunder may be grounds for termination of all other agreements with Franchisor. Finally, termination or expiration of this Agreement will not affect the right of Franchisor to conduct such audits as are set forth herein.

g) Comply with all requirements under this Agreement which expressly or by reasonable implication apply to Franchisee's conduct after termination or expiration.

h) If this Agreement is terminated for default, in addition to all its other obligations under this paragraph 13, Franchisee will pay Franchisor all damages, costs and expenses, including reasonable legal and accounting fees, incurred by Franchisor as a result of Franchisee's default and/or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this paragraph 13. These obligations of Franchisee will give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee and located at the Deli at the time of default.

i) Upon termination or expiration of this Agreement, at Franchisor's option, Franchisee will assign to Franchisor or its designee any interest which Franchisee has in any lease or sublease for the Deli premises. If Franchisor does not require the assignment of such lease or sublease, Franchisee will make such modifications or alterations to the interior and exterior of the Deli premises (including, without limitation, repainting and changing the telephone number) as Franchisor may deem necessary to prevent confusion, mistake, or deception, if the premises are thereafter used by Franchisee or others. If Franchisee fails or refuses to comply with the requirements of this paragraph 13, Franchisor and its agents will have the right to enter the premises where the Franchised business was conducted for the purpose of making or causing to be made such changes as may be required, at Franchisee's expense, and which Franchisee agrees to pay upon demand. Franchisee agrees that such entry and action by Franchisor or its agents will not constitute trespass or any other offense, and Franchisee will indemnify Franchisor and its agents against any claims by others relating to such entry and action.

j) Fifteen (15) days after the date of termination or expiration of this Agreement, Franchisor may arrange for an inventory, at Franchisor's cost, of all personal property, fixtures, equipment, supplies and inventory located at the Deli, or used in connection with the Franchised business, including, without limitation, any and all items bearing the proprietary marks. Franchisor will have the option exercisable within thirty (30) days after termination or expiration, to purchase any or all such items from Franchisee at fair market value. If the parties cannot agree on fair market value within a reasonable time, Franchisor may designate an independent appraiser, whose determination will be binding. If Franchisor elects to exercise any option to purchase hereunder, it will have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment for items purchased.

14. <u>Assignment; Conditions and Limitations</u>

a) Franchisee's Form of Organization.

i) If Franchisee is or becomes a corporation or other business entity, the Franchisee will comply with the following requirements:

1) Franchisee will confine its activities to the establishment and operation of the Deli;

2) Franchisee's articles of incorporation and bylaws (or comparable governing documents) will at all times provide that its activities are confined exclusively to those specified in subsection (i), and that the issuance and transfer of voting stock or other ownership interest in Franchisee is restricted by the terms of this Agreement;

3) Franchisee will furnish Franchisor promptly upon request copies of Franchisee's articles of incorporation, bylaws and other governing

documents, and any other documents Franchisor may reasonably request and any amendments thereto; and

4) Franchisee will maintain stop-transfer instructions on its records against the transfer of any equity securities except in accordance with the provisions of subsection (b) herein. All securities issued by Franchisee will bear the following legend, which will be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

The transfer of these securities is subject to the terms and conditions of a Franchise Agreement with Deli Management, Inc. dated____________________. Reference is made to said Agreement and to the restrictive provisions of the articles and bylaws of this corporation.

ii) If Franchisee is or becomes a partnership, upon request, Franchisee will promptly furnish Franchisor a copy of its partnership agreement and any other documents Franchisor may reasonably request and any amendments thereto.

iii) Franchisee will maintain a current list of all general and limited partners and all owners of record and all beneficial owners of any class of voting stock of Franchisee and will furnish the list to Franchisor promptly upon request.

iv) Each individual who holds a five percent (5%) or greater ownership interest in Franchisee (including each individual holding a 50% or greater interest in any partnership or corporation having a controlling interest in Franchisee) will enter into a continuing guaranty agreement under seal, in a form satisfactory to Franchisor, assuming and agreeing to discharge all obligations and liabilities of Franchisee under this Agreement.

b) Transfer of Interest.

i) Franchisee understands and acknowledges that the rights and duties of Franchisee set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this Franchise Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and Franchisee's principals. Accordingly, Franchisee agrees that Franchisor's express prior written consent will be a necessary condition precedent to the sale, assignment, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation of any of the following:

1) any direct or indirect interest in this Agreement or the rights granted hereunder;

2) any direct or indirect interest in Franchisee;

3) all or substantially all the assets of Franchisee. Except as specifically provided in this section 14(b), any purported assignment or transfer, by operation of law or otherwise, not having the express prior written consent of Franchisor will be null and void and will constitute a material breach of the Agreement. Franchisor's prior written consent will not be required for transfer of a non-controlling interest in a publicly held corporation. As used in this Agreement, the term "publicly held corporation" means a corporation registered under the Securities and Exchange Act of 1934. Franchisee acknowledges and agrees that each condition required to be met by a proposed transferee hereunder is necessary to assure the transferee's full performance of its obligations as "Franchisee" hereunder.

ii) If Franchisee is an individual or partnership, Franchisee will be entitled to transfer Franchisee's interest in this Agreement to a business entity formed for convenience of ownership. Franchisor will charge no transfer fee for the first such transfer; however, Franchisor's consent to any such transfer will be subject to the following conditions:

1) Franchisee will be the owner of all the voting stock or other ownership interest in the corporation, and if Franchisee is more than one individual, each individual will have the same proportionate ownership interest in the business entity or other business entity as he or she had in Franchisee prior to the transfer.

2) Franchisee will comply with the terms and conditions set forth for Franchisee corporations or other business entities under Section 14(a).

iii) Within twelve (12) months after the death or mental incapacity of Franchisee (or, if Franchisee is a partnership or corporation, a principal of Franchisee), the executor, administrator or personal representative of such person will transfer that person's interest to a third party approved by Franchisor. All such transfers will be subject to the same conditions as any inter vivos transfer; however, no transfer fee will be charged in the case of a transfer by devise or inheritance. If the heirs or beneficiaries of the deceased Franchisee are unable to meet the conditions set forth in this Section 14(b), the executor, administrator or personal representative will have a reasonable time to dispose of the deceased's interest, which disposition will be subject to the same conditions as any inter vivos transfer. If such interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

iv) Any person ("seller") who receives and desires to accept a bona fide offer from a third party to purchase all or part of seller's interest in Franchisee, this Agreement, or the Franchise, will notify Franchisor in writing of each such offer. Franchisor will have the right and option, exercisable within thirty (30) days after receipt of such written notice, to send written notice to seller that Franchisor intends to purchase seller's interest on the same terms and conditions offered by the third party. To enable Franchisor to determine whether it will exercise its option, Franchisee and the seller will provide such information and documentation, including financial statements, as Franchisor may require. If the consideration, terms or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same, Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, Franchisor may appoint an independent appraiser, whose determination will be binding. If Franchisor does not exercise its option as provided hereunder, the seller may sell the interest, subject to Franchisor's consent as otherwise required under this Section 14(b). Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

v) Franchisor will not unreasonably withhold its consent to a transfer of any interest in Franchisee or this Agreement; provided, however, that Franchisor may, in its sole discretion, require any or all the following as conditions of its approval:

1) All Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and visions will be satisfied;

2) Franchisee will have substantially complied with all the terms and provisions of this Agreement, any amendment hereof or successor hereto, and all other agreements between Franchisee and Franchisor, its subsidiaries, affiliates or divisions and, at the time of transfer, will not be in default thereof;

3) If the obligations of Franchisee were guaranteed by the transferor(s), the transferee will guarantee the performance of all cash obligations in writing and in a form satisfactory to Franchisor;

4) Franchisee and the transferor(s) will execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, employees and agents in their corporate and individual capacities,

including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

vi) If a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring financial or management control of Franchisee, Franchisor may require, in its sole discretion and in addition to the conditions provided in subsection 14(b)(v), any or all the following as conditions of its approval:

1) The transferee (or, if the transferee is a corporation or other business entity or partnership, the principals of the transferee) will demonstrate to Franchisor's satisfaction that they meet Franchisor's then-current standards for new Franchisees under the system; possess good moral character, business reputation, and credit rating, have the aptitude and ability to operate the Deli (as may be evidenced by prior related business experience or otherwise); and have adequate financial resources and capital to operate the Deli;

2) For a term ending on the expiration date of this Agreement, the transferee will execute the standard form of Franchise Agreement then being offered by Franchisor, and such other ancillary agreements (including guaranty agreements provided under Section 14(a) as Franchisor may require, which agreements will supersede this Agreement in all respects, and the terms of which agreements may differ from the terms of this Agreement; provided, however, no additional initial franchise fee will be required;

3) The transferee will complete and/or cause its employees to complete, to Franchisor's satisfaction, such initial and refresher training as Franchisor may require;

4) Franchisee and the transferee will remain liable for all obligations to Franchisor, its subsidiaries and affiliates in connection with obligations arising prior to the date of transfer.

vii) Franchisee or the transferee will pay to Franchisor a non-refundable transfer fee in an amount reasonably necessary to compensate Franchisor for its costs and expenses in connection with each proposed transfer, but in no event less than Seven Thousand and No/100 Dollars ($7,000.00).

viii) If securities in Franchisee are proposed to be offered to the public, by private offering or otherwise, the prior written consent of Franchisor will be required and such consent will be granted by Franchisor, in its sole discretion.

ix) Neither Franchisor's consent to any proposed transfer, nor Franchisor's failure to exercise its option to purchase any interest of a seller, will be deemed to constitute a waiver of any claims Franchisor may have against any transferor, any right to demand exact compliance with any term of this Agreement by any transferor or transferee, any future rights or options of Franchisor or any provision of this Agreement.

x) This Agreement will inure to the benefit of Franchisor, its successors and assigns, and Franchisor will have the right to transfer and assign all or any part of its interest herein, including its rights under section 14(b) (iv), to any person or legal entity.

15. <u>Non-Competition; Confidentiality.</u>

a) Franchisee and persons controlling, controlled by, or under common control with it, will not, without the prior written consent of Franchisor, during the term of this Agreement, engage in any business similar to that created by this Agreement anywhere within the United States.

b) Franchisee and persons controlling, controlled by, or under common control with Franchisee, will not, without the prior written consent of Franchisor, have any interest, direct or indirect, in the ownership (except a non-controlling interest in a publicly traded corporation) or operation of any business similar to the business created under this Franchise Agreement, for a period of two (2) years after transfer, assignment, expiration or termination of this Agreement within the following areas: (i) a twenty-five (25) mile radius of the Deli, (ii) twenty-five (25) miles of any Deli (whether Franchisor or other Franchisee owned) in existence as of the date of such termination or expiration, or (iii) any area in the United States where active plans have been made by Franchisor to establish Delis at the time of the transfer, assignment, expiration or termination.

c) Franchisee and persons controlling, controlled by, or under common control with Franchisee, will not, during the term of this Agreement, and for a period of two (2) years after termination or expiration, assignment or transfer of this Agreement, however such termination will occur, directly or indirectly, hire or attempt to hire an existing employee of Franchisor, or existing employee of a subsidiary of Franchisor, or any person who was an employee of a Franchisor or of a subsidiary of Franchisor, within a twelve (12) month period prior to the proposed date such person is to commence employment with Franchisee.

d) Franchisee understands and acknowledges that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 15 of this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant so modified, which will be fully enforceable.

e) Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section 15. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 15.

f) Franchisee and persons controlling, controlled by, or under common control with Franchisee will not, during the term hereof and for a period of two (2) years after termination, expiration, assignment or transfer of this Agreement, hire or attempt to hire the following persons:

i) any management-level person currently employed, or previously employed within a twelve (12) month period prior to the proposed date of employment by Franchisee by another Deli (whether Franchisor or other Franchisee owned) not owned by Franchisee; or

ii) any non-management person currently employed, or previously employed within a twelve (12) month period prior to the proposed date of employment by Franchisee by another Deli (whether Franchisor or other Franchisee owned) not owned by Franchisee who has attended Franchisor's training school.

g) In the event of a breach or threatened breach by Franchisee of the provisions of this paragraph 15, Franchisor will be entitled to an injunction restraining Franchisee from further violation. In the event Franchisee does not comply with the aforesaid covenants as of the date they would go into effect under the terms of the Agreement, then the time such covenants begin will commence on the later of either the date at which Franchisee does comply or the date at which a court order compelling compliance goes into effect. Nothing herein will be construed as prohibiting Franchisor from pursuing any other remedies available to Franchisor for such breach or threatened breach, including the recovery of damages from Franchisee.

h) In the event the provisions of this paragraph 15 should ever be deemed to exceed the time, geographic or occupational limitations permitted by applicable laws, then the parties agree such provisions will be reformed to the maximum time, geographic or occupancy limitations permitted by applicable laws.

i) Should a court of competent jurisdiction declare any provision contained in this paragraph 15 unenforceable due to unreasonable restriction of duration, geographic area or otherwise, the parties agree such court will be empowered and will grant Franchisor injunctive relief reasonably necessary to protect the interests of Franchisor.

j) Franchisee will not at any time, during the term of this Agreement or thereafter, use, in connection with the operation of any other business wherever located, any of the Licensed Rights or any other names, marks, systems, insignia or symbols provided by Franchisor to Franchisee pursuant to this Agreement, or cause or permit any business to look like, copy or imitate any Deli or to be operated in a manner tending to have such effect.

k) During the term of this Agreement or thereafter, any officer or agent of Franchisor will have the right to inspect any business in which Franchisee has an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this paragraph are being satisfied. If, by reason of such inspections or otherwise, Franchisor has reason to believe Franchisee is not in full compliance with the terms of this paragraph, Franchisor will give notice of such default. If Franchisee denies that it is in default hereunder as specified by Franchisor, within ten (10) days of receipt of notice from Franchisor, it will have the burden of establishing that such default does not exist and will give notice to Franchisor of its position. Unless Franchisee so denies such default, it will immediately take all steps to cure said default in a manner satisfactory to Franchisor.

l) For purposes of this Agreement, "Confidential Information" will mean any and all trade secrets of Franchisor or any and all information disclosed to or learned by Franchisee, and persons controlling, controlled by, or under common control with Franchisee, whether in oral or written form, as a consequence of this Agreement that is not known in the relevant trade or industry about the Jason's Deli System, its procedures, techniques, and recipes, including but without limitation, information relating to marketing, advertising, accounting, identification schemes, management systems, techniques and business operations and systems.

m) The parties hereto recognize that in the performance of this Agreement, certain confidential information belonging to Franchisor will come into the possession of Franchisee. Franchisee and persons controlling, controlled by, or under common control with them, agree to hold in confidence the confidential information and will not disclose the confidential information or any parts thereof to any person or entity other than officers, employees and agents of Franchisee who must have access to the confidential information in order to implement the Jason's Deli System in the Franchisee's Deli, and in such event, will obtain from such individuals confidentiality agreements. It is understood and agreed that the Jason's Deli System is a technologically advanced program of accounting, identification schemes, management systems, techniques, business operations and systems that would, if used by other persons, firms or corporations, give such other persons, firms or corporations a substantial competitive advantage which is presently enjoyed by Franchisor.

n) Nothing herein will prevent Franchisor and persons controlling, controlled by or under common control with them, from disclosing any information or knowledge learned or received during the term of this Agreement, including the Confidential Information which:

i) is no longer maintained in confidence by Franchisor; or

ii) at the time of disclosure is in, or after disclosure becomes part of, the public domain; or

iii) is used in testimony before a court of law or governmental body; or

iv) is required by a court of law, governmental or judicial authority, statute or law to be disclosed.

o) The Operations Manual, any other manuals or materials provided to Franchisee, and all confidential information will at all times be deemed to be, and will remain, the sole property of Franchisor, and Franchisee will acquire no rights, title or interest therein by virtue of this authorization pursuant to this Agreement to possess and use the same. Franchisee agrees to return all such manuals and materials, and any and all copies thereof, upon termination or expiration of this Agreement.

p) In the event of a breach or threatened breach by Franchisee of the provisions of this paragraph 15, Franchisor will be entitled to an injunction ordering the return of the confidential information and restraining Franchisee from disclosing, in whole or in part, such confidential information. Nothing herein will be construed as prohibiting Franchisor from pursuing any other remedies available to Franchisor for such breach or threatened breach, including the recovery of damages from Franchisee.

