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Department of
Business Oversight

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FRANCHISE DISCLOSURE DOCUMENT

MILANO RESTAURANTS INTERNATIONAL CORP
a Nevada corporation
6729 North Palm Avenue Suite 200
Fresno California 93704
(559) 432-0399
www milano-ri com

Milano Restaurants International Corp (Milano") markets franchised pizza restaurants under the name BLAST & BREW ('Restaurant') The Restaurant uses a special method of preparing pizza, and specializes in the sale of pizza and related food and drink through sit-down and carry-out services

The total investment necessary to begin operation of a franchised BLAST & BREW Restaurant ranges from $682,250 to $1,203,500~~50~~ This includes an Initial Fee of $15,000 or $30,000, whichever is applicable, and an Initial Advertising Fee of $3 000 that must be paid to Milano If you enter into an Area Development Agreement, the Development Fee is $30,000 for the first Restaurant you open, plus $15,000 multiplied by the number of additional Restaurants you agree to develop under the Area Development Agreement

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

The terms of your contract will govern your franchise relationship Do not rely on the Disclosure Document alone to understand your contract Read your contract carefully Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant

Buying a franchise is a complex investment The information in this Disclosure Document can help you make up your mind More information on franchising, such as 'A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission ('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 this Disclosure Document

Issuance Date April 19, 2018~~May 22 2017~~

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STATE COVER PAGE

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

Call the state franchise administrator listed in the State Agency Exhibit for information about Milano Restaurants International Corp or about franchising in your state

Please consider the following RISK FACTORS before you buy this franchise

1. MILANO RESTAURANTS INTERNATIONAL CORP 'S 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 BUSINESS OVERSIGHT AT www dbo ca gov

2. 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

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Effective Date See next page for state effective dates

MILANO RESTAURANTS INTERNATIONAL CORP
FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

California	~~June 30, 2017~~	Nebraska	Not Registered
Florida	Not Registered	New York	Not Registered
Hawaii	Not Registered	North Dakota	Not Registered
Illinois	Not Registered	Rhode Island	Not Registered
Indiana	Not Registered	South Dakota	Not Registered
Kentucky	Not Registered	Utah	Not Registered
Maryland	Not Registered	Virginia	Not Registered
Michigan	Not Registered	Washington	Not Registered
Minnesota	Not Registered	Wisconsin	Not Registered

Issuance Date in the States Listed Below April 18, 2018~~May 22 2017~~

Alabama	Kansas	Ohio
Alaska	Massachusetts	Oklahoma
Arizona	Mississippi	Oregon
Arkansas	Missouri	Pennsylvania
Colorado	Montana	Tennessee
Delaware	Nevada	Texas
District Of Columbia	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	New Mexico	Wyoming

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

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EXHIBITS AND ATTACHMENTS

1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document Milano' means Milano Restaurants International Corp , the franchisor You means the person or entity including your owners, who buys the franchise, the franchisee 'You" also means the person or entity including your owners who signs Milano's Area Development Agreement

Franchisor

Milano is a Nevada corporation with its principal business address at 6729 North Palm Avenue, Suite 200, Fresno, California 93704 Milano was incorporated on April 3 1996 under the name American General Realty, Inc , and changed its name to Milano Restaurants International Corp on February 16 2002 Milano is offering franchises for BLAST & BREW Restaurants in this Franchise Disclosure Document Milano became the franchisor for the BLAST & BREW concept in 2016 Except as set forth below, no predecessor or affiliate of Milano has offered or offers franchises in any line of business or provides products or services to BLAST & BREW franchisees Milano's agent for service of process is disclosed in the State Agency Exhibit attached to this Franchise Disclosure Document

Predecessors

Me-N-Ed's Enterprises, Inc ('M&E Enterprises") is the predecessor of Milano's predecessor, D F & W Restaurant Management Services, Inc (DF&W") M&E Enterprises' address was P O Box 2606, Carmel, California 93921 In the early 1960 s, M&E Enterprises became the franchisor of four Me-N-Ed's Pizzerias On April 1, 1994, DF&W acquired certain assets of M&E Enterprises including the right to offer and sell Me-N-Ed's Pizzeria franchises in the U S except Idaho, and M&E Enterprises' rights as the franchisor under the four existing franchise agreements M&E Enterprises never offered franchises in other lines of business

DF&W's address was 1563 West Shaw Avenue, Fresno, California 93711 For two years, DF&W owned, operated and franchised Me-N-Ed's Pizzerias In April 1996 Pizza World Supreme, Inc , now known as Me-N-Ed's Pizzerias Inc (see below), acquired certain assets of DF&W, including 28 company-owned Me-N-Ed's Pizzerias and the right to offer and sell Me-N-Ed's Pizzeria franchises in the U S except Idaho, and DF&W's rights as the franchisor under six existing franchise agreements, DF&W never offered franchises in other lines of business

Affiliates

Me-N-Ed's Pizzerias, Inc ('M&E') is a wholly-owned subsidiary of Milano M&E is a Nevada corporation and its principal business address is 6729 North Palm Avenue, Suite 200 Fresno California 93704 M&E was incorporated in April 1996 under the name Pizza World Supreme, Inc (Pizza World") Pizza World subsequently changed its name to Me-N-Ed's Pizzerias, Inc in May 2002 M&E (or a related entity) has operated Me-N-Ed's Pizza Parlors and Me-N-Ed's Pizzerias since 1996 BLAST 825° PIZZA restaurants since 2013 and BLAST & BREW restaurants since 2016, a Me-N-Ed's Pizza Pastaria since 2005 and Me-N-Ed's Grills since 2007 M&E (or an affiliate) currently owns and operates 34~~39~~ Me-N-Ed's Pizzerias and six BLAST 825° PIZZA and BLAST & BREW Restaurants (see Item 20~~21~~ and Exhibit A) M&E franchised Me-N-Ed's Pizzerias from April 1996 until December 2003 M&E had a total of 16 franchised Me-N-Ed's Pizzerias all located in the State of California, when it ceased offering franchises in December 2003 M&E offered Angelo & Vito's Pizzeria franchises from August 2001 until February 2002, and from May 2003 until December 2003 M&E had two franchised

Angelo & Vito's Pizzerias in the State of Texas when it ceased offering franchises in December 2003 SienaCorp~~Siena Corp~~ another wholly-owned subsidiary of Milano with the same principal business address, owns and operates the Me-N-Ed's Coney Island Grill and the Me-N-Ed s Victory Grill listed in Exhibit A These locations offer hamburgers, ribs and other related menu items, in addition to Me-N-Ed's pizza products SienaCorp~~Siena Corp~~ has never offered or sold franchises for the Me-N-Ed's Grill concept Milano has just commenced offering franchises for the Me-N-Ed s Grill concept

Milano also owns and operates two full-service Italian restaurants under the 'Piazza Del Pane®' name both located in Fresno, California Milano does not currently, and has not in the past, offered or sold franchises for the Piazza Del Pane® concept

Franchised Business

Franchises that were sold under the BLAST 825° PIZZA name are being converted to BLAST & BREW Restaurants This Franchise Disclosure Document is for BLAST & BREW Restaurants Restaurants use a special method of preparing pizza, and specialize in the sale of pizza and related food and drink through sit-down and carry-out services Restaurants operate under a uniform business format, consisting of specially designed equipment methods procedures, building designs, decor, color schemes, and trade dress (the 'System") Restaurants may differ in their decor, equipment and menu Except as expressly specified in this Franchise Disclosure Document, "Restaurant" refers to a BLAST & BREW Restaurant The concept also includes certain trademarks service marks, logos, copyrights and commercial symbols that Milano owns (the 'Proprietary Marks)

Competition and Industry Regulations

The general market for the services and products that Restaurants offer consists of families and persons of all ages who eat pizza There are many competitors in the pizza restaurant business You may also compete with other full-service and quick-service casual restaurant chains and eating establishments Affiliates owned by officers of Milano own and operate Restaurants (see Exhibit A) The BLAST & BREW concept was created through an evolution of the BLAST 825° Pizza concept However, no officer of Milano owns any ownership interests in an entity that competes with Restaurants

The restaurant industry is heavily regulated Many of the laws, rules and regulations that apply to businesses generally have particular applicability to restaurants, especially restaurants that serve alcoholic beverages Your Restaurant must comply with federal, state and local laws applicable to the operation and licensing of restaurant businesses, including obtaining all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food and liquor service operations Your Restaurant must also meet applicable municipal, county state and federal building codes and handicap access codes You should consider these laws and regulations when evaluating your purchase of a franchise

You must have a liquor license before you sell alcoholic beverages at your Restaurant The difficulty and cost of obtaining a liquor license, and the steps for securing the license, vary greatly from area to area There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol

The U S Food and Drug Administration, the U S Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions State and local agencies inspect restaurants to ensure that they comply with these laws and regulations

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone carbon monoxide and particles, including caps on emissions from commercial food preparation Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places, such as restaurants

2 BUSINESS EXPERIENCE

John A Ferdinandi - President, Chief Executive Officer and Chairman of the Board of Directors

Mr Ferdinandi has been Milano's President, Chief Executive Officer and Chairman of Milano's Board of Directors since April 1996, M&E's President and Chief Executive Officer since April 1996 Mr Ferdinandi was the President Chief Executive Officer and a Chairman of the Board of Directors of Angelo & Vito's Pizzeria, Inc (A&V"), located in Fresno, California, from February 2002 to 2012 Mr Ferdinandi joined DF&W in February 1994 as Vice President of Operations