16. Notices.

All notices hereunder will be in writing and will be duly given if hand delivered or sent by registered or certified mail, postage prepaid, addressed:

a) If to Franchisor, at:

Deli Management, Inc.
Attention: Troy Cormier
350 Pine Street – Suite 1775
Beaumont, Texas 77701

b) If to Franchisee, at:

____

____

____

17. Governing Law/Disputes.

a) This Agreement will be deemed to have been made and entered into in the State of Texas, and all rights and obligations of the parties hereto will be governed by and construed in accordance with the laws of the State of Texas.

b) THE PARTIES AGREE THAT ANY ACTION BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, WILL BE BROUGHT WITHIN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS (BEAUMONT, TEXAS) AND DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

c) WAIVER OF RIGHTS: BOTH WE AND YOU WAIVE AND AGREE NOT TO INCLUDE IN ANY PLEADING DEMAND: CLASS ACTION CLAIMS; DEMAND FOR TRIAL BY JURY; CLAIMS FOR LOST PROFITS; OR CLAIMS FOR PUNITIVE, MULTIPLE, OR EXEMPLARY DAMAGES. IF ANY PLEADING IS FILED THAT CONTAINS ANY OF THESE CLAIMS OR A JURY DEMAND, OR IF A COURT DETERMINES THAT ALL OR ANY PART OF THE WAIVERS ARE INEFFECTIVE, THEN THE PLEADING WILL BE DISMISSED WITH PREJUDICE, AS TO THOSE CLAIMS. NO CLAIMS BY EITHER OF US CAN BE CONSOLIDATED WITH THE CLAIMS OF ANY OTHER PARTY. IF SUCH CLAIMS AND DEMANDS CANNOT BE WAIVED BY LAW, THEN THE PARTIES AGREE THAT ANY RECOVERY WILL NOT EXCEED TWO (2) TIMES ACTUAL DAMAGES.

18. <u>Heirs, Successors and Assigns.</u>

Subject to the provisions hereof relating to transfer and assignment, this Agreement is intended to, and does bind, the heirs, executors, administrators and successors of any or all the parties hereto.

19. <u>Severability.</u>

If any provision of this Agreement or the application of any provision to any person or to any circumstance will be determined to be invalid or unenforceable, then such determination will not affect any other provision of this Agreement or the application of such provisions to any other person or circumstance, all of which other provisions will remain in full force and effect, and it is the intention of Franchisor and Franchisee that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other of which would render the provision unenforceable, the provision will have the meaning which renders it enforceable.

20. <u>Entire Agreement.</u>

This Agreement, all exhibits to this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire Agreement between the parties with reference to the subject matter of this Agreement, and supersede all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this or any related Agreement is intended to disclaim the representations in the Disclosure Document. Franchisee acknowledges that it is entering into this Agreement and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation and not as a result of any representations made by Franchisor or its shareholders, officers, directors, employees, agents, representatives, independent contractors or Franchisees that are contrary to the terms set forth in this Agreement or of any Disclosure Document or other similar document required or permitted to be given to it pursuant to applicable law.

21. Miscellaneous.

All payments must be made payable to DELI MANAGEMENT, INC. Franchisee agrees that it will not withhold, escrow or set off any payments due to Franchisor under this Agreement. In the event any check is returned for insufficient funds, Franchisor reserves the right to require future payments by cashier's check or money order and to require a service charge of all insufficient checks in an amount of $25.00 or 5% of face value of the instrument. The preceding remedies will be in addition to and cumulative with any other remedies permitted by this Agreement or by law.

22. Joint and Several Obligation.

If the Franchisee consists of more than one person or entity, liability under this Agreement will be deemed to be joint and several.

23. Counterparts; Paragraph Headings; Pronouns.

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. The paragraph headings in this Agreement are for convenience of reference only and will not be deemed to alter or affect any provision thereof. Each pronoun used herein will be deemed to include the other number and genders.

24. Franchisee's Status.

At all times during the term of this Agreement, Franchisee will be considered an independent contractor, and neither an agent nor employee of Franchisor, nor a partner or joint venture with Franchisor.

25. Cost of Enforcement.

The prevailing party in any action arising out of this Agreement will be entitled to recover its attorneys' fees, together with court costs and expenses of litigation.

26. Remedies Cumulative; Waiver; Consents.

All rights and remedies of Franchisor and of Franchisee enumerated in this Agreement will be cumulative. Except as specifically contemplated otherwise by this Agreement, none will exclude any other right or remedy allowed at law or in equity and said rights or remedies may be exercised and enforced concurrently. No waiver by Franchisor or covenant or condition of this Agreement to be kept or performed by the other party will constitute a waiver by the waiving party of any subsequent breach of such covenant or condition, or authorize the breach or nonobservance on any other occasion of the same or any other covenant or condition of this Agreement. Subsequent acceptance by Franchisor of any payments due to it hereunder will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

27. <u>Acknowledgements.</u>

Franchisee acknowledges that:

a) It has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, making the success of the venture largely dependent upon the business abilities of Franchisee. Except as set forth in its Franchise Disclosure Document, Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

b) It has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein, and further represents to Franchisor, as an inducement to its entry into this Agreement, that it has made no misrepresentations in obtaining thisAgreement.

c) It has received, read and understood this Agreement and the attachments hereto, if any. Franchisor has fully and adequately explained the provisions of each to its satisfaction, and Franchisor has accorded it ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

d) It is aware that some present Franchises of Franchisor may operate under different forms of agreements and consequently, that Franchisor's obligations and rights in respect to its various Franchisees may differ materially in certain circumstances.

e) It agrees that no third-party beneficiary rights arise out of any term, condition or requirement set forth herein.

28. <u>Effective Date and Additional Representations.</u>

This Agreement will become effective upon execution by Franchisor. Franchisee hereby acknowledges that Franchisee received the Franchise Disclosure Document and a copy of its standard Franchise Agreement (i) fourteen (14) calendar days before the signing of any Franchise or related agreement; or (ii) fourteen (14) calendar days before any payments.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

WITNESSES:

FRANCHISEE:

____

____

By:________________________

Title:_______________________

Dated:______________________

DELI MANAGEMENT, INC.

____

By:________________________
Troy Cormier

Title: Chief Executive Officer

Dated:______________________

EXHIBIT “C”

FRANCHISE PURCHASE AFFIDAVIT

FRANCHISE PURCHASE AFFIDAVIT

The undersigned, having executed a DELI MANAGEMENT, INC. Franchise Agreement, acknowledge that said Franchise Agreement is presently being considered by DELI MANAGEMENT, INC. (hereinafter referred to as "Franchisor") for execution and acceptance at Beaumont, Texas, and further certify and acknowledge that the following statements are true and correct:

1) that subsequent to execution of this Agreement by Franchisor, Franchisor will provide Franchisee and Franchisee's key personnel with initial training deemed appropriate by Franchisor and successful completion of such training by Franchisee and at least five other management persons is a condition to opening the Franchisee's delicatessen restaurant ("Deli");

2) that the Franchisee shall have the responsibility to locate a number of sites for the Deli, and that a site must be approved in writing by Franchisor prior to development of a Deli;

3) Franchisee understands that approval by Franchisor is not a guarantee or warranty that a site will be successful;

4) Franchisee has received no promises or any indications that financial assistance will be offered to Franchisee by Franchisor or any affiliate, subsidiary or division thereof;

5) Franchisee has received no promises or any indications that Franchisor will lease or sublease to Franchisee;

6) Franchisee has received no representations, promises or commitments, including actual, average, projected or forecasted franchise sales, profits or earnings of any type, which are not expressly contained in said Franchise Agreement and related documents or in the Franchise Disclosure Document;

7) Franchisee understands it is its own responsibility to conduct any market research or feasibility research relating to the area in which it intends to open the Deli;

8) Franchisee has received a Deli Management, Inc. Franchise Disclosure Document with all Exhibits attached thereto (i) fourteen (14) calendar days before the signing of any Franchise or related agreement; or (ii) fourteen (14) calendar days before any payments;

9) Franchisee has reviewed all the materials referred to in paragraph 8 above and found them complete and that the Franchise Disclosure Document contained all exhibits thereto;

10) Franchisee acknowledges it has reviewed Franchisor's Operations Manuals;

11) Franchisee represents and warrants to Franchisor that neither Franchisee, nor any of Franchisee's principals, nor any of their respective affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/) Further, Franchisee represents and warrants that neither it nor any of Franchisee's principals or affiliates referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at http://www.tres.gov/offices/enforcement/ofac/legal/eo/13244.pdf) or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

EXECUTED this________day of____________________________,______________________.

WITNESS: FRANCHISEE:

________________________________ By:____________________________________

Title:__________________________________

EXHIBIT “D”

AREA DEVELOPMENT AGREEMENT

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ARTICLE

Dev. Area:

AREA DEVELOPMENT AGREEMENT

DELI MANAGEMENT, INC.

This Area Development Agreement is made and entered into as of the date set forth below by and between DELI MANAGEMENT, INC., a Texas Corporation, having its principal place of business at Beaumont, Texas ("Franchisor"), and ______________ ____, ("Developer").

RECITALS

A. **WHEREAS**, Franchisor, as a result of the expenditure of time, skill, effort and money has developed and owns a distinctive system ("System") for the establishment and operation of delicatessen businesses; and

B. **WHEREAS**, the distinguishing characteristics of the System include, without limitation, specialized training; management and marketing techniques and materials; procedures and methods of operation; uniform standards; specifications and procedure for products; equipment and services distinctive appearance; and advertising and promotional programs, all of which may be changed, improved and further developed by Franchisor from time to time; and

C. **WHEREAS**, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin ("Proprietary Marks") including, but not limited to, the name and mark "Jason's Deli" and such other names, marks and indicia as may now or hereafter be designated by Franchiser in writing for use in connection with the System; and

D. **WHEREAS**, Franchisor continues to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and to represent the high standards of quality associated therewith; and

E. **WHEREAS**, Developer desires to obtain rights to establish businesses under the System in the geographical area described herein and in accordance with the terms and conditions hereof;

NOW, THEREFORE, in consideration of the promises and the mutual undertakings and commitments set forth herein, Franchisor and Developer hereby agree as follows:

ARTICLE I. GRANT

1.1 Franchisor hereby grants to Developer the right and option, subject to the terms and conditions of this Agreement, to establish up to________( ) businesses under the System (hereinafter "Jason's Delis") to be located in the geographic area ("Option Area") specified in Section 3.1.

1.2 Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor will not establish or grant a franchise to any person other than Developer to establish Delis in the Option Area.

1.3 Each Deli established by Developer shall be subject to a separate Franchise Agreement executed by Franchisor and Developer. The form of the Franchise Agreement for each Deli shall be the standard Franchise Agreement then being offered by Franchisor in the jurisdiction where the Deli is proposed to be located. The form of Franchise Agreement currently being offered by Franchisor in the jurisdiction in which the Option Area is included with the package transmitting this Area Development Agreement.

1.4 This Agreement is not a franchise or license agreement, and does not grant Developer any rights to the use of the Proprietary Marks or grant sub-franchises to others. Developer's rights to use the Proprietary Marks are limited and governed by the terms of separate franchise or license agreements between Franchisor and Developer.

ARTICLE II. DEVELOPMENT FEE

2.1 Developer shall pay to Franchisor upon execution of this Agreement a "Development Fee" of _________________________**($_______________) Thousand Dollars**, which fee shall be fully earned by Franchisor upon execution of this Agreement for administrative and other expenses incurred by Franchisor and for development opportunities lost or deferred as a result of the exclusive rights granted to Developer herein. The Development Fee shall be in addition to the initial franchise fees for Franchise Agreements executed pursuant to this Agreement and any other fees or payments due to Franchisor under any other agreements between Franchisor and Developer.

2.2 Upon execution of this Agreement, Developer shall execute and forward to Franchisor the current form Franchise Agreement (and ancillary agreements and related documents), together with the initial franchise fee for the first Deli to be established by Developer.

2.3 Notwithstanding the terms of any Franchise Agreement executed by Developer to establish the number of Delis set forth under Articles 1.1 and

3.2 of this Agreement, the initial fees for each such Franchise Agreement shall be Seventeen Thousand Five Hundred ($17,500.00) Dollars and the operating fee shall be four percent (4%) of gross sales. The Development Fee shall be payable, and deemed fully earned and nonrefundable upon Developer's execution of this Agreement. Except for the Development Fee, all other fees shall be payable as provided in each Franchise Agreement.

ARTICLE III. OPTION AREA; OPTIONS; RIGHT OF FIRST REFUSAL.

3.1 The Area ("Option Area") within which Developer may locate Delis established hereunder is described in the Option Area Description attached hereto.

3.2 During the term of this Agreement, Developer shall have the right and option, subject to the terms and conditions set forth herein, to purchase franchises for___________( ) Delis to be located in the Option Area. Each option shall be exercisable as follows:

3.2.1 Prior to and as a condition of exercising each option, Developer shall have substantially complied with all material terms and conditions of each of its Franchise Agreements and all other agreements with Franchisor, its subsidiaries or affiliates.

3.2.2 Developer shall notify Franchisor in writing of its desire to purchase an additional Franchise. Simultaneously, Developer shall submit to Franchisor a written report in a form approved by Franchisor detailing its financial, operational and such other information that will allow Franchisor to evaluate Developer's readiness to open and operate an additional Deli. Franchisor shall provide Developer the then-current form of Franchise Agreement, together with any disclosure or other documents required by law.

3.2.3 Developer shall execute the then-current form of Franchise Agreement and such other ancillary agreements and all other required ancillary agreements and documents and forward them to Franchisor, together with the initial Franchise fee as provided under Article II. Franchisor shall execute the Franchise Agreement if, in its sole judgment, Developer is operationally and financially prepared to develop another Deli. If, in Franchisor's judgment, Developer is not capable of the development of an additional Deli, then the Development Schedule shall be amended to provide Developer with an additional six (6) months in which Developer shall meet the revised Development Schedule. If, at end of the six (6) month period, Franchisor again determines that Developer is still not operationally or financially capable of the development of another Deli, Developer shall be in material default of the Development Schedule.

ARTICLE IV. TERM AND DEVELOPMENT SCHEDULE

4.1 The term of this Agreement shall commence on the date of execution by Franchisor and shall expire ten (10) years thereafter, unless sooner terminated in accordance with the terms set forth herein.

4.2 During the term of this Agreement, Developer shall establish Delis in the Option Area in accordance with the Development Schedule attached hereto and further described as follows ("Schedule"):

4.2.1 Contemporaneously with the execution of this Agreement, Developer shall execute a Franchise Agreement for the first Deli to be developed in the Option Area. Notwithstanding the terms of the first Franchise Agreement, Developer shall open the first Deli for business not later than twelve (12) months after the date of the first Franchise Agreement.

4.2.2 Franchisee agrees to comply with the development schedule set forth on the exhibit attached hereto and so designated.

4.3 Failure to have Delis open and in operation in the Option Area in accordance with the Schedule, unless extended by Franchisor as provided under Section 3.2.3, shall constitute a material default under this Agreement. Upon such default, Franchisor, in its discretion, may take any one or more of the following actions:

4.3.1 Terminate this Agreement and all rights granted hereunder without affording Developer any opportunity to cure the default, effective immediately upon the mailing of written notice to Developer;

4.3.2 Reduce the number of Delis that Developer may establish in the Option Area;

4.3.3 Terminate the territorial exclusivity granted to Developer under Section 1.2 of this Agreement;

4.3.4 Reduce the size of the Option Area by any amount;

4.3.5 Accelerate the Schedule;

4.3.6 Avail itself of any other rights or remedies provided under this Agreement or permitted under law or equity.

4.4 If Developer successfully completes the schedule, then during the first two (2) years after the date on which the last Deli is opened, Franchisor shall not establish or sell a Franchise for any Deli in the Option area, except upon Developer's request or consent. Thereafter, if during the term of this Agreement Franchisor proposes to grant a Franchise or area Franchise or development rights in the Option Area, Developer shall have a right of first refusal to enter into such agreement, if the following conditions are met:

4.4.1 Developer is then in compliance with all Franchise Agreements between Developer and Franchisor;

4.4.2 All Delis required to be open and in operation pursuant to the Schedule are then open and in operation in the Option Area;

4.4.3 Within fifteen (15) days after receipt of written notice of Franchisor's proposal to enter into any such agreement, Developer notifies Franchisor of Developer's intent to exercise its right of first refusal and thereafter, within thirty (30) days of such notice to Franchisor, Developer executes the agreement in the form proposed and forwards the executed agreement, together with all initial fees, to Franchisor.

4.5 If Developer fails to notify Franchisor of Developer's intent to exercise its right of first refusal, or fails to submit the executed agreement and fees within the time limits provided in subsection 4.4.3, Franchisor may thereafter establish or grant Franchises to others to establish or sub-franchise Delis in the Areas.

ARTICLE V. OBLIGATIONS OF FRANCHISOR AND DEVELOPER

5.1 Obligations of Franchisor

5.1.1 Franchisor agrees to make available to Developer, or assist Developer in obtaining the following:

a) Such standard construction plans, specifications and layouts for the structures, equipment, furnishings, décor and signs identified with Jason's Delis as Franchisor makes available to all Franchisees, from time to time.

b) Guidance in the selection of acceptable sites for the locations of Developer's Delis.

c) Review of site plans, final construction plans and specifications for conformity to the construction standards and specifications of the System.

d) Such assistance as Franchisor determines is required in connection with the development of the Option Area, including assistance by Franchisor's personnel or its agents.

e) Such other resources and assistance as may hereafter be developed and offered by Franchisor to Franchisees or developers.

5.1.2 Franchisor will provide to Developer, from time to time upon Developer's request, Franchisor's then-current form of Franchise Agreement for use by Developer in exercising its options hereunder.

5.2 Obligations of Developer

5.2.1 Except as Franchisor may otherwise expressly permit in writing, Developer (or, if Developer is a corporation or partnership, a principal of Developer) shall devote full time, energy and best efforts to the development and operation of Delis in the Option Area.

a) Franchisor may require any principal or management employee of Developer who is actively involved in the development and operation of Delis in the Option Area to attend and satisfactorily complete such training programs as Franchisor may require.

b) Developer shall cause its management employees to attend and satisfactorily complete all mandatory training programs, including basic and advanced training, refresher courses, and technical or business seminars, as Franchisor may require from time to time.

c) Developer shall be responsible for all personal expenses incurred by trainees in connection with training programs including, without limitation, costs and expenses of transportation, lodging, meals and wages and employee benefits. Franchisor reserves the right to charge reasonable fees for materials and/or participation in any training courses or seminars offered by or on behalf of Franchisor.

5.2.2 Developer shall be responsible for conducting local advertising and promotional activities for Delis owned by Developer in accordance with the terms of the Franchise Agreements. In particular, but without limiting the foregoing, Developer shall be responsible for the preparation and submission to Franchisor of the following:

a) annual advertising budgets, updated quarterly;

b) quarterly advertising plans;

c) periodic detailed accounting of media expenditures and verification of placement;

d) periodic written evaluation of effectiveness of advertising activities.

5.2.3 Developer shall comply with Franchisor's requirements for customer satisfaction programs and quality control, including responding to customer complaints and inquiries and providing periodic oral and written reports to Franchisor on the results of such contacts.

5.2.4 Developer shall inspect each of its Delis and report to Franchisor on the results of its inspections at least monthly, using the forms provided by Franchisor for that purpose. Developer shall also submit to Franchisor, upon request from time to time, such other forms, reports, records, statements, information and data as Franchisor may reasonably require, in the form and at the times and places reasonably specified by Franchisor.

5.2.5 Within ninety (90) days after the end of each fiscal year of Developer during the term of this Agreement, Developer, at its expense, shall submit to Franchisor a profit-and-loss statement showing the results of Developer's operations during said fiscal year and a balance sheet as of the end of the fiscal year. Each financial statement shall be accompanied by a sworn statement signed by Developer or by Developer's treasurer or chief financial officer attesting the items contained therein are true and accurate, that they completely and fully describe and disclose the information sought in such statement, and that the signer has made diligent and careful efforts to ascertain the truth, accuracy and completeness of such information.

ARTICLE VI. DEVELOPER'S FORM OF ORGANIZATION

6.1 If Developer is or becomes a corporation, the Developer corporation shall comply with the following requirements:

6.1.1 Developer shall confine its activities to the development of the Option Area and the establishment and operation of Jason's Delis.

6.1.2 Developer's articles of incorporation and bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to those specified in subsection 6.1.1 and that the issuance and transfer of voting stock or other ownership interest in Developer is restricted by the terms of this Agreement.

6.1.3 Developer shall furnish Franchisor promptly upon request copies of Developer's articles of incorporation, bylaws and other governing documents, and any other documents Franchisor may reasonably request and any amendments thereto.

6.1.4 Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities or other indicia of ownership, except in accordance with the provisions of Article VIII herein. All securities or other indicia of ownership issued by Developer shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

The transfer of these securities is subject to the terms and conditions of an Area Development Agreement with Deli Management, Inc. dated_______________. Reference is made to said Agreement and to the restrictive provisions of the Articles and Bylaws of this Corporation.

6.2 If Developer is or becomes a partnership, Developer shall furnish Franchisor promptly upon request a copy of its partnership agreement and any other documents Franchisor may reasonably request and any amendments thereto.

6.3 Developer shall maintain a current list of all general and limited partners, all owners of record and all beneficial owners of any class of voting stock of Developer and shall furnish the list to Franchisor promptly upon request.

6.4 Each individual who holds a five percent (5%) or greater ownership interest in Developer (including each individual holding a 50% or greater interest in any corporation or other business entity having a controlling interest in Developer) shall enter into a continuing guaranty agreement under seal, in a form satisfactory to Franchisor, assuming and agreeing to discharge all the obligations and liabilities of Developer under this Agreement, including those outlined in Articles VII and XI.

ARTICLE VII. CONFIDENTIAL INFORMATION

7.1 Developer expressly understands and agrees that a confidential relationship is established between Franchisor and Developer under this Agreement and that as a result thereof, Franchisor will be disclosing and transmitting to Developer certain confidential and proprietary information in connection with the system and Developer's establishment of the Option Area. Developer hereby agrees that:

7.1.1 Developer shall treat and maintain such information as confidential during the term of this Agreement and thereafter.

7.1.2 Developer shall use such information only for its operations under this Agreement.

7.1.3 Developer shall disclose such information only to its employees or agents and not to anyone else.

7.1.4 Developer shall restrict disclosure of such information only to those of its principals, employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only as much information as is required to enable those employees or agents to carry out their assigned duties.

7.1.5 Developer shall advise its principals, employees and agents of the confidential nature of such information and the obligation not to disclose it.

7.1.6 At Franchisor's request, Developer shall obtain and deliver to Franchisor signed confidentiality agreements from any or all of Developer's principals, employees or agents who may have access to confidential information. Such agreements shall be in a form satisfactory to Franchisor and shall identify Franchisor as a third-party beneficiary, with the independent right to enforce them.

7.2 Any and all information, knowledge, techniques and know-how, including any and all records thereof, in any form which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Developer can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Developer, was a part of the public domain; or which, after the time of disclosure by Franchisor to Developer, becomes a part of the public domain through publication or communication by persons other than Developer, its principals, employees or agents.

7.3 Developer acknowledges that any failure to comply with the requirements of this Article VII will cause Franchisor irreparable injury, and Developer agrees to pay all court costs and reasonable legal fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Article VII.

ARTICLE VIII. TRANSFER OF INTEREST

8.1 Developer understands and acknowledges that the rights and duties of Developer set forth in this Agreement are personal to Developer and that Franchisor has granted this Development Agreement in reliance on the business skill, financial capacity, and personal character of Developer and Developer's principals. Accordingly, Developer agrees that Franchisor's express, prior written consent shall be a necessary condition precedent to the sale, assignment, transfer, conveyance, gift, pledge, mortgage, encumbrance, or hypothecation of any of the following:

8.1.1 any direct or indirect interest in this Agreement or the rights granted hereunder;

8.1.2 any direct or indirect interest in Developer;

8.1.3 all or substantially all the assets of Developer.

Except as specifically provided in this Article VIII, any purported assignment or transfer, by operation of law or otherwise, not having the express prior written consent of Franchisor shall be null and void and shall constitute a material breach of the Agreement. Further, Franchisor may refuse any transfer or assignment which occurs prior to the time Developer has fully exercised, built, opened and is operating all the Delis set forth under Article III, and such refusal by Franchisor shall be deemed reasonable. As used in this Agreement, the term "publicly held corporation" means a corporation registered under the Securities Exchange Act of 1934. Developer acknowledges and agrees each condition required to be met by a proposed transferee hereunder is necessary to assure the transferee's full performance of its obligations as "Developer" hereunder.

8.2 If Developer is an individual or partnership, Developer shall be entitled to transfer Developer's interest in this Agreement to a corporation or other business entity formed for convenience of ownership. Franchisor will charge no transfer fee for the first such transfer; however, Franchisor's consent to any such transfer shall be subject to the following conditions:

8.2.1 Developer shall be the owner of all the voting stock or other ownership interest in the corporation or other business entity, and, if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or other business entity as he or she had in Developer prior to the transfer.

8.2.2 Developer shall comply with the terms and conditions set forth for developer corporations under Article VI.

8.3 Within six (6) months after the death or mental incapacity of Developer (or, if Developer is a partnership or corporation, a principal of Developer), the executor, administrator or personal representative of such person shall transfer that person's interest to a third party approved by Franchisor. All such transfers shall be subject to the same conditions as any inter vivos transfer; however, no transfer fee will be charged in the case of a transfer by devise or inheritance. If the heirs or beneficiaries of the deceased Developer are unable to meet the conditions set forth in this Article VIII, the executor, administrator, or personal representative shall have a reasonable time to dispose of the deceased interest, which disposition shall be subject to the same conditions as any inter vivos transfer. If such interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

8.4 Any person ("seller") who receives and desires to accept a bona fide offer from a third party to purchase all or part of the seller's interest in Developer, this Agreement or the Franchise shall notify Franchisor in writing of each such offer. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notice, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. To enable Franchisor to determine whether it will exercise its option, Developer and seller shall provide such information and documentation, including financial statements, as Franchisor may require. If the consideration, terms or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same, Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the cash consideration, Franchisor may appoint an independent appraiser, whose determination shall be binding. If Franchisor does not exercise its option as provided hereunder, the seller may sell the interest, subject to Franchisor's consent as otherwise required under this Article VIII. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer.

8.5 Franchisor will not unreasonably withhold its consent to a transfer of any interest in Developer or this Agreement; provided however, that Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

8.5.1 All Developer's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and divisions shall be satisfied;

8.5.2 Developer shall have substantially complied with all the terms and provisions of this Agreement, any amendment hereof or successor hereto, and all other agreements between Developer and Franchisor, its subsidiaries, affiliates or divisions and, at the time of transfer, shall not be in default thereof;

8.5.3 If the obligations of Developer were guaranteed by the transferor(s), the transferee shall guarantee the performance of all cash obligations in writing in a form satisfactory to Franchisor;

8.5.4 Developer and transferor(s) shall execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, employees and agents, in their corporate and individual capacities, including without limitation, claims arising under federal, state and local laws, rules and ordinances.