A Thomas Ferdinandi, Jr - Executive Vice President, Chief Operating Officer and Director

Mr Ferdinandi has been Executive Vice President, Chief Operating Officer and a Director of Milano since April 1996, and M&E's Executive Vice President and Chief Operating Officer since April 1996 He was Vice President and a Director of A&V from February 2002 to 2012 He joined DF&W as a Supervisor in August 1995

Michael Reynolds - Senior Vice President~~Chief~~ Development ~~Officer~~

Mr Reynolds serves as the company's Senior Vice President~~Chief~~ Development ~~Officer~~ since March 2016 From November 2014 to March 2016, Mr Reynolds served as CEO of Rock & Brews, Inc based in El Segundo, California From June 2013 to October 2014 he served as Chief Development Officer of Robeks Corporation, a franchised juice and smoothie concept based in Los Angeles CA From October 2006 to June 2013 Mr Reynolds was CEO of The Machine Productions a multiple label recording company based in Irvine, California

Marta C Gray – Chief Financial Officer and Treasurer

Ms Gray has been Chief Financial Officer and Treasurer of Milano since April 2002, and M&E's Chief Financial Officer and Treasurer since April 2002 Ms Gray was also Treasurer, Chief Financial Officer and a Director of A&V from February 2002 to 2012 She joined Milano in December 1996 as an independent consultant She was M&E's Director of Finance from March 1997 until April 1999 and was Vice President – Finance for M&E from April 1999 until April 2002

Lisa Nilmeier - Corporate Counsel

Ms Nilmeier joined Milano in January, 2016 From August 2010 to July 2015 she served as President/CEO of a Catholic high school in Fresno, California

3 LITIGATION

No litigation is required to be disclosed in this Item

4 BANKRUPTCY

There are no bankruptcies that are required to be disclosed in this Item

5 INITIAL FEES

FRANCHISE AGREEMENT

You must pay Milano an Initial Franchise Fee of $30,000 for the first Restaurant you open, and one-half of the then-current Initial Franchise Fee for each additional Restaurant The Initial Franchise Fee is payable when you sign the Franchise Agreement

Milano will refund the Initial Franchise Fee to you, less Milano's expenses, only if Milano terminates the Franchise Agreement because (1) you fail to obtain an on-sale beer and wine license for the Restaurant before the date that you open the Restaurant for business, (2) you fail to open the Restaurant within 12 months after the signing of the Franchise Agreement, or (3) you fail to complete or achieve a passing grade in the customary training course concerning the operation of the Restaurant at least one month before the opening of the Restaurant Otherwise the Initial Franchise Fee is not refundable

You must also pay Milano an Initial Advertising Fee in the amount of $3,000 before opening your Restaurant This amount is non-refundable and payable when the Franchise Agreement is signed

AREA DEVELOPMENT AGREEMENT

You must pay Milano a Development Fee when the Area Development Agreement is signed The Development Fee is determined by the number of Restaurants that you must open under the Area Development Agreement and is calculated as follows (1) $30 000 for the first Restaurant you must open plus (2) $15,000 times the number of additional Restaurants you must open under the Area Development Agreement The Development Fee is not refundable under any circumstances

6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (1)	4% of weekly Adjusted Gross Sales or $250 whichever is greater	Payable weekly on Tuesday of the next week by preauthorized bank transfer	Adjusted Gross Sales include the receipts from all of the Restaurant s sales of authorized products or service less coupons and similar discounts that Milano approves (however coupons and similar discounts may not reduce Adjusted Gross Sales by more than 5%)

Type of Fee	Amount	Due Date	Remarks
Brand Fund Fee (1)	2% of weekly Adjusted Gross Sales In addition to the 2% Brand Fund Fee you must spend a minimum of 2 5% of Adjusted Gross Sales for local advertising and promotion within your trade area	Payable weekly on Tuesday of the next week by preauthorized bank transfer Local advertising amounts are not collected but audited	Milano will verify permitted local advertising and promotional campaign expenditures (your Marketing Fund) which must represent a minimum of 2 5% of your Adjusted Gross Sales
Additional Inspection Costs (1)	Costs including travel expenses room and board compensation of its employees and the total cost of having a representative of Milano stay at the Restaurant until Milano determines that you are complying with all requirements in the Franchise Agreement	30 days after billing	Milano may conduct reasonable inspections of the Restaurant and your business records during business hours Milano will inspect the Restaurant at its own expense unless Milano needs to make additional inspections because of your failure to comply with the Franchise Agreement
Audit Expenses (1)	Cost of audit including charges of any independent certified public accountant and the travel expenses, room and board and compensation of Milano s employees incurred in conducting audit	30 days after billing	Milano may audit the sales reports financial statements and tax returns which you must submit to Milano If Milano finds an understatement of 2% or more of the Adjusted Gross Sales of the Restaurant or if the audit is made necessary because you fail to furnish information that the Franchise Agreement requires you must reimburse Milano for the cost of the audit
Relocation Fee (1)	Cost of approving and processing your request for relocation	30 days after billing	Milano may charge you a Relocation Fee to cover Milano s costs in approving and processing your request for relocation Any relocation will be at your expense
Transfer Fee (1)	$2 500	Upon Milano s approval of your transfer of the franchise	Payable unless the transfer is to a corporation partnership or other legal entity you actively manage

Type of Fee	Amount	Due Date	Remarks
Additional Training Fee (1)	$250 to $1 000	30 days after billing	The initial training class is for up to three persons (you and two managers) Milano will not charge a training fee for the initial training class In addition to this initial training class Milano may require that you attend supplemental or additional training classes for a fee of $250 to $1,000 per training class You must pay your and your employees travel and living expenses and compensation during all training programs and classes
Consulting, Advice and Assistance (1)	$25 per hour plus costs	30 days after billing	
Late Payment Charge (1)	Interest at the highest legal rate for open account business credit in the state on all Royalty Fees Brand Fund Fee and other amounts you owe Milano	Upon payment of the fee or amount to Milano	Will begin accruing after the due date of the fees or other delinquent amounts
Insurance (1)	Cost of premium plus 10% of the premium	30 days after billing	Milano may obtain insurance on your behalf if you fail to maintain proper insurance coverage Milano may charge you for its costs to obtain this insurance plus 10% of the premium charged
Enforcement Costs (1)	Amount of attorneys fees court costs and litigation expenses	30 days after billing	Milano may recover from you its reasonable attorneys fees if it institutes any actions against you to enforce the Franchise Agreement
Evaluation Costs (1)	Amount of Milano s costs of testing and evaluating any new item product equipment, fixture furniture or sign	30 days after billing	Also for testing and evaluating proposed supplier

Type of Fee	Amount	Due Date	Remarks
Renewal Fee (1)	25% of the then-current initial franchise fee	When you sign a new Franchise Agreement	New Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement

Footnote

(1) All fees are imposed by and are payable to Milano by pre-authorized bank transfers All fees are non-refundable Milano does not finance any fee

7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

The following is a chart of the estimated initial costs to open a BLAST & BREW Restaurant

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (1)	$15 000	$30 000	Cash	When you sign the Franchise Agreement	Milano
Initial Advertising Fee (1)	$3 000	$3 000	Cash	When you sign the Franchise Agreement	Milano
Leasehold Improvements (2)	$400 000	$600 000	Cash or Financing	Before Opening	General Contractors and Suppliers
Security Deposit on Lease (2)	$2 500	$8 000	Cash	Before Opening	Landlord
First and Last Month s Rent (2)	$10 000	$30 000	Cash	Before Opening	Landlord
Fixtures, Equipment and Signs (3)	$130,000	$280,000	Cash or Leased	Before Opening	Suppliers
POS System Equipment (3)	$15 000	$25 000	Cash or Leased	Before Opening	Suppliers
Training (Meals and Lodging)	$2 000	$3 500	Cash	Upon Receipt of Training	Milano
Liquor License (4)	$12 000	$25 000	Cash	Before Opening	Government Agencies

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Working Capital for Three Months (5)	$20 000	$50 000	Cash	As Incurred	Vendors Suppliers and Others
Initial Opening Inventory and Supplies (3)	$10 000	$15 000	Cash	Before Opening	Suppliers
Insurance Costs (6)	$2 500	$10 000	Cash	As Incurred (monthly)	Insurer
Miscellaneous Start Up Costs (7)	$3 000	$8 000	Cash	As Incurred	Utilities Vendors and Others
Supplemental or Additional Training Classes	$250	$1 000	Cash	As Incurred	Milano
Inventory and Supplies for Three Months	$20 000	$35 000	Cash	As Incurred	Suppliers
Labor Costs for Three Months	$22 000	$35 000	Cash	As Incurred	Employees
Rent for Three Months	$15 000	$45 000	Cash	As Incurred	Landlord
Total Estimated Initial Costs (8)	**$682,250**	**$1,203,500**			

Footnotes

(1) The Initial Franchise Fee and the Initial Advertising Fee are each payable to Milano in full when you sign the Franchise Agreement The Initial Franchise Fee of $15 000 applies if you open more than one Restaurant (see Item 5) The Initial Franchise Fee is refundable less Milano s expenses only if any of the conditions in Item 5 of this Franchise Disclosure Document apply The Initial Advertising Fee is not refundable under any circumstances

(2) You must purchase or lease a site to operate the franchised business Generally the lease extends for a period of at least 10 years with an option to renew for five years The amounts specified for restaurant development decorating and leasehold improvements security deposits on a lease and rent are based on an estimate of current market conditions These costs vary depending on the size location and condition of the leased premises The high estimate of leasehold improvements includes expenditures to develop your franchised business with a full bar and the installation of a self-pour beer system

(3) The estimates for fixtures equipment signs and supplies vary due to factors such as shipping distances price differences between suppliers and quantity needs

(4) Certain areas no longer have available beer and wine licenses or liquor licenses from the issuing authorities In these areas licenses must be purchased from existing license holders In that event the cost may be substantial In some cases a specific use permit or a conditional use permit may be obtained from the city in which you operate the franchise

(5) The working capital funds are necessary to cover your cash requirements during and for three months after the opening of the Restaurant

(6) Milano estimates that annual insurance premiums for a Restaurant will range from $2 500 to $10 000 The cost of insurance may be significantly higher depending on factors such as particular state coverage requirements location and your loss history

(7) The miscellaneous start-up costs are Milano s best estimate of costs such as deposits for and installation of telephones deposits for gas and electricity, and related items

(8) These figures are estimates only and it is possible that you may have additional or greater expense during this period Your costs will vary depending on the size of your Restaurant your geographic area economic and market conditions interest rates competition wage rates sales levels attained and other economic factors Milano relied on its management's experience in the pizza restaurant business as discussed in Item 2 of this Franchise Disclosure Document to estimate these costs You should review these figures carefully with a business advisor before making any decision to purchase the franchise

Except for the Initial Franchise Fee and the Initial Advertising Fee, all other costs related to development of your Restaurant will be payable as you incur them Except as noted, none of these costs are refundable Milano does not offer, either directly or indirectly, financing to you for any items However the initial investment may be financed in part through a financial institution or directly from suppliers of specific items The availability and terms of financing will depend on factors such as the availability of financing generally and your creditworthiness loan security available from you, the lender s policies regarding financing and similar considerations

FRANCHISE AGREEMENT

Your estimated initial investment for the opening of each Restaurant and the operation of that Restaurant for the first three months after it opens is shown in the above chart These costs are estimates only Actual costs may vary depending upon the area in which the Restaurant is located and other factors

AREA DEVELOPMENT AGREEMENT

With an Area Development Agreement you will have to pay the Development Fee and you will need certain working capital funds to begin operations each time you open a Restaurant within your Development Territory (see Item 7 for the chart of estimated initial costs to open a Restaurant)

The Development Fee depends upon the number of Restaurants you must open under the Area Development Agreement and is calculated as follows (1) $30,000 for the first Restaurant you must open plus (2) $15 000 times the number of additional Restaurants under the Area Development Agreement The Development Fee is not refundable

8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to ensure a uniform image and uniform quality of products and services throughout the ~~BLAST & BREW~~ system, you must maintain and comply with our quality standards Although you are not required to purchase or lease real estate from us or our affiliates we must approve any location you select for your Restaurant (see Item 11) You must construct and equip your Restaurant in accordance with our then current approved design, specifications and standards In addition, it is your responsibility to ensure that your building plans comply with the Americans With Disabilities Act and all other federal state and local laws You also must use equipment (including hardware and software for the InTouch POS® system), signage fixtures, furnishings, products, ingredients, supplies and advertising materials that meet our specifications and standards

Approved Supplies and Suppliers

We provide you with a list of approved manufacturers suppliers and distributors (Approved Suppliers List) and approved inventory products, food products uniforms fixtures furniture equipment signs stationery, supplies and other items or services necessary to operate the Restaurant ("Approved Supplies List") The Approved Supplies List may identify the specific manufacturer or supplier of a specific product or piece of equipment We reserve the right to designate a primary or single source of supply for certain products and supplies, and we or an affiliate may be that single source For example, as of the date of this Disclosure Document, you must purchase the InTouch POS® POS system, sauce and spice blends and the flour blend from an approved third party single-sourced supplier ~~You must pay the then current price in effect for any purchases from us or our affiliates~~

Our Approved Supplies List also may include other specific products without reference to a particular manufacturer or supplier, or it may set forth the specifications and/or standards for other approved products We may revise the Approved Suppliers List and Approved Supplies List We give you the approved lists as we deem advisable We generally do not give these lists to approved suppliers As of the date of this Disclosure Document you are not required to purchase any products, supplies or materials from us or our affiliates but we reserve this right in the future

Except for any products, supplies or materials for which we designate a single source approved supplier, if you wish to purchase, lease or use any products or other items from an unapproved supplier you must submit a written request for approval or must request the supplier to do so We must approve any product or supplier in writing before you make any purchases of that product or from that supplier We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing There is no stated fee for processing a request but you may be asked to pay the cost of reviewing any proposed changes in or deviations from, approved products or suppliers including our cost of product or supplier evaluation not to exceed $500 We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards Our supplier approval procedure does not obligate us to approve any particular supplier We will notify you within 45 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier We are not required to make available to you or to any supplier our criteria for product or supplier approval that we deem confidential

You must purchase the spice~~None of our officers currently have an ownership interest in any approved supplier~~

~~We~~ and sauce blends and the flour blend used in preparing pizza only~~our affiliates reserve the right to receive rebates or other consideration~~ from suppliers that Milano designates. Milano may designate suppliers for additional ~~in connection with your purchase of goods~~ products ~~and services as described in this Item 8 as well as in connection with any future purchase of any goods, products or services Most of these payments are calculated on an amount based on products sold We will retain and use such payments as we deem appropriate or as required by the vendor We also may derive revenue from any items we sell~~

~~directly to you~~ in the future. Milano may be either the only supplier or designate the suppliers who will supply these products to you, and will maintain a list of designated suppliers You will pay the then current price in effect for any purchases ~~by charging~~ you make from Milano or any affiliates ~~more than our cost~~ For our most recently concluded fiscal year ending December 31, 2017~~2016~~ we received revenue from third party suppliers due to our purchases from these suppliers and purchases from our franchisees from third party suppliers in the amount of $393,373~~660 748~~ which was approximately 0 739~~-0126~~% of Milano's total 2017~~2016~~ revenues of $53,217,174~~52 145 703~~, as reported in the December 31, 2017~~2016~~ audited financial statements attached to this Franchise Disclosure Document This amount was based on purchases by both company-owned

~~We may negotiate prices for numerous products for the benefit of the System but not on behalf of individual franchisees Currently there is no purchasing or distribution cooperative but we reserve the right to create a cooperative~~ and franchised locations The cost of the sauce and spice blends and the flour blend is relatively insignificant and is estimated to be less than 5% of the total expenses for the opening and the on-going operation of the Restaurant Otherwise, Milano does not require that you purchase or lease from a designated supplier any goods, services, supplies, fixtures, equipment, inventory or real estate ~~to participate Beyond these discounts we do not provide material benefits to you because of your use of approved suppliers~~

You must use Milano s designated InTouchPOS® System to record sales and to track inventory and other related expenses. The InTouchPOS® System will be linked to Milano's corporate office as a means of evaluating and monitoring individual Restaurant performance (see Item 11 for more information about the InTouchPOS® System)

No officers of Milano own any ownership interests in any designated or approved suppliers

You must submit to Milano for approval all ingredients, supplies and materials before using them. You must purchase and offer the brand name beverages and other products required by Milano Otherwise, Milano does not require that you purchase or lease from approved suppliers any goods, services, supplies, fixtures, equipment, inventory or real estate. Milano may examine the facilities of any supplier and test any ingredients, materials or supplies to determine whether they meet Milano's standards and specifications Milano may charge reasonable fees for testing and evaluating any new equipment, fixture, furniture, or sign that you propose to use as well as for testing and evaluating proposed approved suppliers. Milano also may impose reasonable limitations on the number of approved suppliers of any product. Milano will notify you within a reasonable time (generally not more than 30 days) whether any ingredients, supplies, materials, or suppliers that you submit or propose meet with its approval. You cannot use the product or supplier until you receive Milano's approval Milano may revoke its approval in any of these areas for any reason Milano's criteria for supplier approval are not available to you, although approval of a supplier may be conditioned on factors such as frequency of delivery, standards of service, including prompt attention to complaints, and the ability to service and supply Restaurants within areas that Milano designates. Further, your ability to purchase from other suppliers will depend on factors such as the willingness of the suppliers to sell directly to you, the availability of various products and whether there are suppliers who are willing or able to manufacture products meeting Milano's specifications

Milano will loan to you an operating manual containing mandatory and suggested standards. Milano has formulated these standards to ensure high quality services and products, the efficient operation of the Restaurant, and the protection of the goodwill associated with the

Proprietary Marks Milano may modify the operating manual to improve any of these factors However, no modification will alter your rights under the Franchise Agreement Milano may issue portions of its operating manual to approved suppliers

INSURANCE

You must purchase and maintain in full force and effect, at your expense and from a company with a minimum A M Best Rating of A-VII that we accept, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policy or policies shall be written in accordance with the standards and specifications (including minimum coverage amounts) set forth in writing by us from time to time, and, at a minimum, shall include the following (except as different coverages and policy limits may be specified for franchisees from time to time in writing) (i) property insurance on the Restaurant, restaurant improvements and all fixtures, equipment, supplies and other property used in the operation of the Restaurant, (ii) business interruption insurance that covers your loss of income and our Royalty Fees, (iii) comprehensive general liability insurance (including umbrella liability), (iv) liquor liability insurance, (v) automobile liability insurance on all owned, hired, rented and non-owned vehicles, (vi) workers compensation (including terrorism) and employer's liability insurance covering all of your employees, and (vii) employment practices liability insurance with minimum limits of liability of $1,000,000 In addition, the required liability insurance must (i) name Milano Restaurants International Corp and its subsidiaries and affiliates as additional insureds (collectively Milano Entities"), (ii) provide severability of interests and/or separation of insureds coverage, and (iii) be primary and non-contributory with any insurance policy carried by the Milano Entities. Milano may from time to time modify the required minimum limits and require additional insurance coverages by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the system, standards of liability and higher damage awards.