8.6 If a transfer, along or together with other previous, simultaneous or proposed transfers, would have the effect of transferring financial or management control of Developer, Franchisor may require, in its sole discretion and in addition to the conditions provided in Section 8.5, any or all the following as conditions of its approval:

8.6.1 The transferee (or, if the transferee is a corporation or other business entity, the principals of the transferee) shall demonstrate to Franchisor's satisfaction that they meet Franchisor's then-current standards for new Developers/Franchisees under the system; possess good moral character, business reputation, and credit rating, have the aptitude and ability to develop the Option Area (as may be evidenced by prior related business experience or otherwise); and have adequate financial resources and capital to develop the Option Area;

8.6.2 The transferee shall execute, for a term ending on the expiration date of this Agreement, the standard form of area development agreement then being offered by Franchisor and such other ancillary agreements (including guaranty agreements provided under Section 6.4) as Franchisor may require, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement; provided, however, that no additional initial development fee shall be required.

8.6.3 The transferee shall commit to provide for such additional or faster development in the area as Franchisor may reasonably require, in accordance with Franchisor's then-current standards for new area development agreements;

8.6.4 The transferee shall complete and/or cause its employees to complete, to Franchisor's satisfaction, such initial and refresher training as Franchisor may require;

8.7 Developer or transferee shall pay to Franchisor a nonrefundable transfer fee in an amount reasonably necessary to compensate Franchisor for its costs and expenses in connection with each proposed transfer, but in no event less than Seven Thousand and No/100 Dollars ($7,000.00).

8.8 If securities in Developer are proposed to be offered to the public, by private offering or otherwise, the prior written consent of Franchisor shall be required and such consent shall be granted by Franchisor in its sole discretion.

8.9 Neither Franchisor's consent to any proposed transfer nor Franchisor's failure to exercise its option to purchase any interest of a seller shall be deemed to constitute a waiver of any claims Franchisor may have against any transferor, any right to demand exact compliance with any term of this Agreement by any transferor or transferee, any future rights or options of Franchisor or any provision of this Agreement.

8.10 This Agreement shall inure to the benefit of Franchisor, its successors, and assigns, and Franchisor shall have the right to transfer and assign all or any part of its interest herein, including its rights under Section 8.4 to any person or legal entity.

ARTICLE IX. DEFAULT AND TERMINATION

9.1 This Agreement and all rights granted to Developer hereunder shall automatically terminate if Developer becomes insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or filed against Developer and not opposed by Developer; of if Developer is adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets if filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law are instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if a suit to foreclose any lien or mortgage against the premises or equipment of Developer is instituted against Developer and not dismissed within thirty (30) days; or if execution is levied against Developer's business or property; or if the real or personal property of Developer is sold after levy thereupon by any sheriff, marshal or constable.

92 Except as otherwise required or prohibited under applicable statute, Developer shall be deemed to be in default and Franchisor, at its option, may terminate this Agreement and all rights granted Developer hereunder, effective immediately upon receipt of notice by Developer and without affording Developer any opportunity to cure the default, upon the occurrence of any of the following events:

9.2.1 If Developer fails to comply with the Schedule;

9.2.2 If Developer (or if Developer is a corporation or other business entity, any principal of Developer) is convicted of a felony, a fraud, a crime involving moral turpitude, or found liable in a civil claim for fraud or any unfair or deceptive act or practice that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

9.2.3 If Developer or any partner or shareholder in Developer purports to transfer any rights or obligations under this Agreement or any interest in Developer to a third party without Franchisor's prior written consent, contrary to Article VIII;

9.2.4 If Developer (or if Developer is a corporation or other business entity, any principal of Developer) fails to comply with the in-term covenants in Article XI or fails to obtain execution of the covenants required under Section 11.9;

9.2.5 If, contrary to the terms of Article VII, Developer discloses or divulges any confidential information provided to Franchisor by Franchisor;

9.2.6 If an approved transfer is not effected within a reasonable time, as required under Section 9.3 hereof, following Developer's death or mental incompetence;

9.2.7 If Developer knowingly maintains false books or records or submits any false reports to Franchisor, or if Developer made any material false statements to Franchisor in connection with its application for development rights or any franchise;

9.2.8 If Developer repeatedly fails to pay on a timely basis its taxes or other governmental charges, rent, lease payments or payments to suppliers or other trade creditors;

9.2.9 If Developer repeatedly is in default under Section 9.3 for failure substantially to comply with any of the requirements imposed under this Agreement, whether or not cured after notice;

9.2.10 If Developer knowingly fails to comply with the requirements of Article XII.

93 Except as provided in Sections 9.1 and 9.2, Developer shall have thirty (30) days after receipt from Franchisor of a written Notice of Termination within which to remedy any default hereunder and provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Developer immediately upon the expiration of said period. Developer shall be in default hereunder for any failure to substantially comply with any of its obligations under this Agreement or to carry out the terms of this Agreement in good faith. Such defaults include, without limitation, the occurrence of any of the following events:

9.3.1 If Developer fails to submit when due any reports, financial information or other information or documents required by Franchisor under this Agreement;

9.3.2 If Developer fails to observe or maintain any of the standards or procedures prescribed by Franchisor in this Agreement, in Franchisor's Confidential Operations Manuals, or otherwise in writing;

9.3.3 If Developer misuses or makes any unauthorized use of the proprietary Marks;

9.3.4 If Developer directly or indirectly commences or conducts any business operation, or markets any product or service under any name or proprietary mark which, in Franchisor's sole opinion, is confusingly similar to the Proprietary Marks;

9.3.5 If Developer fails to obtain Franchisor's prior approval or consent as required under this Agreement;

9.3.6 If Developer is in material default under the terms of any Franchise Agreement between Franchisor and Developer, regardless of whether such agreement is terminated by Franchisor.

ARTICLE X. OBLIGATIONS UPON TERMINATION OR EXPIRATION

10.1 Upon the expiration of this Agreement, or its termination for any reason, all Developer's rights hereunder shall terminate. In particular, and without limiting the foregoing, Developer shall:

10.1.1 Immediately deliver to Franchisor or its designee, all materials provided by Franchisor relating to development of the Option Area, including, without limitation, plans, specifications, designs, records, data, samples, models, programs, training tapes, handbooks, drawings, records, files, invoices, instructions, correspondence, and all copies thereof, all of which are acknowledged to be Franchisor's property, and retain no copy or record of any of the foregoing except Developer's copy of this Agreement and such documents as Developer reasonably needs for compliance with any provision of law.

10.1.2 Promptly pay all sums owing to Franchisor, it subsidiaries, affiliates, and divisions.

10.1.3 Comply with all requirements under this Agreement which expressly or by reasonable implication apply to Developer's conduct after termination or expiration.

10.2 If this Agreement is terminated for default, in addition to all its other obligations under this Article X, Developer shall pay Franchisor all damages, costs and expenses, including reasonable legal and accounting fees, incurred by Franchisor as a result of Developer's default and/or in connection with obtaining injunctive or other relief for enforcement of any provisions of this Article X.

10.3 Termination or expiration of this Agreement shall not affect the rights of Developer to operate other Jason's Delis in accordance with the terms of any other Franchise Agreements then in effect between Franchisor and Developer. Notwithstanding the foregoing, termination of this Agreement or any default hereunder may be default under and cause for termination of any other Franchise or Development Agreement between Franchisor and Developer.

ARTICLE XI. COVENANTS NOT TO COMPETE

11.1 During the term of this Agreement, Developer covenants that Developer shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, or legal entity, divert or attempt to divert, any business or customer of a Jason's Deli to any competitor, by direct or indirect inducement or otherwise, do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

11.2 During the terms of this Agreement and for a period of two (2) years after its termination or expiration, Developer covenants that Developer shall not, either directly or indirectly, employ or seek to employ any person who is at the time (or was within the previous twelve (12) months) employed by Franchisor or by any other Franchisee of Franchisor or Developer without the prior express permission of such employer, or otherwise directly or indirectly induce any such employee to leave his or her employment.

11.3 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including without limitation, information concerning the operation, sales, promotional and marketing methods and techniques of Franchisor and the System. Developer covenants as follows:

11.3.1 During the terms of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, or for itself or through, on behalf of, or in conjunction with, any person, persons or legal entity, own maintain, operate, engage in, be employed by, or have any interest in any business similar to a Jason's Deli franchise (except pursuant to other Deli Management, Inc. Development Agreements or Franchise Agreements between Developer and Franchisor) anywhere within the United States.

11.3.2 For a period of two (2) years after the termination or expiration of this Agreement, Developer shall not, directly or indirectly, have any interest in any business similar to the Deli Management, Inc. franchise and located within twenty-five (25) miles of any Deli established hereunder (or if no Delis have been established within the Option Area) or within twenty-five (25) miles of any other Jason's Deli in existence or planned as of the time of termination or expiration.

11.4 Section 11.3 shall not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation, as defined in Section 8.2.

11.5 The parties agree each of the foregoing covenants shall be construed as independent of every other covenant or provision of this Agreement. If all or any portion of a covenant in this Article XI is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappeased final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Article XI.

11.6 Developer understands and acknowledges that Franchisor, in its sole discretion, shall have the right, to reduce the scope of any covenant set forth in this Article XI, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees to comply forthwith any covenant as so reduced, which shall be fully enforceable notwithstanding the provisions of Section 16.2.

11.7 Developer expressly agrees the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article XI. Developer shall pay all costs and expenses (including without limitation, reasonable legal and accounting fees) incurred by Franchisor in connection with enforcement of this Article XI.

11.8 Developer acknowledges that Developer's violation of the terms of this Article XI would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Article XI. In the event Developer does not comply with the aforesaid covenants as of the date they would go into effect under the terms of the Agreements, the time such covenants begin to run shall commence on the later of either the date at which Developer does comply or the date at which a court order compelling compliance goes into effect.

11.9 At Franchisor's request, Developer shall obtain and deliver executed covenants similar to those set forth in this Article XI from any or all persons who have or may have an ownership interest in Developer or in this Agreement or who receive or have access to training and other information under the System. Such covenants shall be in a form satisfactory to Franchisor including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

ARTICLE XII. TAXES, PERMITS, INDEBTEDNESS

12.1 Developer shall promptly pay all taxes levied or assessed when due, including, without limitation, unemployment and sales taxes and all accounts and other indebtedness of every kind incurred by Developer in the development of the Option Area. Developer shall pay to Franchisor an amount equal to any sales tax, gross receipts tax or similar tax (other than income tax or similar tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

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

12.3 Developer shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of its business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits and fire clearances.

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

ARTICLE XIII. INDEPENDENT CONTRACTOR

13.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Developer shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Developer shall control all details of the work performed by its employees.

13.2 During the term of this Agreement, Developer shall hold itself out to the public as an independent contractor operating pursuant to an Area Development Agreement from Franchisor. Developer agrees to take such action as may be necessary to do so.

13.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in the conduct of its business or for any claim or judgment arising therefrom against Developer or Franchisor.

ARTICLE XIV. INDEMNIFICATION

14.1 As used in this Article XIV, the phrase "Losses and Expenses" shall include without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness' fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

14.2 Developer shall, at all times, indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate affiliates, successors and assigns, and respective directors, officers, employees, agents and representatives of each (collectively, the "Indemnities") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

14.2.1 Developer's violation, breach or asserted violation or breach of any contract, federal, state or local law, regulation, rule, order, standard or directive, or of any industry standard, including, but not limited to, state and federal labor and employment laws;

14.2.2 Libel, slander or any other form of defamation by Developer;

14.2.3 Developer's violation or breach of any warranty, representation or obligation in this Agreement;

14.2.4 Acts, errors or omissions of Developer or any of its agents, servants, contractors, partners, affiliates or representatives.

14.3 Developer shall promptly notify Franchisor of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 14.2. If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof

14.4 With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

14.4.1 Any act or circumstance enumerated in Section 14.2 have occurred; or

14.4.2 Any act, error or omission of Developer may result directly or indirectly in damage, injury or harm to any person or any property.

14.5 All losses and expenses incurred under this Article XIV shall be chargeable to and paid by Developer pursuant to its obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

14.6 Under no circumstance shall the indemnities be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain any claim against Developer. Developer agrees that failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by indemnities from Developer.

14.7 The indemnities assume no liability whatsoever for any acts, errors, or omissions or any persons with whom Developer may contract, regardless of the purpose. Developer shall hold harmless and indemnify the indemnities and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom Developer may contract.

ARTICLE XV. APPROVALS AND WAIVERS

15.1 Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing.

15.2 Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer by providing any waiver, approval, consent or suggestions to Franchisee in connection with any consent, or by reason of any neglect, delay or denial of any request therefor.

15.3 No failure of Franchisor to exercise any power reserved to it under this Agreement, or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with any term of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or a different nature; nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any terms, provisions or covenants of this Agreement affect or impair Franchisor's rights; nor shall such constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

ARTICLE XVI. NOTICES

16.1 All notices hereunder shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Deli Management, Inc.
c/o Troy Cormier
350 Pine Street – Suite 1775
Beaumont, TX 77701

Notices to Developer:

____

____

____

ARTICLE XVII. ENTIRE AGREEMENT

17.1 This Agreement, all exhibits to this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire Agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Disclosure Document that we furnished to you. You acknowledge that you are entering into this Agreement and all ancillary agreements executed contemporaneously with this Agreement as a result of your own independent investigation of the Franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or Franchisees that are contrary to the terms set forth this Agreement, or of any Franchise Disclosure Document, prospectus, disclosure document or other similar document required or permitted to be given to you pursuant to applicable law.

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

ARTICLE XVIII. SEVERABILITY AND CONSTRUCTION

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

18.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Article VIII, any rights or remedies under or by reason of this Agreement.

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

18.4 All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

18.5 All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable; and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Developer.

18.6 This Agreement shall be effective and binding on Franchisor only when signed on behalf of Franchisor by one of the following individuals:

Troy Cormier, Ragan Edgerly or Joe Tortorice

ARTICLE XIX. APPLICABLE LAW

19.1 This Agreement takes effect upon its acceptance and execution by Franchisor in Texas, and shall be interpreted and construed under the laws thereof, which laws shall prevail in the event of any conflict of law; provided, however, that if any provisions of this Agreement would not be enforceable under the laws of Texas, then such provisions shall be interpreted and construed under the laws of the state in which the premises of the Franchised business is located.