You must deliver to us (or our designee) at commencement and thereafter annually or at our or such designee's request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph The insurance certificate must show your compliance with all required insurance specifications If you do not procure and maintain the required insurance coverage (including any modifications referenced in the preceding sentence), we have the right, but not the obligation, to procure insurance coverage and to charge the costs to you, together with a reasonable fee for the expenses we incur in doing so You must pay these amounts to us immediately upon written notice

Although we require certain insurance coverage and have recommended other coverages, we do not guarantee that the required or recommended insurance will be adequate to fully protect your assets You should therefore consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, may be needed for you and your Restaurant

GENERAL

The estimated proportion of the required purchases purchases from approved suppliers and purchases in accordance with our specifications to all purchases in establishing the business is 75% to 90% and in the operation of the franchised business is 35% to 50%

9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Section in Area Development Agreement	Disclosure Document Item
a	Site Selection and Acquisition/Lease	7(a) 8(a), 8(b)	4 3	11
b	Pre-opening Purchases/Leases	8(ce) 8(fg)	No obligation imposed	5, 7, 118
c	Site development and other pre-opening requirements	7(f)(i) 8(a) 8(c) 8(d) 8(f) 8(h)	4 1~~(a)~~	6 7 11
d	Initial and ongoing training	~~5(b)~~ 7(b) 8(jh)	No obligations imposed	6 7 11
e	Opening	5(a) 8(ba)	4 1	11
f	Fees	6	2	5 6, 7
g	Compliance with Standards and Policies/Operating Manual	7(c), 8(hg) 8(i) 8(k)	No obligations imposed	11
h	Trademarks and Proprietary Information	Recital A 4	Recital A, ~~and~~ 5 2(d)	13 14
i	Restrictions on Products/Services Offered	8(hi) 8(gp) 8(xw)	No obligations imposed	16
j	Warranty and Customer Service Requirements	8(h)(iiim)	No obligations imposed	None
k	Territorial Development and Sales Quotas	2, 3	Recital B 1 4	12
l	Ongoing Product/Service Purchases	8(hg)	No obligations imposed	8
m	Maintenance Appearance and Remodeling Requirements	7(d) 7(e) 8(~~d)~~ ~~8(e~~) 8(f) 8(g) 8(~~k)~~ ~~8(~~l), 8(m)	No obligations imposed	11
n	Insurance	8(ut)	No obligations imposed	6 8
o	Advertising	6(b4~~(a~~) 6(d) 7(h~~)~~ ~~8(g)(iii~~)	No obligations imposed	5, 6 7, 11
p	Indemnification	4(a)(ii) 8(wv)	11 3	6
q	Owner s Participation/ Management/Staffing	8(kj)	5 2(b) (c)	15
r	Records and Reports	8(po)	No obligations imposed	6, 11
s	Inspections and Audits	8(pg~~)(ii~~) 8(t~~o)~~ ~~8(~~s)	No obligations imposed	6 11

	Obligation	Section in Franchise Agreement	Section in Area Development Agreement	Disclosure Document Item
t	Transfer	11	8~~7~~	17
u	Renewal	5	No obligations imposed	17
v	Post-Termination Obligations	~~8(v)~~ 13(b)	No obligations imposed	17
w	Non-Competition Covenants	9	9~~8~~	17
x	Dispute Resolution	19	15 3	17

10 FINANCING ARRANGEMENTS

Milano does not offer direct or indirect financing Milano does not guarantee any note, lease or obligation

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

FRANCHISE AGREEMENT

Except as listed below Milano is not required to provide you with any assistance

Before you open your Restaurant, Milano will

(1) Review the site you select for your Restaurant (Franchise Agreement – Section 8(a)).~~)~~ Milano will consider the location, competition physical characteristics of the site, lease terms and other factors when reviewing a site Milano can terminate the Franchise Agreement if you fail to open the Restaurant at a site that Milano has reviewed within 12 months after the date of the Franchise Agreement

(2) Designate the design, color scheme trade dress and motif to be used in the Restaurant (Franchise Agreement – Sections 8(f~~d~~) and 8(g)) ~~9(d)~~

(3) Designate standard fixtures, signs, equipment and initial inventory and supplies to be placed and used in the Restaurant (Franchise Agreement – Sections 8(f~~e~~) 8(g~~e~~) and 8(h)). ~~9(g)~~

(4) Hold training programs for you at times and places that Milano designates (Franchise Agreement – Sections 7~~8~~(b) and 8(i~~9(h~~) Milano s initial training program for you and up to two managers will commence approximately 60 days before you open your Restaurant at a site designated by Milano in California or at the location of company-owned Restaurant designated by Milano If you sign an Area Development Agreement, you can designate an operator to attend the initial training Milano will not charge a training fee for the initial training class In addition Milano may require that you attend and achieve a passing grade in supplemental or additional training classes The fee for additional training will range from $250 to $1 000 per training class You must pay all travel living expenses and compensation of yourself and your employees which are incurred during all training programs and classes Any training Milano provides to any of your employees will be limited to training or guidance regarding the delivery of approved products and services to customers in a manner that reflects the customer service standards of the System You are and will remain, the sole employer of your employees at all

times including during all training programs, and you are solely responsible for all employment decisions and actions related to your employees You are solely responsible for ensuring that your employees receive adequate training

The following chart sets forth the basic subjects covered in training

<u>TRAINING PROGRAM</u>

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Management skills	2-4	90-180	Fresno California or Clovis, California
Back office/POS	2-4	2-4	Fresno, California or Clovis California
Store design and construction planning	4-8	0	Fresno California or Clovis California
Marketing	2-4	2-4	Fresno California or Clovis California
Employee relations/safety programs	2-4	2-4	Fresno, California or Clovis California
Crew culture and customer engagement training	0	6-8	Franchise Store Location

The instructional materials for the training program will include the operating manual and other written materials The training will be conducted under the supervision of A Thomas Ferdinandi Jr (see Item 2) All training will be conducted by instructors who have experience with Milano or with restaurant operations

You will view the operating manual before you purchase the franchise After you purchase the franchise, Milano will loan you one or more copies of the operating manual containing the specifications, standards operating procedures and rules of Milano (Franchise Agreement – Sections 7~~8~~(c) and 8(j)).~~9(i)~~

During the operation of your Restaurant, Milano will

(1) Furnish to you operating assistance, which will include advice and guidance regarding methods of restaurant operation pizza preparation, packaging and sales, and establishment and maintenance of administrative, bookkeeping, accounting, inventory control and general operating procedures (Franchise Agreement – Section 8(f)(i)).~~)~~

(2) Advise you of operating problems Milano discovers Milano will not charge you for this assistance unless it is made necessary because of your failure to comply with the Franchise Agreement (Franchise Agreement – Section 8(f)(ii)).~~)~~

(3) Provide at your request, consulting advice and assistance above and beyond the operational assistance Milano customarily provides Milano will charge you the standard rates charged by the individuals who provide you with this advice generally $25 per hour, plus costs (Franchise Agreement – Section 8(f)(iii)).~~)~~

You must use the InTouchPOS® System to record sales and to track inventory and other related expenses (see Item 8) Milano its affiliates and franchisees have used the InTouchPOS® System since 2006 The InTouchPOS® System is a point-of-sale and management information system developed for pizza operations of any size and type of operation The system is developed for IBM-PC compatible computers The InTouchPOS® System can be configured for various types of operations and with various numbers of terminals, cash terminals and printers The costs for the InTouchPOS® System hardware and software are disclosed in Item 7 of this Franchise Disclosure Document You will need to maintain, repair or upgrade the InTouchPOS® System during the term of the Franchise Agreement There is no contractual limitation on the frequency or cost of this obligation Milano estimates the cost of any optional or required maintenance, repairs or upgrades will range from $2,000 to $3 000 per year

Milano will develop and conduct advertising programs in the form and media and with the coverage it determines appropriate You must participate in the local national or regional advertising programs that Milano designates Milano will determine the composition of all geographic territories and market areas for the development of advertising programs Milano does not have to spend any amount on advertising in your market area You may only use advertising materials that Milano has prepared or approved Milano s approval is automatic when you submit materials to Milano if Milano does not disapprove of them within 10 days

All costs of the development and production of this advertising will be paid from the Brand Fund, except that Milano may credit against your obligations to contribute to the Brand Fund those amounts you spend on local advertising (your Marketing Fund) All franchisees who purchase franchises from Milano must contribute an equal share of their Adjusted Gross Sales to the Brand Fund, or in some cases, to spend this amount on local advertising, as we may permit from time to time Milano does not have to account to you for any expenditures of the Brand Fund (which we previously called the advertising fund) Any funds not spent in one year will be carried forward to the following year for expenditure on advertising Brand funds are used to promote the products and services you offer and are not used to sell additional franchises During our fiscal year ended December 31, 2017~~2016~~, 100% of the expenditures made from the Brand Fund were used for media placement

There are no local or regional advertising cooperatives See Item 6 of this Franchise Disclosure Document for additional information on advertising expenditures (Franchise Agreement - Sections 6(h~~7(d~~) and 7~~8~~(h) The franchises purchased from M&E Enterprises and the Restaurants owned by M&E do not participate in the advertising activities that Milano supervises, nor do they contribute to the Brand Fund These franchisees do not contribute to nor do they benefit from any collective brand fund

Milano estimates that it will take you from one to 12 months after signing a Franchise Agreement to open a Restaurant but this interval may vary based upon such factors as the location and condition of the site If you do not open the Restaurant within 12 months after you sign the Franchise Agreement, then Milano may terminate the Franchise Agreement with notice (Franchise Agreement – Section 13~~14~~(a)(ii)).~~)~~

AREA DEVELOPMENT AGREEMENT

Except as listed below Milano need not provide any assistance to you

If Milano determines that you have the financial capacity that a proposed site for the Restaurant within the Development Territory is a suitable site and that you are in compliance with the Area Development Agreement and all your Franchise Agreements, then Milano will grant to you a franchise for the operation of a Restaurant at the site you proposed (Area Development Agreement – Section 1 1)

12 TERRITORY

FRANCHISE AGREEMENT

You will have the exclusive right to operate a Restaurant at the single location designated in the Franchise Agreement located within your trade area Typically, your trade area is the area within a radius of no more than 2 miles from your Restaurant location depending on the nature of your trade area, as negotiated between you and us Your trade area is exclusive to the extent that Milano and its affiliates will not own operate or grant a franchise for the operation of a pizza restaurant business within your trade area Milano's shareholders and employees will not operate a pizza restaurant business within your trade area either However, Milano or an affiliate can own operate or franchise pizza restaurant businesses in (i) malls, as defined in the Franchise Agreement, and/or (ii) Non-Traditional Venues located in your trade area Milano may designate certain areas within which it will not grant exclusive rights Non-Traditional Venues means (i) a facility located within another primary business or in conjunction with other businesses or at institutional settings, (ii) airports, hotels motels, timeshare properties, condo hotel properties, casinos, sports arenas, stadiums, convention centers, hospitals universities colleges, schools, museums, theme parks aquariums, toll roads, freeways and motorway locations, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire and similar venues such as any site for which the lessor, owner or operator shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider (iii) supermarkets, grocery stores, convenience stores, retail food stores, or club stores, and (iv) ports piers, ships, cruises, trains and common carriers

Except as disclosed above Milano or an affiliate can manufacture and distribute products under the Proprietary Marks or other marks in retail stores or other methods of distribution, develop other restaurant concepts under other brand names and marks and open locations for these restaurant concepts, and sell food products and goods under other marks by other marketing and distribution methods anywhere in the world, even in your trade area Milano does not have to compensate you if it exercises any of the rights specified above in your trade area

There is no minimum sales requirement You are not restricted from soliciting business outside of your trade area Your Restaurant location and trade area may not be altered except by a written agreement between you and Milano

AREA DEVELOPMENT AGREEMENT

You are granted an exclusive area within which to develop BLAST & BREW Restaurants (your 'Development Territory") Milano and its affiliates will not operate or grant a franchise to others for the operation of pizza restaurant businesses within the Development Territory, except for (i) certain pre-existing franchises disclosed in the Area Development Agreement, (ii) malls (as defined above) and (iii) Non-Traditional Venues (as defined above) Milano s shareholders and employees will not operate pizza restaurant businesses within your Development Territory either The boundaries of the Development Territory will be outlined on a map attached to the

Area Development Agreement and may not be altered except by a written agreement between you and Milano

Except as disclosed above Milano or an affiliate can manufacture and distribute products under the Proprietary Marks or other marks in retail stores or other methods of distribution, develop other restaurant concepts under other brand names and marks and open locations for these restaurant concepts and sell food products and goods under other marks by other marketing and distribution methods anywhere in the world, even in your Development Territory Milano does not have to compensate you if it exercises any of these rights in your Development Territory

The exact number of Restaurants which you must open each year will be specified in the Area Development Agreement and will be based, in part, upon your financial capacity and the market potential of the Development Territory You may develop more Restaurants than required in the Development Schedule with Milano's consent for each additional Restaurant For each Restaurant, you must pay the fees required under the then-current Franchise Agreement, which may contain materially different terms than the franchise agreement attached to this disclosure document for that Restaurant

Milano may immediately terminate the Area Development Agreement, including your territorial rights, and retain all fees you paid, if you fail to timely open the number of Restaurants required in the Area Development Agreement or if Milano terminates any Franchise Agreement you entered into in accordance with the Area Development Agreement

Your operation of each Restaurant is governed by the terms of the Franchise Agreement signed for the Restaurant The termination of the Area Development Agreement will have no effect on the Franchise Agreements you previously signed

13 TRADEMARKS

FRANCHISE AGREEMENT

Milano grants you a license to use the following Proprietary Marks registered on the Principal Register of the United States Patent and Trademark Office (PTO')

Mark	Registration Date	Registration No
BLAST PIZZA	2/25/2014~~14~~	Reg No 4 487 408

We do not have a federal registration for the trademarks listed below which, for each an application is pending Therefore these trademarks do not have many of the legal benefits and rights of a federally registered trademark If our right to use any of these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses

Mark	Application Date	Serial No

Mark	Application Date	Serial No
BLAST & BREW	7/18/2016	87/107858
BLAST BREW	7/18/2016~~16~~	87/107862
BLAST 825 TAPROOM WOOD FIRED PIZZA • QUALITY CRAFT BEER	1/29/2016	86/891081
BLAST 825 & BREW PIZZA AND TAPROOM	1/25/2016	86/885796

All required affidavits for these Proprietary Marks have been filed

Milano knows of no determinations proceedings, litigation, superior rights or infringing uses which could materially affect your use of any Proprietary Mark in the United States

We do not know of any prior rights or infringing uses that could materially affect your use of the principal trademarks in this state If our right to use these trademarks is challenged you may have to change to an alternative trademark which may increase your expenses

You must immediately notify Milano of any infringement of or challenge to your use of any Proprietary Mark, although the notice does not impose an obligation on Milano to respond in any way Milano does not have to indemnify you against any damages for which you are held liable in any proceeding from the use of any Proprietary Mark If Milano requests that you modify or discontinue use of any Proprietary Mark, you must do so and Milano will reimburse you for your costs to comply with this obligation, unless Milano gives you six months written notice, then Milano will not have to reimburse you If a claim of prior use of the Proprietary Marks used in the Restaurant is brought, you must, at your own expense, use marks that Milano provides to you or, if Milano does not provide you with marks your own name and marks that clearly avoid any possible confusion between the business of the Restaurant and the business of the person or entity making the claim

AREA DEVELOPMENT AGREEMENT

You are given certain rights to the use of the Proprietary Marks each time you sign a Franchise Agreement for a Restaurant within the Development Territory Information concerning the Proprietary Marks is noted above

14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Milano has developed various copyrighted materials and may grant to you a license to reproduce, copy and distribute these works

There are no agreements currently in effect that limit Milano's rights to use or license the use of these copyrights Milano does not know of any infringing uses which could materially affect your use of the copyrights in any state Milano intends to renew the copyrighted materials

You must immediately notify Milano of any infringement of or challenge to your use of the copyrighted materials Milano does not have to protect your right to use the copyrighted materials or to protect you against any claim of infringement with respect to copyrighted materials Milano does not have to indemnify you against or reimburse you for any damages from your use of any copyrighted materials If Milano requests that you add, modify or discontinue the use of any copyrighted materials, you must do so Milano's only obligation will be to reimburse you for your actual cost in complying with this obligation unless Milano gives you six months prior written notice, then Milano will not have to reimburse you, or unless Milano's request is in response to a claim of prior use of copyrighted materials, in which case you must, at your own expense, use the materials Milano provides to you, or if Milano does not provide you with substitutes, materials that clearly avoid any possible confusion between the materials used for the Restaurant and the materials of the person or entity making the claim

Milano may reveal certain proprietary information to you which includes food formulae test items, customer lists and information in the manuals provided to you You and your employees must maintain the absolute confidentiality of this information at all times

Milano does not have any patents which are material to the franchise

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

FRANCHISE AGREEMENT

You must at all times directly supervise the Restaurant Alternatively you may employ a manager for this purpose However Milano recommends that you conduct direct, on-premises supervision of the Restaurant and not delegate this duty to third parties If you do appoint a manager for these duties, the manager does not have to complete Milano's training program, but you must properly train him or her Also, you must inform Milano of your managers' identities and each manager must sign an agreement not to divulge any trade secret or confidential or proprietary information or to engage in any other pizza business