19.2 THE PARTIES AGREE THAT ANY ACTION BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY COURT, WHETHER

FEDERAL OR STATE, SHALL BE BROUGHT SOLELY WITHIN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS (BEAUMONT, TEXAS) AND DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

19.3 WAIVER OF RIGHTS: Both we and you waiver and agree not to include in any pleading demand: class action claims; demand for trial by jury; claims for lost profits; or claims for punitive, multiple, or exemplary damages. If any pleading is filed that contains any of these claims or a jury demand, or if a court determines that all or any part of the waivers are ineffective, then the pleading shall be dismissed with prejudice, leaving the pleading party to its arbitration remedy. No claim by either of us can be consolidated with claims of any other party. If such claims and demands cannot be waived by law, then the parties agree that any recovery will not exceed two (2) times actual damages.

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

19.5 Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages under the usual equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

19.6 With respect to any provision of this Agreement which provides in effect that Franchisor shall not unreasonably withhold or unreasonably delay any consent or any approval, In no event shall Developer be entitled to make, nor shall Developer make, any claim for, and Developer hereby waives, any claim for, money damages; nor shall Developer claim any money damages by way of setoff, counterclaim or defense, based upon any claim or assertion by Developer that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval; but sole remedy shall be an action or proceeding to enforce any such provision or for specific performance, injunction or declaratory judgment.

ARTICLE XX. ACKNOWLEDGEMENTS

20.1 Developer acknowledges it has conducted an independent investigation of the Jason's Deli System and recognized the business venture contemplated by this Agreement involves business risks, and its success will be largely dependent upon the liability of Developer as an independent businessman. Franchisor expressly disclaims the making of, and Developer acknowledges it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

20.2 Developer further acknowledges it received the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission at least fourteen (14) calendar days prior to the date on which this Agreement was executed or before any payments were made to Franchisor.

20.3 Developer acknowledges it has read and understood this Agreement, attachments hereto, and any agreements relating thereto, and Franchisor has accorded Developer ample time and opportunity to consult with advisers of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

20.4 Developer represents and warrants to Franchisor that neither Developer nor any of Developer's Principals, nor any of their respective affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ofac/). Further, Developer represents and warrants that neither it nor any of Developer's principals or affiliates referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf), or any similar law. The foregoing constitute continuing representations and warranties, and Developer shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement as of the day and year written below.

WITNESSES: DEVELOPER:

____

______________________________ By:______________________________

Title:______________________________

Date: ______________________________

FRANCHISOR:
DELI MANAGEMENT, INC.

______________________________ By:______________________________

Troy Cormier
Chief Executive Officer

Date: ______________________________

DELI MANAGEMENT, INC.

AREA DEVELOPMENT AGREEMENT

<u>Option Area Description</u>

The Option Area referred to in Section 3.1 of the Area Development Agreement is described as follows:

Initial:__________
Initial: _________

DELI MANAGEMENT, INC.

AREA DEVELOPMENT AGREEMENT

Development Schedule

Total Number of Developer's Delis Open and In Operation In the Option Area	By (Date):

INITIAL: ____

INITIAL: ____

EXHIBIT “E”

SITE ADDENDUM

SITE ADDENDUM

TO

DELI MANAGEMENT, INC. – FRANCHISE AGREEMENT

Table of Contents

SITE ADDENDUM
TO
DELI MANAGEMENT, INC. FRANCHISE AGREEMENT

Deli Management, Inc. ("***Franchisor***") and____, ("***Franchisee***") have this date,________________________,__, entered into a certain Deli Management, Inc. Franchise Agreement ("***Franchise Agreement***") and desire to supplement its terms as set forth below. The parties therefore agree as follows***:***

SITE SELECTION

1. Within one hundred eighty (180) days after execution of the Franchise Agreement, Franchisee shall acquire or lease, at Franchisee's expense, a location for the Jason's Deli restaurant ("***Deli" or Franchised Business"***) at a site accepted by Franchisor as hereinafter provided.

2. Franchisee's site shall be located within the following general area (***"General Area"***):____. General Area is described solely for the purpose of limiting the area within which Franchisee may seek a location for the Deli. Nothing in the Franchise Agreement or in this Addendum shall be deemed to prevent Franchisor from granting Franchises to others for locations within the General Area at any time.

3. If Franchisee has not acquired or leased an acceptable location within the General Area within the time provided in Paragraph 1, either Franchisor or Franchisee may, at its option, cancel the Franchise Agreement.

   a) If Franchisee fails to obtain an acceptable site and elects to cancel within one hundred eighty (180) days after execution of the Franchise Agreement, Franchisee shall be entitled to a refund of seventy percent (70%) of the initial franchise fee paid by Franchisee ***provided that*** Franchisee is not otherwise in default of the Franchise Agreement or any other agreement between Franchisee and Franchisor. The refund will be paid within thirty (30) days after Franchisor's receipt of the written notice of cancellation, which must be received within one hundred eighty (180) days after execution of the Franchise Agreement. The initial franchise fee is not refundable, in whole or in part, under any other circumstances.

   b) Failure by Franchisee to acquire or lease an acceptable location within the time provided in Paragraph 1 above shall constitute default under the Franchise Agreement, for which Franchisor may terminate the Franchise Agreement, as provided therein.

SITE APPLICATION

1. Prior to leasing or purchasing a site for the Deli, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a completed site application, and such other information or materials as Franchisor may reasonably require, together with a letter of intent or other evidence satisfactory to Franchisor confirming Franchisee's favorable prospects for obtaining the site. Franchisor shall have thirty (30) days after receipt of a complete site application from Franchisee to accept or reject, in Franchisor's sole discretion;

2. Franchisee shall be responsible for all expenses in connection with the completion of the site application, including but not limited to, costs of demographic analyses, drafting and copying of site plans, maps, aerial and ground photographs, and professional services;

3. Franchisor shall inspect site(s) proposed by Franchisee; however, Franchisor shall be obligated to conduct a single site visit. Franchisor will conduct, or cause its agent to conduct, the first such inspection at no charge to Franchisee. Thereafter, Franchisor may require Franchisee to reimburse Franchisor or its agent for all reasonable expenses incurred in connection with site inspections, including, but not limited to, travel, lodging and meals;

4. After a proposed location has been accepted by Franchisor and leased or acquired by Franchisee as provided herein, pursuant to Section 1.3 of the Franchise Agreement, that location shall be described in an attachment to the Franchise Agreement as the accepted location.

LEASE

If Franchisee will occupy the Deli premises under a lease, Franchisee shall submit a copy of the lease to Franchisor for its review and acceptance prior to execution. Acceptance by Franchisor shall be contingent upon the inclusion of provisions restricting use of the premises to the Deli, the right of entry by Franchisor to inspect the premises, the option of assignment to Franchisor upon termination or amendment or non-renewal and the prohibition or assignment without Franchisor approval. Franchisee shall be responsible for the performance of all its obligations as lessee or sub lessee under the lease for the Deli premises.

SITE PREPARATION

Before commencing any construction or remodeling of the Deli, Franchisee shall comply with all the following requirements to Franchisor's satisfaction:

1. Franchisee shall employ a qualified architect or engineer who is reasonably acceptable to Franchisor to prepare for Franchisor's review and acceptance,

preliminary plans and specifications for site improvement and construction of the Deli, based upon standard prototype drawings furnished by Franchisor;

2. Franchisee shall be responsible for obtaining all zoning and environmental classifications and clearances that may be required by state or local laws, ordinances, or regulations, or that may be necessary or advisable owing to any applicable restrictive covenants. After having obtained such classifications and clearances, Franchisee shall submit final plans for construction or remodeling based on the preliminary plans and specifications to Franchisor for review and acceptance. Once accepted by Franchisor, the final plans may not be substantially changed or modified without Franchisor's permission;

3. Franchisee shall be responsible for obtaining all permits and certifications required for the lawful construction, remodeling and operation of the Deli and shall certify to Franchisor that all such permits and certifications have been obtained;

4. Franchisee shall employ a qualified licensed general contractor who is reasonably acceptable to Franchisor to complete all site improvements and construction of the Deli. Franchisee shall obtain and maintain liability insurance as provided under Article XIII of the Franchise Agreement during the entire period of construction.

CONSTRUCTION

1. If the accepted location is a build-to-suit, construction must commence within one hundred twenty (120) days after Franchisor's acceptance of the site application. If the accepted location is an existing building, Franchisee shall commence remodeling immediately upon obtaining possession of the premises, but not later than sixty (60) days after Franchisor's acceptance of the site application;

2. Within ten (10) days after the event, Franchisee shall provide written notice to Franchisor of the date when (i) construction of the Deli commenced or (ii) Franchisee obtained possession of the premises. For purposes of this Addendum, construction shall be deemed to commence on the date on which excavation for footings has begun. Thereafter, at least once every two (2) weeks, Franchisee shall provide Franchisor a progress report, either orally or in writing, as Franchisor may require. Franchisee agrees that Franchisor and its agents shall have the right to inspect the location at all reasonable times for the purpose of ascertaining that all work complies with the final plans accepted by Franchisor;

3. Franchisee shall maintain continuous work on construction or remodeling of the Deli premises, which shall be completed within the time period specified in the final plans accepted by Franchisor. Franchisee shall be responsible for

the completion of all interior and exterior carpentry, electrical, painting and finishing work, and the installation of all furnishings, fixtures, equipment and signs in accordance with Franchisor's specifications;

4. Franchisee shall notify Franchisor of the date of completion of construction or remodeling and within a reasonable time thereafter, Franchisor or its agent shall conduct a final inspection of the Deli premises. Franchisee shall not open the Deli for business without the express written authorization of Franchisor, which shall be subject to Franchisee's strict compliance with the standards and specifications;

5. Franchisee shall open for business within ten (10) days after being authorized by Franchisor to do so.

EFFECT AND INTERPRETATION

This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

WITNESSES:	FRANCHISEE:
______________________________	By:______________________________
	Title:______________________________
	Date:______________________________
	FRANCHISOR: DELI MANAGEMENT, INC.
______________________________	By:______________________________ Troy Cormier Chief Executive Officer; Chief Financial Officer, and Director Date:______________________________

EXHIBIT "F"

LIST OF CURRENT FRANCHISEES

LIST OF CURRENT FRANCHISEES

AS OF DECEMBER 31, 2025

ALABAMA

Jen-Tex (Jay Tortorice):
1395 Enterprise Way N.W.
Huntsville, AL 35806
Phone: (256) 971-5325

ARKANSAS

Deli Partners (Bourke Harvey / Robert Dozier):
745 E. Joyce Ave, #114
Fayetteville, AR 72703
Phone: (479) 442-5500

Deli Partners (Bourke Harvey / Robert Dozier):
301 N. Shackleford, #H-
1A Little Rock, AR 72211
Phone: (501) 954-8700

Deli Partners (Bourke Harvey / Robert Dozier):
4209 E. McCain Blvd.
North Little Rock, AR 72117
Phone: (501) 945-7700

COLORADO

Bullshark, Inc. (Stan Lyons):
5440 S. Parker Road
Aurora, CO 80012
Phone: (303) 991-2311

Bullshark, Inc. (Stan Lyons):
549 Flatiron Boulevard
Bldg. 40, Suite G
Broomfield, CO 80021
Phone: (303) 465-2882

Bullshark, Inc. (Stan Lyons):
9525 E. County Line Rd.
Centennial, CO 80112
Phone: (303) 708-1448

Bullshark, Inc. (Stan Lyons):
1538 E Harmony Rd.
Fort Collins, CO 80015
Phone: (970) 204-9203

Bullshark, Inc. (Stan Lyons):
204 Union Blvd.
Lakewood, CO 80228
Phone: (303) 986-1111

FLORIDA

Wilrock LLC (Scott and Diana Willis):
2311 Santa Barbara
Blvd, #2311
Cape Coral, FL 33991
Phone: (239) 458-8700

Wilrock LLC (Scott and Diana Willis):
13550 Reflections Pkwy., Ste. 1-101
Fort Meyers, FL 33907
Phone: (239) 590-9994

Wilrock LLC (Scott and Diana Willis):
2700 Immokalee Rd., Suites. 1&2
Naples, FL 34110
Phone: (239) 593-9499

Wilrock, LLC (Scott and Diana Willis):
16451 Corporate Commerce Way
Ft. Myers, FL 33913
Phone: (239) 466-3354

INDIANA

Jen-Tex (Jay Tortorice)
943 N. Green River Road
Evansville, IN 47715
Phone: (812) 471-9905

KANSAS

Lunch Mony (Kirk Jefferies):
3140 Iowa St., #110
Lawrence, KS 66046
Phone: (785) 842-5607

Lunch Mony (Kirk Jefferies):
16535 W. 119th St.
Olathe, KS 66061
Phone: (913) 825-4422

Lunch Mony (Kirk Jefferies):
6121 SW 12th St., #400
Topeka, KS 66604
Phone: (785) 478-1144

Lunch Mony (Kirk Jefferies):
1821 N. Rock Road, #108
Wichita, KS 67206
Phone: (316) 636-4447

Lunch Mony (Kirk Jefferies):
7447 W. 21st Street # 141
Wichita, KS 67205
Phone: (316) 721-4993

Lunch Mony (Kirk Jefferies):
9617 W. 87th St.
Overland Park, KS 66212
Phone: (913) 210-0511

KENTUCKY

Jen-Tex (Jay Tortorice):
410 N. Hurstbourne Pkwy.
Louisville, KY 40223
Phone: (502) 412-4101

Jen-Tex (Jay Tortorice):
134 Malabu Drive
Lexington, KY 40503
Phone: (859) 313-5128

LOUISIANA

Crescent Management, Inc. (Joe Modisette):
5808 Line Avenue
Shreveport, LA 71106
Phone: (318) 861-6952

MISSISSIPPI

Deliworx (Kevin Patterson / Kent Holt):
149 Grandview Blvd.
Madison, MS 39110

Phone: (769) 567-1840

Deliworx (Kevin Patterson / Kent Holt):
4850 Goodman Rd.
Olive Branch, MS 38654
Phone: (662) 892-8321

MISSOURI

Lunch Mony (Kirk Jefferies):
1111 Main Street, #112
Kansas City, MO 64106
Phone: (816) 842-6655

Lunch Mony (Kirk Jefferies):
9026 NW Skyview Ave.
Kansas City, MO 64154
Phone: (816) 994-8891

Lunch Mony (Kirk Jefferies):
632 NE 291 Hwy.
Chipman Rd.
Lee's Summit, MO 64081
Phone: (816) 246-6400

NEW MEXICO

Coastal Deli, Inc. (Pat O'Boyle):
2105-B Louisiana N.E.
Albuquerque, NM 87110
Phone: (505) 881-6700

Coastal Deli, Inc. (Pat O'Boyle):
3410 State Hwy. 528 NW, Suite 101
Albuquerque, NM 87114
Phone: (505) 897-2200

Coastal Deli, Inc. (Pat O'Boyle):
5920 Holly Ave. NE, Suite A
Albuquerque, NM 87113
Phone: (505) 821-7100