You must devote your full time and efforts to managing the general business matters of the Restaurant Further you may not engage in any conflicting enterprises during the term of the Franchise Agreement Also, you are bound by confidentiality requirements discussed in Item 14 and non-competition covenants discussed in Item 17 of this Franchise Disclosure Document

AREA DEVELOPMENT AGREEMENT

You must devote your full time to the supervision of Restaurants operated in the Development Territory unless you designate an operator" to supervise the Restaurants You may not engage in any other business activity during the term of the Area Development Agreement without Milano's consent

You or your designated operator must complete and achieve a passing grade in Milano's training course Your designated operator must (1) devote his or her full time to the development and supervision of Restaurants, (2) sign the confidentiality and non-competition covenants by which you are bound, and (2) have Milano's written approval Also, you are bound by confidentiality requirements discussed in Item 14 and non-competition covenants discussed in Item 17 of this Franchise Disclosure Document

16 RESTRICTIONS ON GOODS AND SERVICES OFFERED BY THE FRANCHISEE

You must offer for sale at your Restaurant all products and services that Milano requires Also, you must use boxes containers and other paper or plastic products imprinted with the Proprietary Marks that Milano requires Milano must approve all ingredients supplies and materials used in your operation of the Restaurant Further you may not offer any products or services that Milano has not authorized Milano may change the types of authorized and required goods and services at any time and for any reason, and you must comply with these changes within 60 days after receiving notice

The Area Development Agreement does not contain any provision restricting the goods and services you offer However the Franchise Agreement contains certain restrictions for the Restaurants within the Development Territory

17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreement	Summary
a	Length of the franchise term	5	Term is 10 years or equal to the term of the lease upon consent of Milano
b	Renewal or extension of the term	5	You may renew for one additional term provided certain conditions are satisfied

	Provision	Section in Franchise Agreement	Summary
c	Requirements for franchisee to renew or extend	5	No default under agreements debts satisfied site assured refurbishment of the Restaurant signing of general release and completion of refresher training program If you reacquire the Franchise at the end of the term of the Franchise Agreement you will sign a new Franchise Agreement which may contain materially different terms and conditions than your original Franchise Agreement-
d	Termination by franchisee	None	
e	Termination by franchisor without cause	None	
f	Termination by franchisor with cause	13	Milano can terminate only if you default
g	Cause defined – curable defaults	13	Insurance problems or failure to comply with provisions of the Franchise Agreement (different time periods are allowed for cure)
h	Cause defined – non-curable defaults	13	Material misrepresentations failure to open within 12 months after signing the Franchise Agreement beer and wine licensing problems training problems bankruptcy no active operation of the Restaurant lease problems certain felony convictions underreporting of sales and termination of other Franchise Agreements
i	Franchisee s obligations on termination/nonrenewal	13(b)	Pay all amounts owed return manuals stop using the Proprietary Marks and make the Restaurant accessible to Milano
j	Assignment of contract by franchisor	11(e)	No restriction on Milano s right to assign
k	Transfer by transferee – defined	11(a)	Includes transfer of the Franchise Agreement an interest in the Franchise Agreement an interest in you if you are a corporation and the Restaurant and its assets
l	Franchisor's approval of transfer by franchisee	11(a) (b)	Milano must approve transfers that meet certain conditions and may waive the conditions in its discretion

	Provision	Section in Franchise Agreement	Summary
m	Conditions for franchisor s approval of transfer	11(a) (b)	No default obligations assumed by transferee debts paid signing a general release meeting of Milano s standards no competing businesses operated by transferee and other conditions including certain requirements that a legal entity must meet
n	Franchisor s right of first refusal to acquire your business	10	You must deliver your offer to Milano and Milano has right of first refusal for 30 days
o	Franchisor s option to purchase your business	13(c)	Milano has 30 days after termination to purchase the Restaurant assets
p	Death or disability of franchisee	12	Upon your death or permanent disability the Franchise Agreement and your ownership interest must be transferred to a party within 120 days Milano will communicate its approval or disapproval within 15 days of receipt
q	Non-competition covenants during the term of the franchise	9	No other active business activities and no activities of any kind relating to a competing business within 100 miles of the Restaurant
r	Non-competition covenant after the franchise is terminated or expires	9	No activities of any kind relating to competing businesses within 100 miles of the Restaurant for three years after termination of the Franchise Agreement
s	Modification of the agreement	22	The Franchise Agreement may not be modified except by written agreement signed by both parties but Milano may modify standards specifications and other requirements in its discretion
t	Integration/merger clause	21	The Franchise Agreement and the exhibits attached contain the entire agreement and there are no outside representations or agreements
u	Dispute resolution by arbitration or mediation	19	You and we agree to attempt to resolve any dispute pursuant to mediation held in Fresno County California prior to commencing litigation-
v	Choice of forum	19	You and we agree that Fresno County California will be the venue for any litigation under the Area Development Agreement, and you and we agree to mediation under the terms of JAMS and you and we agree to waive the right to a trial by jury-
w	Choice of law	19	State in which the Restaurant is located

	Provision	Section in Area Development Agreement	Summary
a	Length of term	4 1 4 5	Expires on the date for opening of the final Restaurant
b	Renewal or extension of the term	None	
c	Requirements for developer to renew or extend	None	
d	Termination by developer	None	
e	Termination by franchisor without cause	None	
f	Termination by franchisor with cause	6 1	Milano can terminate only if you default
g	Cause defined—curable defaults	6 1	Failure to comply with terms of the Area Development Agreement or judgment attachment, or foreclosure against the Restaurant or you
h	Cause defined - non-curable defaults	6 1	Bankruptcy unauthorized transfer or assignment material misrepresentation or default under a Franchise Agreement
i	Developer s obligations on termination/nonrenewal	7 1~~6 3~~	You may not establish or operate any Restaurants~~Restaurant s~~
j	Assignment of contract by franchisor	8~~7~~ 1	No restriction on Milano's right to assign
k	Transfer by developer – defined	8~~7~~ 2	Direct or indirect interest in the Developer or in the Area Development Agreement
l	Franchisor s approval of transfer by developer	8~~7~~ 2(a)	Milano may not unreasonably withhold its approval of a transfer and may require any or all of certain conditions for its approval
m	Condition for franchisor s approval of transfer	8~~7~~ 2(b)	Debts paid no defaults under the Area Development Agreement general release signed written assignment and guaranty signed transferee meets certain conditions
n	Franchisor s right of first refusal to acquire your business	None	
o	Franchisor s option to purchase your business	None	
p	Death or disability of developer	8~~7~~ 2(h~~f~~)	Upon your death or permanent disability, the Area Development Agreement and your ownership interest must be transferred to a party within 120 days Milano will communicate its approval or disapproval within 15 days of receipt

	Provision	Section in Area Development Agreement	Summary
q	Non competition covenants during the term of the agreement	9 1	No involvement in a competing business within the Development Territory or within 100 miles of the Development Territory
r	Non competition covenants after the agreement is terminated or expired	9 1~~2~~	No involvement in competing business within the Development Territory or within 100 miles of the Development Territory for three years after expiration or termination of the Area Development Agreement
s	Modification of the agreement	15 1	No amendment is binding unless mutually agreed to and signed by the parties
t	Integration/merger clause	15 1	The Area Development Agreement and attached exhibits constitute the entire agreement
u	Dispute resolution by arbitration or mediation	15~~17~~ 4	You and we agree to attempt to resolve any dispute pursuant to mediation held in Fresno County California prior to commencing litigation-
v	Choice of forum	15~~17~~ 4	You and we agree that Fresno County California will be the venue for any litigation under the Area Development Agreement you and we agree to mediation under the terms of JAMS and you and we -agree to waive the right to a trial by jury-
w	Choice of law	15 2	State in which the Development Territory is located

The Franchise Agreement and the Area Development Agreement may contain a number of provisions that could affect your legal rights Milano recommends that you carefully review all of these provisions, and each of the agreements attached to this Franchise Disclosure Document in their entirety with a lawyer Applicable state law might require additional disclosures related to the information contained in this Item These additional disclosures appear below

Note to California franchisees THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THIS DISCLOSURE DOCUMENT

Neither Milano nor any person or franchise broker in Item 2 of this Franchise 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

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of the franchise If the Franchise Agreement or the Area Development Agreement contains provisions that are inconsistent with the law, the law will control

The Franchise Agreement and the Area Development Agreement provide for termination upon bankruptcy These provisions may not be enforceable under federal bankruptcy law (11 U S C A Sec 101, et seq)

The Franchise Agreement and the Area Development Agreement contain covenants not to compete which extend beyond the termination of the agreements These provisions may not be enforceable under California law

The Franchise Agreement and the Area Development Agreement contain liquidated damages clauses These provisions may not be enforceable under California law

Section 31125 of the California Corporations Code requires Milano to provide you with a disclosure document before asking you to agree to a material modification of your franchise

You must sign a general release if you renew or transfer your franchise California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516) Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043)

During the past 12 months, Milano may have negotiated the terms of the Franchise Agreement for a California franchise The material terms negotiated by Milano may include the waiver of the Initial Advertising Fee and the weekly Brand Fund Fee If Milano negotiated the terms of a Franchise Agreement, copies of the Notice(s) of Negotiated Sale of Franchise are available for your review upon written request to Mr Michael S Reynolds, the Senior Vice President~~Chief~~ Development for~~Officer of~~ Milano, whose address and telephone number are disclosed on the cover page of this Franchise Disclosure Document You will receive copies of the Notice(s) of Negotiated Sale of Franchise within five business days after Milano receives your written request