OHIO

Jen-Tex (Jay Tortorice):
2715 Madison Road
Cincinnati, OH 45209
Phone: (513) 351-1685

Jen-Tex (Jay Tortorice):
1122 Gemini Place
Columbus, OH 43240
Phone: (614) 785-0431

Jen-Tex (Jay Tortorice):
225 W. Bridge St.
Dublin, OH 43017
Phone: (614) 336-3853

OKLAHOMA

Deli Partners (Bourke Harvey / Robert Dozier):
78 S.E. 33rd Street
Edmond, OK 73013
Phone: (405) 330-1663
Lunch Mony (Kirk Jefferies):
1330 E 15th Street
Tulsa, OK 74120
Phone: (918) 599-7777

Deli Partners (Bourke Harvey / Robert Dozier):
4236 NW Expressway, #120
Oklahoma City, OK 73116
Phone: (405) 810-1800

Lunch Mony (Kirk Jefferies):
11982 S. Memorial Drive
Bixby, OK 74008
Phone: (918) 970-4626

Lunch Mony (Kirk Jefferies):
8321 NE 61st Street
Tulsa, OK 74133
Phone: (918) 252-9999

TENNESSEE

Deliworx (Kevin Patterson / Kent Holt):
1585 Chickering Lane
Cordova, TN 38016
Phone: (901) 844-1840

Jen-Tex (Jay Tortorice):
3065 Mallory Lane

Franklin, TN 37067
Phone: (615) 771-2626

Deliworx (Kevin Patterson / Kent Holt):
6 Stonebridge Blvd.
Jackson, TN 38305
Phone: (731) 660-0594

Volunteer Mgmt., LLC (James and Mark Lemoncelli):
133 N. Peters Road
Knoxville, TN 37923
Phone: (865) 357-3354

Volunteer Mgmt., LLC (James and Mark Lemoncelli):
2106 Cumberland Ave.
Knoxville, TN 37916
(865) 247-5222

Deliworx (Kevin Patterson / Kent Holt):
1199 Ridgeway Rd.
Memphis, TN 38119
Phone: (901) 685-3333

Deliworx (Kevin Patterson / Kent Holt):
3473 Poplar Ave.
Memphis, TN 38111
Phone: (901) 324-3181

Jen-Tex (Jay Tortorice):
452A N. Thompson Ln.
Murfreesboro, TN 37129
Phone (615) 217-3617

Jen-Tex (Jay Tortorice):
2028 West End Avenue
Nashville, TN 37203
Phone: (615) 340-9991

Jen-Tex (Jay Tortorice):
64 Belinda Parkway
Mt. Juliet, TN 37122
Phone: (615) 553-2077

Jen-Tex (Jay Tortorice):
279 Franklin Rd.
Brentwood, TN 37027
Phone: (615) 739-5800

Lunch Mony (Kirk Jefferies):
1772 State Highway 351
Abilene, TX 79601
Phone: (325) 672-4232

Lunch Mony (Kirk Jefferies):
3490 Catclaw Dr.
Abilene, TX 79606
Phone: (325) 692-1975

Lunch Mony (Kirk Jefferies):
7406 Southwest 34th St.
Amarillo, TX 79121
Phone: (806) 353-4440

Lunch Mony (Kirk Jefferies):
2600 Wolfin Village – Suite C2600
Amarillo, TX 79109
Phone: (806) 803-9160

Coastal Deli, Inc. (Pat O'Boyle):
4365 Expressway 77/83, #900
Brownsville, TX 76520
Phone: (956) 350-2400

Coastal Deli, Inc. (Pat O'Boyle):
1416 Airline
Corpus Christi, TX 78412
Phone: (361) 992-4649

Coastal Deli, Inc. (Pat O'Boyle):
5325 Saratoga, #200
Corpus Christi, TX 78413
Phone: (361) 980-8300

Coastal Deli, Inc. (Pat O'Boyle):
1618 West University Drive
Edinburg, TX 78563
Phone: (956) 250-8053

Deli Partners (Bourke Harvey / Robert Dozier):
2219 South Loop #288, Suite 114
Denton, TX 76205
Phone: (940) 484-1234

Coastal Deli, Inc. (Pat O'Boyle):
1355-D George Dieter Dr. #626

El Paso, TX 79936
Phone: (915) 591-7600

Coastal Deli, Inc. (Pat O'Boyle):
8889 Gateway Blvd.
West, Suite 1000
El Paso, TX 79925
Phone: (915) 532-6200

Coastal Deli, Inc. (Pat O'Boyle):
2224 S. Hwy 77, #100
Harlingen, TX 78550
Phone: (956) 428-3354

Coastal Deli, Inc. (Pat O'Boyle):
7410 Remcon Circle
Suite M
El Paso, TX 79912
915-584-1800

5 Sisters, Inc. (Vikki Modisette):
103 W Loop 281, #201
Longview, TX 75605
Phone: (903) 663-5161

Coastal Deli, Inc. (Pat O'Boyle):
1308 US Expressway 83, Suite E3
McAllen, TX 78501
Phone: (956) 664-1700

Coastal Deli, Inc. (Pat O'Boyle):
4100 N. 2nd, #100
McAllen, TX 78549
Phone: (956) 664-2199

Lunch Mony (Kirk Jefferies):
4610 N. Garfield Rd., #D1
Midland, TX 79705
Phone: (432) 682-2200

Jen-Tex (Jay Tortorice):
280 N. I-35, Ste. 400
New Braunfels, TX 78130
Phone: (830) 620-7000

Lunch Mony (Kirk Jefferies):
3167 E. University Blvd., Ste, 12

Odessa, TX 79762
Phone: (432) 362-3135

Jen-Tex (Jay Tortorice):
901-A Hwy. 80
San Marcos, TX 78666
Phone: (512) 393-3354

Coastal Deli, Inc. (Pat O'Boyle):
5301 N. Navarro Street
Victoria, TX 77904
Phone: (361) 575-3354

Coastal Deli, Inc. (Pat O'Boyle):
1408 W. Exwy. 83
Weslaco, TX 78596
Phone: (956) 250-7042

Lunch Mony (Kirk Jefferies):
2907 Garnett Avenue
Wichita Falls, TX 76308
Phone: (940) 761-5313

Lunch Mony (Kirk Jefferies):
1819 Knickerbocker,
Suite 105
San Angelo, TX 76904
Phone: (325) 617-5215

EXHIBIT “G”

STATE ADMINISTRATORS

STATE ADMINISTRATORS

STATE OF CALIFORNIA, Department of Financial Protection and Innovation, 320 West 4th Street, Suite 750, Los Angeles, California 90013; (213) 576-7505.

STATE OF FLORIDA, Department of Agriculture and Consumer Services, Division of Consumer Services, Plaza Level 10, The Capitol, 400 S. Monroe Street, Tallahassee, Florida 32399; (904) 922-2770.

STATE OF ILLINOIS*,* Franchise Bureau, Office of Attorney General, 500 South Second Street, Springfield, Illinois 62706; (217) 782-4465.

STATE OF INDIANA*,* Franchise Section, Indiana Securities Division, Secretary of State, Room E-111, 302 West Washington Street, Indianapolis, Indiana 46204; (317) 232-6531.

STATE OF MARYLAND, Office of the Attorney General, Securities Division, 200 St. Paul Place, 20th Floor, Baltimore, Maryland 21202-2020; (410) 576-6360.

STATE OF MICHIGAN, Michigan Attorney General's Office, Consumer Protection Division, Attn: Franchise Section, G. Mennen Williams Building, 1st Floor, 525 W. Ottawa Street, Lansing, Michigan 48913; (517) 335-7567.

STATE OF MINNESOTA, Minnesota Department of Commerce, Market Assurance Division, 85 7th Place East, Suite 280, St. Paul, Minnesota, 55101; (651) 539-1500.

STATE OF NEBRASKA, Department of Banking and Finance, 1536 K Street, Suite 300, Lincoln, Nebraska 68508; (402) 471-3445.

STATE OF OREGON, Oregon Division of Financial Regulation 350 Winter Street, N.E., Room 410, Salem, Oregon 97310; (503) 378-4140.

STATE OF RHODE ISLAND, Division of Business Regulation, Division of Securities, John O. Pastore Complex, 1511 Pontiac Avenue, Bldg. 69-1, Cranston, Rhode Island 02920; (401) 462-9527.

STATE OF TEXAS, Secretary of State, 1019 Brazos, Austin, Texas, 78701; (512) 475-1769.

STATE OF UTAH, Division of Consumer Protection, Utah Department of Commerce, 160 East 300 South, Salt Lake City, Utah 84114; (801) 530-4849. ***STATE OF VIRGINIA****,* State Corporation Commission, Department of Securities and Retail Franchising, 1300 E. Main Street, 9th Floor, Richmond, Virginia 23219; (804) 371-9051.

STATE OF WASHINGTON, Department of Financial Institutions, Securities Division, 150 Israel Road SW, Tumwater, Washington 98501; (360) 902-8760

STATE OF WISCONSIN, Securities and Franchise Registration, Wisconsin Securities Commission, 201 W. Washington Avenue, Suite 300, Madison, Wisconsin 53703; (608)

266-3431.

EXHIBIT “H”

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(SAMPLE)

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

In consideration of my employment by [Franchisee] ______________________________ ***("Employer")***, and One Dollar ($1.00), receipt of which is acknowledged, and intending to be legally bound, I agree:

1. I have been advised that Employer is in possession of certain proprietary information, some of which may be revealed to or learned by me during my training and my employment with Employer. I specifically acknowledge that pursuant to this Agreement, I will receive valuable specialized training and confidential information, including, but not limited to, information concerning the recipes, operation, sales, promotional and marketing methods and techniques.

2. During the term of my employment with Employer or at any time thereafter, I will not directly or indirectly use or disclose to anyone or authorize disclosure of any confidential or proprietary information or trade secrets which may be revealed to me or learned by me during the course of my training with Deli Management, Inc. or my employment with Employer.

3. I acknowledge that the confidential information and trade secrets with which I may become familiar are essential to Employer's business and are owned and shall continue to be owned solely by Employer or Deli Management, Inc. Under no circumstances will I remove from Employer's place of business any of Employer's books, records, customer lists or training materials or any copies of such documents without the written permission of Employer. Under no circumstances will I make copies of such books, records, documents, customer lists or training materials, except as specifically authorized in writing by Employer. I agree that at the termination of my employment whether or not that termination is voluntary, I will return to Employer immediately any and all materials concerning processes, equipment, business methods or financial condition issued to me during training or employment or otherwise in my possession or control.

4. I acknowledge that any unauthorized disclosure of any trade secret or confidential or proprietary information revealed to me or learned by me during the course of my employment with Employer or engaging in any other activities forbidden by this Agreement would result in irreparable harm to Employer and possibly Deli Management, Inc. I agree that such unauthorized disclosure or activity would warrant Employer obtaining among other things, an immediate injunction restraining further unauthorized disclosure or activity.

5. I also agree that I shall not, for a period of two (2) years from the date of my separation of service from Employer, for any reason whatsoever, directly or indirectly, either as an employee, employer, consultant, agent, principal partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in a restaurant business similar to a

Jason's Deli, or own buildings, equipment or fixtures necessary to carry on such activities within a twenty five (25) mile radius of any deli location owned by Deli Management, Inc., Employer or a franchisee of Deli Management, Inc., in existence at the time of my separation.

DATED this_____day of_______________,__________.

AGREED: _______________________________________
Employee

ACCEPTED: _______________________________________
Franchisee/Employer

<u>This document is provided for illustration purposes only. Please consult legal counsel of your own choosing to develop confidentiality policies appropriate for your Company. Laws in each state vary with regards to these matters. Deli Management, Inc.'s expectation is that each Franchise owner will ensure that confidential system information will not be disclosed to unauthorized third parties.</u>

EXHIBIT "I"

STATE SPECIFIC ADDENDA AND AMENDMENTS

ADDENDUM TO DELI MANAGEMENT, INC.
CALIFORNIA DISCLOSURE DOCUMENT

The following paragraphs are added to the Disclosure Document:

www.jasonsdeli.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

There are no exclusive territorial rights conveyed by the execution of a Franchise Agreement. Exclusive territorial rights may only be conferred by execution of an Area Development Agreement. Without an Area Development Agreement, you may experience competition from other Jason's Deli outlets in your area operated either by us or other franchisees.

Pursuant to regulations promulgated under the California Franchise Investment Law, the following paragraphs are added at the end of Item 17 of the Disclosure Document:

California Law Regarding Termination, Transfer and Nonrenewal. California Business and Professions Code Sections 2000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law the law will control.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. sep.)

Post Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.

Applicable Law. The Franchise Agreement requires application of the laws of Texas with certain exceptions. These provisions may not be enforceable under California law.

Venue. The Franchise Agreement requires venue to be limited to Texas. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal

Arbitration Act) to any provisions of the franchise agreement restricting venue to a forum outside the State of California.

Releases. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 2000 through 20043).

Material Modifications. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations before we ask you to consider a material modification of your franchise agreement.

Securities Orders. Neither the franchisor nor any person disclosed in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Health Department. Local county health departments inspect restaurants and other retail food facilities to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

Personal Guarantee. Franchisees and all owners must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk if your franchise fails.

The following paragraph is added as 29 to the Franchise Agreement:

Nothing in the Franchise Agreement or any other related Agreement is intended to disclaim the representations franchisor has made in the Franchise Disclosure Document.

Item 5 and 7 are amended as follows:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations and the first outlet opens.

Item 6 is amended as follows:

The highest interest rate allowed by law in California for late payments is 10% annually.

The following is added to the Franchise Agreement and Area Development Agreement:

> All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations and the first outlet opens.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR (14 days prior to execution of agreement) (Rule 310.114.1).

The effective date of this Franchise Disclosure Document of the State of California is April 1, 2025.

ADDENDUM TO THE DELI MANAGEMENT, INC.
FRANCHISE DISCLOSURE DOCUMENT
AS REQUIRED BY THE STATE OF FLORIDA

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

The effective date of the Franchise Disclosure Document for the State of Florida is April 1, 2025.

ILLINOIS ADDENDUM TO
DELI MANAGEMENT, INC.
FRANCHISE DISCLOSURE DOCUMENT

Item 5 and Item 7 are modified to read:

Franchise Fee. Payment of the Franchise Fee is deferred until we have completed all our initial obligations to you and your first outlet opens.

A deferral requirement has been imposed by the Illinois Attorney General's office based on the Franchisor's financial condition.

Item 17 is modified to include the following sentence:

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Item 17 is modified to include the following:

Illinois law shall govern the Agreement(s).