18 PUBLIC FIGURES

Milano does not currently use any public figure to promote its franchise, and no public figure is involved in the management of Milano

19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Milano does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets Milano also does not authorize its employees or representatives to make such representations either orally or in writing If you are purchasing an existing outlet, however, Milano 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 Milano's management by contacting Mr John Ferdinandi, President, Milano Restaurants International Corp , 6729 North Palm Avenue Suite 200, Fresno California 93704 the Federal Trade Commission and the appropriate state regulatory agencies

20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO 1

Systemwide BLAST & BREW Restaurant Outlet Summary
For Fiscal Years ~~2014~~2015 to 2017~~2016~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015~~2014~~	0	0	0
	~~2015~~2016	0	2~~0~~	+2~~0~~
	2017~~2016~~	2~~0~~	3~~2~~	+1~~2~~
Company-Owned	2015~~2014~~	4~~1~~	5~~4~~	+1~~3~~
	2016~~2015~~	5~~4~~	6~~5~~	+1
	2017~~2016~~	6~~5~~	6	0~~+1~~
Total Outlets	2015~~2014~~	4~~1~~	5~~4~~	+3
	2016~~2015~~	5~~4~~	8~~5~~	+3~~1~~
	2017~~2016~~	8~~5~~	9~~8~~	+1~~3~~

TABLE NO 2

Transfers of BLAST & BREW Restaurant Outlets from Franchisees to New Owners
(Other than the Franchisor or an Affiliate)
For Fiscal Years ~~2014~~2015 to 2017~~2016~~

State	Year	Number of Transfers
All States Total	2015~~2014~~	0
	2016~~2015~~	0
	~~2016~~2017	0

TABLE NO 3

Status of Franchised BLAST & BREW Restaurant Outlets
For Fiscal Years ~~2014~~2015 to 2017~~2016~~

State	Year	Outlets at Start of Year	Outlets Opened	Termination	Non Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
California	2015~~2014~~	0	0	0	0	0	0	0
	~~2015~~2016	0	2~~0~~	0	0	0	0	2~~0~~
	2017~~2016~~	2~~0~~	1~~2~~	0	0	0	0	3~~2~~
Totals	2015~~2014~~	0	0	0	0	0	0	0
	2016~~2015~~	0	2~~0~~	0	0	0	0	2~~0~~
	2017~~2016~~	2~~0~~	1~~2~~	0	0	0	0	3~~2~~

TABLE NO 4

Status of Company-Owned BLAST & BREW Restaurant Outlets
For Fiscal Years 201~~2014~~ to 2017~~2016~~

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2015~~2014~~	4~~1~~	1~~3~~	0	0	0	5~~4~~
	~~2015~~2016	5~~4~~	1	0	0	0	6~~5~~
	2017~~2016~~	6~~5~~	0~~1~~	0	0	0	6
Totals	2015~~2014~~	4~~1~~	1~~3~~	0	0	0	5~~4~~
	2016~~2015~~	5~~4~~	1	0	0	0	6~~5~~
	2017~~2016~~	6~~5~~	0~~1~~	0	0	0	6

TABLE NO 5

Projected Blast 825° Pizza Restaurant Openings as of December 31, 2017~~2016~~

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company Owned Outlets in Next Fiscal Year
Arizona	3	1	
California	7~~4~~	2	1~~2~~
Totals	10~~4~~	3~~2~~	1~~2~~

See Exhibit A for a list of the BLAST & BREW locations There were no franchisees who ceased operating a location of a franchised BLAST & BREW Restaurant in 2017~~2016~~ No franchisee had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business during the last fiscal year, or failed to communicate with Milano within the last 10 weeks Attached as Exhibit A is a list of our franchised and company-owned restaurant outlets as of December 31, 2017~~2016~~

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

No existing franchised outlets are currently being offered for sale by Milano

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with the franchise system You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you During the last three fiscal years there have been no confidential settlement agreements signed which contained a provision which may restrict the franchisees' ability to speak about the settlement of their dispute with Milano

There are no trademark-specific franchisee associations, either created, sponsored or endorsed by Milano, or independent franchisee associations

21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit B are the audited balance sheets of Milano as of December 31, 2017, 2016 ~~2015,~~ and 2015~~2014~~ and the related statements of operations, stockholders' equity and cash flows for the years ended December 31, 2017, ~~2016, 2015 and 2014 Also include are an unaudited balance sheet and statement of operations as of March 31 2017~~ 2016 and 2015 Milano s fiscal year end is December 31

22 CONTRACTS

The standard Franchise Agreement is Exhibit C The standard Area Development Agreement is Exhibit D

23 RECEIPTS

The last two pages of this Franchise Disclosure Document are detachable Receipts acknowledging your receipt of this Franchise Disclosure Document

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A LIST OF RESTAURANT OUTLETS

EXHIBIT A

BLAST 825° PIZZA and BLAST & BREW Locations
Blast 825 locations are currently being converted to the BLAST & BREW Concept that is reflected in this disclosure document

Location	Telephone	Owner
Blast 825° 1210 Shaw Avenue #103 Clovis CA 93612	(559) 324-8153	Blast 825° Pizza, Inc (1)
Blast & Brew 601 Pollasky Ave Clovis, CA 93612	(559) 321-8860	River Rock Brews, LLC
Blast & Brew~~825°~~ 10033 Saich Way Cupertino, CA 95014	(408) 585-5999	Blast 825° Pizza, Inc (1)
Blast & Brew~~825°~~ 7701 Laguna Blvd , #400 Elk Grove, CA 95758	(916) 683-0527	Blast 825° Pizza, Inc (1)
Blast & Brew~~825°~~ 521 E Shaw Ave #105 Fresno, CA 93710	(559) 221-1111	Blast 825° Pizza, Inc (1)
Blast & Brew 18541 Beach Blvd , Suite 101 Huntington Beach, CA 92648	(714) 841-1210	Mega Treats, LLC
Blast & Brew~~825°~~ 5198 Commons Dr #103 Rocklin CA 95677	(916) 660-9090	Blast 825° Pizza, Inc (1)
Blast & Brew~~825°~~ 1132 Galleria Blvd Roseville CA 95678	(916) 773-0880	Blast 825° Pizza, Inc (1)
Blast 825 Taproom 733 Higuera Street San Luis Obispo, CA 93401	(805) 783-1111	SLO Taps, LLC

Footnotes

(1) Wholly-owned subsidiaries of Milano

<u>Franchise Agreements Signed but Not Operational As of December 31, 2017~~2016~~</u>

<u>Location</u>	<u>Owner</u>
Berkeley CA	Manoj Patel and Priyal Sheth
~~Clovis CA~~	~~Todd Piggot~~
San Jose CA	Manoj Patel and Priyal Sheth
Walnut Creek, CA	Jetti s, Inc
<u>Phoenix, AZ</u>	<u>Parish & Sunil Patel</u>
<u>Chico, CA</u>	<u>Trace Woodward</u>

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B FINANCIAL STATEMENTS

MILANO RESTAURANTS
INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

December 31, 2017, 2016 and 2015

CONTENTS

FARMER, FUQUA & HUFF P.C.
Accountants and Consultants

2435 N Central Expy Suite 700
Richardson Texas 75080

P 214 473 8000
F 214 473 8007

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Milano Restaurants International Corporation
Fresno, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Milano Restaurants International Corporation (a Nevada Corporation) and Subsidiaries, which comprise the balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, stockholders' equity and cash flows for the three years ended December 31, 2017, 2016 and 2015, and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes 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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control Accordingly, we express no such opinion An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Milano Restaurants International Corporation and subsidiaries as of December 31, 2017 and 2016 and the results of its operations and its cash flows for the three years ended December 31, 2017, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America

Farmer, Fuqua & Huff, P.C.