Payment of Initial Franchise and Development Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

RIDER TO THE DELI MANAGEMENT INC. FRANCHISE AGREEMENT FOR USE IN ILLINOIS

This Rider is entered into this______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, whose principal business address is____(referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Franchise Agreement between the parties dated as of the Effective Date (the "**Agreement**").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Franchise Fee.** The Illinois Attorney General's Office has determined that due to Franchisor's financial condition, payments of all initial fees are deferred until such time as Franchisor completes its initial obligations and the first outlet opens.

3. **Termination.** The following is added to the Agreement:

   The conditions under which this franchise can be terminated and the parties' rights on termination may be affected by Illinois law, 815 ILCS 705 / 1-44.

4. **Limitation of Claims.** The following is added to the Agreement:

   No action can be maintained to enforce any liability created by Illinois law unless brought before the earlier of (i) the expiration of three (3) years after the act or transaction constituting the violation upon which such action is based; (ii) the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by Illinois law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

5. **Governing Law and Jurisdiction.** The Agreement is also amended to state:

   Illinois law governs this Agreement. The Franchisor and the Franchisee irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under Illinois law.

6. **Waiver of Jury Trial.** Any provision of the Franchise Agreement waiving a jury trial is deleted in its entirety.

7. **Waiver of Compliance.** The Agreement is amended by adding the following:

Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Law, nor shall it prevent the arbitration of any claim pursuant to the provision of Title 9 of the United States Code.

Intending to be bound, you and we sign and deliver this Rider in two counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: DELI MANAGEMENT, INC.	YOU:______________________________
By:___________________________________	By:_________________________________
Name:_________________________________	Name: ______________________________
Title:_________________________________	Title: _______________________________
Date:_________________________________	Date: _______________________________

RIDER TO THE DELI MANAGEMENT INC. AREA DEVELOPMENT AGREEMENT FOR USE IN ILLINOIS

This Rider is entered into this_______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, whose principal business address is ____ (referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Area Development Agreement between the parties dated as of the Effective Date (the "**Agreement**").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Area Development Fee.** The Illinois Attorney General's Office has determined that due to Franchisor's financial condition, payment of the Area Development Fee is deferred until such time as Franchisor completes its initial obligations and the first outlet opens.

3. **Termination.** The following is added to the Agreement:

   The conditions under which this franchise can be terminated and the parties' rights on termination may be affected by Illinois law, 815 ILCS 705 / 1-44.

4. **Limitation of Claims.** The following is added to the Agreement:

   No action can be maintained to enforce any liability created by Illinois law unless brought before the earlier of (i) the expiration of three (3) years after the act or transaction constituting the violation upon which such action is based; (ii) the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by Illinois law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

5. **Governing Law and Jurisdiction.** The Agreement is amended by adding the following:

   Illinois law governs the Agreement. The Franchisor and the Franchisee irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under Illinois law.

6. **Waiver of Jury Trial.** Any provision of the Franchise Agreement waiving a jury trial is deleted in its entirety.

7. **Waiver of Compliance**. The Agreement is amended by adding the following:

Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the law is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this law, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

Intending to be bound, you and we sign and deliver this Rider in two counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: **DELI MANAGEMENT, INC.**	**YOU:__________________________**
By:____________________________	By:____________________________
Name:__________________________	Name: __________________________
Title:__________________________	Title: __________________________
Date:__________________________	Date: __________________________

INDIANA ADDENDUM TO
DELI MANAGEMENT, INC.
FRANCHISE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. Notwithstanding the terms of the Franchise Agreement and of the Area Development Agreement, the Franchise Agreement and Area Development Agreement will be governed by Indiana law rather than Texas law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, shall supersede the provisions of the Franchise Agreement and the Area Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.

3. No release language set forth in the Franchise Agreement or Area Development Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the law concerning franchising of the State ofIndiana.

4. The Franchise Agreement, Area Development Agreement and Exhibits (Confidentiality, Non-solicitation and Noncompetition Agreement) are revised to limit the geographical extent of the post-term covenant not to compete to Franchisee's Protected Territory for all franchises sold in the State of Indiana.

5. Notwithstanding the terms of the Franchise Agreement and the Area Development Agreement ("Indemnification"), Franchisee will not be required to indemnify Franchisor and the other Indemnities for any liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

RIDER TO
DELI MANAGEMENT, INC.
FRANCHISE AGREEMENT
FOR USE IN INDIANA

This Rider is entered into this______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 350, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"),and____, whose principal business address is____(referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Area Development Agreement between the parties dated as of the Effective Date (the "**Agreement**").

1. Notwithstanding the terms of the Franchise Agreement and of the Area Development Agreement, the Franchise Agreement and Area Development Agreement will be governed by Indiana law, rather than Texas law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, shall supersede the provisions of the Franchise Agreement and the Area Development Agreement in the State of Indiana, to the extent they may be inconsistent with such prohibition.

3. No release language set forth in the Franchise Agreement or Area Development Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the law concerning franchising in the State ofIndiana.

4. The Franchise Agreement, Area Development Agreement and Exhibits to the Franchise Disclosure Document (Confidentiality, Non-solicitation and Noncompetition Agreement) are revised to limit the geographical extent of the post-term covenant not to compete to Franchisee's Protected Territory for all franchises sold in the State of Indiana.

5. Notwithstanding the terms of the Franchise Agreement and the Area Development Agreement ("Indemnification"), Franchisee will not be required to indemnify Franchisor and the other Indemnities for any liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

Intending to be bound, you and we sign and deliver this Rider in two counterparts effective on the Agreement Date, regardless of the actual date of signature.

US:

Deli Management, Inc.	**YOU:____________________________**
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:____________________________	Title:____________________________
Date:____________________________	Date:____________________________

RIDER TO
DELI MANAGEMENT, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN INDIANA

This Rider is entered into this______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 350, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, whose principal business address is ____ (referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Area Development Agreement between the parties dated as of the Effective Date (the "**Agreement**")

1. Notwithstanding the terms of the Area Development Agreement, the Area Development Agreement will be governed by Indiana law, rather than Texas law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, shall supersede the provisions of the Area Development Agreement in the State of Indiana, to the extent they may be inconsistent with such prohibition.

3. No release language set forth in the Area Development Agreement shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the law concerning franchising in the State of Indiana.

4. The Area Development Agreement and Exhibits to the Franchise Disclosure Document (Confidentiality, Non-solicitation and Noncompetition Agreement) are revised to limit the geographical extent of the post-term covenant not to compete to Franchisee's Protected Territory for all franchises sold in the State of Indiana.

5. Notwithstanding the terms of the Area Development Agreement ("Indemnification"), Franchisee will not be required to indemnify Franchisor and the other Indemnities for any liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

Intending to be bound, you and we sign and deliver this Rider in two counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: Deli Management, Inc.	**YOU:______________________________**
By:__________________________________	By:__________________________________
Name:________________________________	Name:________________________________
Title:_________________________________	Title:_________________________________
Date:________________________________	Date:________________________________

ADDENDUM TO DELI MANAGEMENT, INC.'S FRANCHISE AGREEMENT FRANCHISE PURCHASE AFFIDAVIT AND AREA DEVELOPMENT AGREEMENT FOR THE STATE OF MARYLAND

The Deli Management, Inc. Franchise Agreement and if applicable, the Area Development Agreement, between________________________("Franchisee") and Deli Management, Inc., a Texas Corporation ("Franchisor"), dated______________________, (the "Agreements") shall be amended by addition of the following language, which shall be considered an integral part of this Agreement (this "Amendment"):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

    A. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
    B. 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.
    C. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
    D. Any provision concerning termination of the Franchise Agreement upon the filing of bankruptcy by the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).
    E. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
    F. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment.

AMENDMENT TO FRANCHISE AGREEMENT

The following language is added to the end of section 27 of the Franchise Agreement:

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

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The acknowledgements in Sections 27.a, 27.b, and 27.c of the Franchise Agreement (Exhibit B) are hereby deleted.

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The following language is added to the end of Article XX of the Area Development Agreement:

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

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Articles 20.1 and 20.3 of the Area Development Agreement (Exhibit D) are hereby deleted.
    1. IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement on this___ day of_, 20___, and/or the Area Development Agreement of_day of__, 20 ___.

FRANCHISOR:
DELI MANAGEMENT, INC.,
A Texas Corporation
By: ________________________

Name: ______________________

Title: ______________________

FRANCHISEE:
By: ________________________

Name: ______________________

Title: ______________________

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to curve such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisors then current reasonably qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise
G. Mennen Williams Building
525 West Ottawa Street, 7th Floor
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

**MINNESOTA ADDENDUM TO THE
DELI MANAGEMENT, INC.
DISCLOSURE DOCUMENT**

1. Item 13 is amended to add the following:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.12, Subd. 1(g) which requires us to indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks.

2. Item 17, summary column for (c) is amended to add the following:

   Any release signed as a condition of renewal will not apply to any claims you have under the Minnesota Franchise Act.

3. Item 17, summary column for (f) is amended to add the following:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Sbds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement and that consent to transfer of the franchise will not be unreasonably withheld.

4. Item 17, summary column for (m) is amended to add the following:

   Any release signed as a condition of transfer will not apply to any claims you may have under the Minnesota Franchise Act.

5. Item 17, summary columns for (v) and (w) are amended to add the following:

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

6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may <u>seek</u> injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

7. The Limitation of Claims section must comply with Minnesota Statutes Section 80C.17, Subd. 5.

8. Items 5 and 7 are amended to state that all payments of initial franchise fees shall be deferred until the franchise opens for business.

RIDER TO
DELI MANAGEMENT, INC. FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

This Rider is entered into this______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**", "**us**" or "**our**"),and____, whose principal business address is____(referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Franchise Agreement between the parties dated as of the Effective Date (the "**Agreement**").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Termination.** The Agreement is amended to add the following:

   With respect to franchises governed by Minnesota Law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure).

3. **Jurisdiction.** The following is added:

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

4. **Notification of Infringement and Claims.** The following is added:

   We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks to the extent required by Minn. Stat. Sec. 80C.122, Subd. 1(g).

5. **Releases.** No release signed as a condition of renewal, transfer or our purchase of your business will apply to any claims you may have under the Minnesota Franchise Act.

6. **Injunctive Relief.** The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

7. **Fee Deferment.** All initial fees and payments owed by Franchisee shall be deferred until the Franchise opens for business.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: **Deli Management, Inc.**	**YOU:______________________________**
By:________________________________	By:________________________________
Name:______________________________	Name:______________________________
Title:______________________________	Title:______________________________
Date:______________________________	Date:______________________________

RIDER TO
DELI MANAGEMENT, INC. AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

This Rider is entered into this______________, 2025 (the "**Effective Date**"), between Deli Management, Inc., a Texas corporation, with its principal business address at 350 Pine Street – Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, whose principal business address is____(referred to in this Agreement as "**you**," "**your**" or "**Franchisee**") and amends the Area Development Agreement between the parties dated as of the Effective Date (the "**Agreement**").

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Termination.** The Agreement is amended to add the following:

   With respect to franchises governed by Minnesota Law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure).

3. **Jurisdiction.** The following is added:

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

4. **Notification of Infringement and Claims.** The following is added:

   We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks to the extent required by Minn. Stat. Sec. 80C.122, Subd. 1(g).

5. **Releases.** No release signed as a condition of renewal, transfer or our purchase of your business will apply to any claims you may have under the Minnesota Franchise Act.

6. **Injunctive Relief.** The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: **Deli Management, Inc.**	**YOU:______________________________**
By:________________________________	By:________________________________
Name:______________________________	Name:______________________________
Title:______________________________	Title:______________________________
Date:______________________________	Date:______________________________

**RHODE ISLAND ADDENDUM TO THE
DELI MANAGEMENT, INC.
DISCLOSURE DOCUMENT**

Item 17 is amended by adding the following: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

If your licensed business will be in Rhode Island, you will not pay your initial fee to us until your business is open and we have completed all of our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time we sign the Agreement. The only condition on your obligation to pay the initial fee is that we must complete all our material pre-opening obligations to you.

VIRGINIA ADDENDUM TO THE
DELI MANAGEMENT, INC. DISCLOSURE DOCUMENT

1. **Item 5 is modified to include the following in the Initial Fee Section:**

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. **The following statements are added to Item 17.h**.:

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

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

RIDER TO
DELI MANAGEMENT, INC. FRANCHISE AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER (the "**Rider**") is effective as of _____________, 2025 (the "**Agreement Date**"), and amends the Franchise Agreement dated_________________, 20 (the "**Agreement**"), between **DELI MANAGEMENT, INC.**, a Texas corporation ("**we**," "**us**," "**our**" or "**Franchisor**"), with its principal business address at 350 Pine Street – Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, ("**you**," "**your**" or "**Franchisee**") whose mailing address is_________________________________.

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Franchise Fee.** The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. Payment of the Franchise fee is deferred until we have provided you with training, pre-opening assistance, and you have opened your Deli.

3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: **Deli Management, Inc.**	**YOU:**______________________________
By:_________________________________	By:_________________________________
Name:______________________________	Name:______________________________

Title:_______________________________ Title:_______________________________

Date:______________________________ Date:______________________________

RIDER TO
DELI MANAGEMENT, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER (the "**Rider**") is effective as of_______________, 2025 (the "**Agreement Date**"), and amends the Area Development Agreement dated_________________, 20______(the "**Agreement**"), between **DELI MANAGEMENT, INC.**, a Texas corporation ("**we**," "**us**," "**our**" or "**Franchisor**"), with its principal business address at 350 Pine Street, Suite 1775, Beaumont, Texas 77701 (referred to in this Agreement as "**Franchisor**," "**we**," "**us**" or "**our**"), and____, ("**you**," "**your**" or "**Franchisee**") whose mailing address is___________________________________.

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Area Development Fee.** The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. Payment of the Franchise fee is deferred until we have provided you with training and pre-opening assistance and you have opened your Deli.

Intending to be bound, you and we sign and deliver this Rider in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

US: **Deli Management, Inc.**	**YOU:**________________________________
By:_________________________________	By:__________________________________
Name:______________________________	Name:_______________________________
Title:_______________________________	Title:_______________________________
Date:_______________________________	Date:_______________________________

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND AREA DEVELOPMENT AGREEMENT

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

    Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this______________day of_________________________________20______.

_______________________________ _______________________________

Signature of Franchisor Representative Signature of Franchisee Representative

_______________________________ _______________________________

Title of Franchisor Representative Title of Franchisee Representative

WISCONSIN ADDENDUM TO THE DELI MANAGEMENT, INC. AGREEMENTS

This addendum to the Deli Management, Inc. Franchise Agreement and Development Agreement by and between Deli Management, Inc. and Franchisee is dated ________________________, 20_____.

(1) The terms of the Wisconsin Fair Dealership Law (Wisconsin Statutes 1993-94, Chapter 135, Sections 135.01 through 135.07; amended by Laws of 1983, Act 189, approved April 5, 1984, effective April 10, 1984) shall supersede any conflicting or inconsistent provision contained in the Development Agreement and Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the_____ day of___________, 20___.

FRANCHISOR:	FRANCHISEE:
DELI MANAGEMENT, INC., A Texas Corporation	_____________________________________ Signature
	Date: _______________________________
By:_________________________________ Troy Cormier Chief Executive Officer; Chief Financial Officer and Director	_____________________________________ Signature
	Date: _______________________________

WISCONSIN ADDENDUM TO THE DELI MANAGEMENT, INC.
FRANCHISE DISCLOSURE DOCUMENT

Wisconsin law, (Wisconsin Statutes 1993-94, Chapter 135, Sections 135.01 through 135.07; amended by Laws of 1983, Act 189, approved April 5, 1984, effective April 10, 1984), provides you with certain rights regarding termination, cancellation and non-renewal or substantial change the competitive circumstances of your franchise. Except in certain specified cases, you will be given 90 days written notice of termination (with 60 days to cure). The written notice provided to provided to you will state the reasons for terminations, cancellation, non-renewal or the substantial change in competitive circumstances. However, if the reason for termination, cancellation, non-renewal or substantial change in competitive circumstances is non-payment of sums due to us, you shall receive written notice, but you shall have only 10 days from the date of delivery of the notice in which to cure.

EXHIBIT “J”

GUARANTY AGREEMENT

GUARANTY AGREEMENT

IN CONSIDERATION of the acceptance by Deli Management, Inc., a Texas corporation, having its principal place of business at Beaumont, Texas ***(hereinafter called "Franchisor")*** of a Franchise Agreement executed by ____________________________________ ______________________________________, ***(hereinafter called "Franchisee")***, and for other good and valuable consideration. I, we and each of us jointly, severally, absolutely and unconditionally guarantee to Franchisor (i) the payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of every nature whatsoever, against said Franchisee, including expenses, damages and fees, now or hereafter existing, due or to become due, or held by Franchisor, its subsidiaries, affiliates or divisions, together with any interest as it may accrue, and if this continuing Guaranty is placed with an attorney or if collected by suit or through any probate, bankruptcy or other court, to pay all court costs and reasonable attorneys' fees, together with any and all expenses incurred by Franchisor or its affiliate, subsidiary or division and including any claims, demands, liability, damages, indebtedness, right or cause of action arising out of the Franchise Agreement and the addenda thereto (including paragraph 2 thereof); and (ii) the timely performance by Franchisee of each term, covenant and obligation of the Franchise Agreements. This is a continuing guarantee which shall apply to the Franchise Agreements and any subsequent amendments or modifications thereof, and such modifications or amendments shall be conclusively presumed to be covered by this Guaranty without further notice to or acceptance by the undersigned.

The undersigned acknowledge and agree that possession of the Guaranty by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor, and the undersigned waive notice of acceptance of this Guaranty and of any liability to which it applies or may apply, and waive presentment and demand for payment thereof, notice of dishonor or non-payment thereof, collection thereof, including any notice of default in payment thereof or other notice to, or demand for payment therefor on any party. Payment by the undersigned shall be made at the office of Franchisor in Beaumont, Texas, or such other location as Franchisor may designate in writing.

Franchisor may, at its option, at any time without the consent of or notice to the undersigned, without incurring responsibility to the undersigned, without impairing or releasing the obligations of the undersigned, upon or without any terms or conditions and in whole or in part (1) change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any liability of the Franchisee under the Agreements hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the Guaranty herein made shall apply to the liabilities of the Franchisee, so changed, extended, renewed or altered; (2) exercise or refrain from exercising any rights against Franchisee or others or otherwise act or refrain from acting; (3) settle or compromise any liabilities hereby guaranteed or hereby incurred, as may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and (4) apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee to Franchisor remain unpaid. Franchisor may, at its option and without the consent of or notice to the undersigned, apply to the payment of the liability created by this Guaranty, at any time after such liability becomes payable, any monies, property or other assets belonging to the undersigned in the possession, care, custody and control of Franchisor.

This Guaranty Agreement shall not affect in any manner the right of Franchisor to terminate the Franchise Agreement pursuant to the terms thereof, and this Guaranty shall survive the termination, expiration or cancellation of the Franchise Agreement. Franchisor may, at its option, elect to take no action pursuant to the Guaranty or the Franchise Agreement without waiving any rights under either. The undersigned do further agree that it will not be necessary for Franchisor to first institute suit or exhaust its remedies against the Franchisee or any others in order to enforce the terms of this Guaranty Agreement. The foregoing Guaranty shall be nonrevocable, except with the express written consent of the Franchisor.

The undersigned, if more than one, shall be jointly and severally liable hereunder, and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married woman who signs this Guaranty hereby expressly agrees that recourse may be had against her separate property for all her obligations under this Guaranty.

This Guaranty shall bind and inure to the benefit of the heirs, executors, administrators, successors and assigns of Franchisor and the undersigned. This Agreement is in the possession of the Franchisor, and it will be presumed that same has been executed and delivered by each of the undersigned for a valuable consideration.

ADDITIONALLY, THE UNDERSIGNED AGREE THEY SHALL BE INDIVIDUALLY BOUND BY THE PROVISIONS OF THE FRANCHISE AGREEMENT RELATING TO NON-COMPETITION AND CONFIDENTIALITY. THIS AGREEMENT SHALL BE DEEMED TO HAVE BEEN MADE AND ENTERED INTO IN THE STATE OF TEXAS, AND ALL RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. THE UNDERSIGNED AGREE THAT ANY ACTION BROUGHT ARISING OUT OF THIS AGREEMENT IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT WITHIN THE JUDICIAL DISTRICT IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS AND DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.

WITNESS our hands at____________________, on the____day of__________________, ___________.

______________________________________	______________________________________
Owner of_____Interest in Franchisee	Owner of_____Interest in Franchisee

STATE OF ___________________

COUNTYOF __________________

SUBSCRIBED and SWORN to before me on this_____day of_______________, 20____, by___________________________________.

____
Notary Public
My Commission Expires:____________

EXHIBIT “K”

AGENTS FOR SERVICE OF PROCESS

REGISTERED AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS

California
California Department of Business Oversight
320 West 4th St., Ste. 750
Los Angeles, CA 90013-2344

Florida
Department of State
Division of Corporations
Corporate Filings
P.O. Box 6327
Tallahassee, FL 32314

Illinois
Attorney General of the State of Illinois
500 South Second Street
Springfield, IL 62706

Indiana
Secretary of State
Securities Division
302 W. Washington Street, Rm E-111
Indianapolis, IN 46204

Maryland
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan
Department of Licensing and Regulatory Affairs
Corporations, Securities and Commercial Licensing Bureau
Corporation Division
P.O. Box 30057
Lansing, MI 48909

Rhode Island
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
Cranston, RI 02920

Minnesota
Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

Virginia
Clerk of State
Corporation Commission
1300 East Main St.
Richmond, VA 23219

Washington
Securities Division
Department of Financial Institutions
P.O. Box 41200
Olympia, WA 98504-1200

Wisconsin
Commissioner of Securities
345 W. Washington Ave.
Madison, WI 53703

If a state is not listed above, the Franchisor has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which the Franchisor has appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

EXHIBIT “L”

FRANCHISES CEASING TO DO BUSINESS

FRANCHISES CEASING TO DO BUSINESS

A list of names, city and state of business (or, if unknown, home telephone numbers) of every Franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, transferred and not renewed within the last fiscal year, or who had not communicated with the Franchisor within the last 10 weeks:

None

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

EXHIBIT “M”

GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE is made this _______ day of ____________, 20_____.

WITNESSETH:

____, a resident(s) of the State of ______________________, and ______________________________, a __________________ corporation having its principal place of business at ____________________________ (each of the foregoing being collectively referred to herein as the "UNDERSIGNED"), for and in consideration of the sum of One Dollar ($1.00) paid to them by DELI MANAGEMENT, INC., and other good and valuable consideration, the receipt of which is hereby acknowledged, the UNDERSIGNED, individually and for itself, its parents, subsidiaries, affiliates, agents, servants, employees, shareholders, officers, directors, partners, heirs, successors and assigns, do each hereby forever release, remise and discharge DELI MANAGEMENT, INC., its predecessors, successors and assigns, parents, subsidiaries and affiliated entities and its respective managers, members, officers, directors, agents, employees and representatives, past and present, of any and all of such entities (all collectively referred to herein as "FRANCHISOR"), of and from any and all claims, demands, causes of action, suits, debts, duties, sums of money, accounts, reckonings, covenants, contracts, agreements, promises, damages, judgments, extents, executions, liabilities and obligations, both contingent and fixed, known and unknown, of every kind and nature whatsoever, in law or equity or otherwise, under local, state or federal law, against any of them, which the UNDERSIGNED or any one of them or their predecessors in interest, if any, ever had, now have, or which they, their heirs, executors, administrators, successors, or assigns hereafter can, shall, or may have, for, upon, or by reason of, any matter, cause, or thing whatsoever, from the beginning of the world to the date of these presents.

Without limiting the generality of the foregoing, but by way of example only, the foregoing Release shall apply to any and all state or federal antitrust claims or causes of action; state or federal securities law claims or causes of action; state or federal RICO claims or cause of action; breach of contract claims or contract claims or cause of action; claims or causes of action based on misrepresentation or fraud; breach of fiduciary duty; unfair trade practices (state or federal); and all other claims and causes of action whatsoever.

The UNDERSIGNED (and each of them) further agree for themselves and for their successors and assigns, to indemnify and hold harmless forever, FRANCHISOR their predecessors and assigns, parent, subsidiaries and affiliated entities and their respective managers, members, officers, directors, agents, employees and representatives, past and present, against any and all claims or actions which hereafter may be brought or instituted against any and all of them, or their successors and assigns, by or on behalf of anyone claiming under rights derived from the UNDERSIGNED, or any of them, and arising out of or incidental to the matters to which this Release applies.

The UNDERSIGNED and FRANCHISOR agree that this Release is not intended, nor shall it be, construed as an admission of any wrongdoing or liability, and that it shall not be admissible in evidence in any suit or proceeding whatsoever as evidence or admission of any liability.

Any individual who signs this Release in a representative capacity for the UNDERSIGNED corporation hereby represents and warrants that he or she is duly authorized by action of the Board of Directors of the UNDERSIGNED corporation to execute this Release on its behalf.

With respect to the matters hereinabove released, the UNDERSIGNED knowingly waive all rights and protection, if any, under Section 1542 of the Civil Code of the State of California, or any similar law of any state or territory of the United States of America. Section 1542 provides as follows:

> "1542 General Release; Extent. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him, must have materially affected his settlement with the debtor."
>
> A general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, the UNDERSIGNED executed this General Release on the day and year first above written.

WITNESS:	DELI MANAGEMENT, INC.
______________________________	By:______________________________
	Title:______________________________
WITNESS:	FRANCHISEE:
______________________________	By:______________________________
	Title:______________________________

EXHIBIT "N"

JASON'S DELI OPERATIONS DOCUMENTS

FRANCHISE OPERATIONS MANUAL

Deli Management, Inc.
350 Pine Street 1775
Beaumont, TX 77702
409-838-1976

2026 Version

THE CONTENTS OF THIS MANUAL ARE THE PROPERTY OF DELI MANAGEMENT, INC., ARE CONFIDENTIAL, AND SHOULD NOT BE DISCUSSED TO UNAUTHORIZED THIRD PARTIES WITHOUT THE EXPRESS WRITTEN CONSENT OF DELI MANAGEMENT, INC.

Jason's Deli
FRANCHISE OPERATIONS MANUAL

Contents

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Filed 4/1/2026
Illinois	Filed 4/1/2026
Indiana	Filed 4/1/2026
Maryland	Not Filed
Michigan	Filed 4/1/2026
Minnesota	Filed 4/1/2026
Rhode Island	Filed 4/1/2026
Virginia	Filed 4/1/2026
Washington	Filed 4/1/2026
Wisconsin	Filed 4/1/2026

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

EXHIBIT "O"

RECEIPT

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all Agreements carefully.

If Deli Management, Inc. offers you a Franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the Franchisor or an affiliate in connection with the proposed Franchise sale.

Oregon requires that we give you this Disclosure Document at least 10 business days before the execution of any binding Franchise or other agreement or the payment of any consideration, whichever occurs first.

If Deli Management, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed on Exhibit G.

Date of Issuance: April 1, 2026

See Exhibit G for the respective State agencies authorized to receive service of process in the particular state.

Deli Management Inc.'s sales agents for this offering are:

Ragan Edgerly
1301 W. 25th Street Suite 406
Austin, TX 78705
512-499-8600

Troy Cormier
350 Pine Street – Suite 1775
Beaumont, TX 77701
409-838-1976

I have received a Disclosure Document dated, April 1, 2026 that included the following Exhibits:

Exhibit A	Franchisor's Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Franchise Purchase Affidavit
Exhibit D	Area Development Agreement

Exhibit E	Site Addendum
Exhibit F	List of Current Franchisees
Exhibit G	List of Administrators
Exhibit H	Confidentiality and Non-Competition Agreement
Exhibit I	State Specific Addenda and Amendments
Exhibit J	Guaranty Agreement
Exhibit K	Agents for Service of Process
Exhibit L	Franchises Ceasing To Do Business
Exhibit M	General Release
Exhibit N	Jason's Deli Operations Documents Table of Contents
Exhibit O	Receipt

Dated:_______________________________________Prospective Franchisee
(Do not leave blank)

If a business entity: ____

If an individual: ____

(Name of Business Entity)

By:_____________________________________

____
(Print Name)

Its_____________________________________
(Title)

____

(Print Name) (Print Name)

Please sign this copy of the Receipt, date your signature and return it to:

Deli Management, Inc.
c/o Christopher Coco
1301 W. 25th Street Suite 406
Austin, TX 78705

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Deli Management, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Oregon requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Dated:____Prospective Franchisee
(Do not leave blank)

If a business entity: ____

If an individual: ____

(Name of Business Entity)

By:____________________________________

____
(Print Name)

Its____________________________________
(Title)

____

(Print Name) (Print Name)

Please sign this copy of the Receipt, date your signature and return it to:

Deli Management, Inc.
c/o Christopher Coco
1301 W. 25th Street Suite 406
Austin, TX 78705