Richardson, Texas
April 18, 2018

MILANO RESTAURANTS INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31,

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	$ 3,867,025	$ 2,416,918
Accounts and notes receivable	1,314,975	1,370,358
Inventories	466,799	465,438
Prepaid expenses and other	841,125	809,503
Total current assets	6,489,924	5,062,217
DUE FROM AFFILIATES	20,044,617	20,288,654
PROPERTY AND EQUIPMENT, NET	13,484,658	13,340,477
GOODWILL AND OTHER INTANGIBLE ASSETS	14,691,023	14,718,532
OTHER ASSETS	604,582	507,584
TOTAL ASSETS	$ 55,314,804	$ 53,917,464

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

MILANO RESTAURANTS INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31,

LIABILITIES AND STOCKHOLDERS' EQUITY

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,072,240	$ 3,845,002
Current maturities of long-term debt	894,978	1,184,518
TOTAL CURRENT LIABILITIES	2,967,218	5,029,520
LONG TERM DEBT, less current maturities	10 940,578	8,541,005
INTEREST RATE SWAP LIABILITY	112,822	---
DEFERRED INCOME TAXES	706,769	1,479,685
DEFERRED COMPENSATION	884,337	721,582
TOTAL LIABILITIES	15,611,724	15,771,792
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, $1 00 par value, 1,000 authorized issued and outstanding	1,000	1,000
Additional paid-in capital	13,990,325	13,990,325
Retained earnings	25,920,091	24,249,861
Accumulated other comprehensive income	(208,336)	(95,514)
TOTAL STOCKHOLDERS' EQUITY	39,703,080	38,145,672
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 55,314,804	$ 53,917,464

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

MILANO RESTAURANTS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Year Ended December 31,

	2017	2016	2015
REVENUE			
Restaurant sales	$ 52,065,812	$ 52,145,703	$ 49,693,499
Franchise income	919,341	738,605	659,374
Rental income	232,021	225,948	155,370
TOTAL REVENUE	53,217,174	53,110,256	50,508,243
COST AND EXPENSES			
Restaurant expenses			
Cost of sales	16,495,051	16,381,799	16,029,194
Salaries and benefits	17,591,997	17,185,154	15,493,901
Advertising and related costs	1,007,968	991,883	965,771
Occupancy costs	3,678,709	3,613,383	3,272,437
Other operating expenses	5,763,933	5,517,246	5,199,845
General and administrative expenses	5,772,501	4,804,415	4,831,051
Depreciation and amortization	1,593,332	1,550,442	1,358,947
TOTAL COST AND EXPENSES	51,903,491	50,044,322	47,151,146
OPERATING INCOME	1,313,683	3,065,934	3,357,097
OTHER INCOME (EXPENSE)			
Interest expense	(685,148)	(791,688)	(849,644)
Gain(loss) on property dispositions	716	---	6,314
Interest and other income	1,375,999	1,331,053	1,121,168
TOTAL OTHER INCOME (EXPENSE), NET	691,567	539,365	277,838
INCOME BEFORE INCOME TAXES	2,005,250	3,605,299	3,634,935
INCOME TAX BENEFIT (EXPENSE)	(335,020)	(1,955,772)	(1,640,271)
NET INCOME	$ 1,670,230	$ 1,649,527	$ 1,994,664

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

MILANO RESTAURANTS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Shares		Stock Amount		Additional Paid in Capital		Retained Earnings		Accumulated Other Comprehensive Income		Total
Balance at January 1 2015	1 000	$	1 000	$	13,990,325	$	20,605 670	$	(95 514)	$	34,501,481
Net income	---		---				1,994 664		-		1,994,664
Balance at December 31 2015	1 000	$	1 000	$	13 990 325	$	22,600 334	$	(95,514)	$	36,496,145
Net income	--						1 649,527		--		1 649 527
Balance at December 31 2016	1,000	$	1,000	$	13,990,325	$	24,249 861	$	(95 514)	$	38,145,672
Comprehensive Income											
Net income	-		--		-		1,670,230		---		1,670,230
Other comprehensive loss	---		---		-		---		(112,822)		(112 822)
Balance at December 31, 2017	1 000	$	1 000	$	13,990 325	$	25,920 091	$	(208 336)	$	39 703,080

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

MILANO RESTAURANTS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended December 31,

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,670,230	$ 1,649,527	$ 1,994,664
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,593,332	1,550,442	1,358,947
Loss (gain) on disposal of fixed assets	(716)	---	(6,314)
Changes in operating assets and liabilities			
Accounts and notes receivable	55,383	5,345	(183,939)
Inventories	(1,361)	54,302	(25,926)
Prepaid expenses and other	(142,548)	(164,010)	179,058
Accounts payable and accrued expenses	(1,772,762)	1,277,522	(606,927)
Deferred income tax liability	(772,916)	336,058	202,171
Deferred compensation	81,236	38,013	18,259
Defined benefit plan liability	(15,479)	(19,050)	(7,080)
NET CASH PROVIDED BY OPERATING ACTIVITIES	694,399	4,728,149	2,922,913
CASH FLOWS FROM INVESTING ACTIVITIES			
Net acquisition of property and equipment	(1,679,828)	(1,097,579)	(3,388,093)
Acquisition of goodwill	---	(95,060)	---
Logo cost	(29,460)	(58,485)	---
Transfers to affiliate, net	244,037	(1,607,629)	212,650
NET CASH USED FOR INVESTING ACTIVITIES	(1,465,251)	(2,858,753)	(3,175,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	12,038,963	28 521	1,450,000
Repayment of long-term debt	(9,818,004)	(1,099,812)	(1,030,220)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	2,220,959	(1,071,291)	419,780
NET INCREASE IN CASH	1,450,107	798,105	167,250
CASH AT BEGINNING OF YEAR	2,416,918	1,618,813	1,451,563
CASH AT END OF YEAR	$ 3,867,025	$ 2,416,918	$ 1,618,813

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

MILANO RESTAURANTS INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Milano Restaurants International Corporation ("the Company") and its wholly owned subsidiaries All material intercompany transactions have been eliminated

Fair Value of Financial Instruments

The fair values of the Company's cash and cash equivalents, trade accounts receivable, accounts payable and all other current liabilities approximate their carrying values because of the short maturities of these instruments

Operations

At December 31, 2017, the Company operated 32 pizza parlors operating under the trade name "Me-N-Ed's Pizza Parlors" and 6 pizza parlors operating under the trade name "Blast 825 Pizza" located primarily in Central and Northern California The Company has a 100% ownership interest in SienaCorp SienaCorp operates two grills under the trade names "Me-N-Ed's Victory Grill" and "Me-N-Ed's Coney Island Grill" The Company has a 100% ownership interest in Piazza del Pane, Inc Piazza del Pane, Inc operates two restaurants located in Central California The Company also has 22 franchised locations, including 17 operating under the trade name of "Me-n-Ed's Pizza Parlors", 3 operating under the trade name of "Blast and Brew" and 2 operating under the trade name of "Angelo & Vito's Pizzerias"

Substantially all of the Company's revenues relate to retail sales and delivery of pizza to the general public through company-owned and franchised restaurants In June 2007, the Company purchased a commercial office building in which its Corporate Headquarters are located

Revenue Recognition

Revenues related to the retail sale of food and beverages are recognized at the time of sale Franchise revenue is recognized in accordance with Franchise Agreements when earned

Inventories

Inventories are valued at lower of cost (first-in, first-out) or market and are comprised of restaurant food and beverage items and supplies

Property and Equipment

Property and equipment are stated at cost Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from five to twenty years

MILANO RESTAURANTS INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill and Intangibles

Goodwill represents the purchase price paid in excess of the fair market value of net assets acquired The Company adopted the provisions of ASC 350, Intangibles-Goodwill and Others ASC 350 mandates that goodwill is no longer amortized, rather, goodwill is evaluated for impairment on an annual basis No impairment of goodwill resulted from impairment tests performed during 2017, 2016 or 2015

Other intangibles are stated at cost Amortization is provided using the straight-line method over the estimated benefit period ranging from five to forty years

Derivative Financial Instrument – Interest Rate Swap Contract

The Company follows the provisions of ASU No 2014-03, Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach which provides private companies a simplified accounting alternative for hedge accounting Under this approach the Company's interest rate swap contracts are measured at settlement value with changes in settlement value recognized in other comprehensive income

Impairment of Long-Lived Assets and Disposals

In accordance with ASC 360, Property, Plant and Equipment, management reviews the long-lived assets and certain identifiable intangibles held and used by the Company for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable In additions, long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell

Cash Equivalents

The Company considers all deposits with initial maturities of three months or less when purchased to be cash equivalents

Income Taxes

The operations of the Company are included in the consolidated federal tax return of Gruppa and the Company continues to record a provision for income taxes at the same rate

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes - continued

The Company records its state and federal tax liability in accordance with FASB ASC 740-10 "Income Taxes", which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse

In June, 2006, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASC ASC 740-10 was issued The interpretation creates a single model to address accounting for uncertainty in tax positions Specifically, the pronouncement prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return The interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition of certain tax positions

The Company adopted the provisions of FASC ASC 740-10 effective January 1, 2007 Management does not believe the adoption of this accounting principle materially effects the Company's consolidated financial statements at December 31, 2017 and 2016

The Company's tax returns are subject to examination by Federal taxing authorities The tax law rules and regulations governing these returns are complex, technical and subject to varying interpretations The 2014 through 2016 tax years remain subject to examination by the Internal Revenue Service

Concentration of Credit Risk

The Company maintains its cash balances at commercial banks and through investment companies, the deposits of which are insured by the Federal Deposit Insurance Corporation (FDIC) At December 31, 2017 and 2016, the Company maintained balances in excess of the insured amount

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and reported amounts of revenues and expenses Actual results may differ from these estimates

MILANO RESTAURANTS INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Discontinued Operations

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which changes the criteria for determining which disposals qualify to be accounted for as discontinued operations and modifies related reporting and disclosure requirements

Disposals representing a strategic shift in operations, such as a change in a major line of business, a major geographical area or major equity investment, that have a major effect on a company's operations and financial results will be presented as discontinued operations If the disposal does qualify as a discontinued operation under ASU 2014-08, the Company will be required to expand their disclosures about discontinued operations to provide more information on the assets, liabilities, income and expenses of the disposed component

The classification of operating results as discontinued operations are applied retroactively for all periods presented The new standard was effective January 1, 2015 We adopted ASU 2014-08 as of January 1, 2015 and believe future dispositions of our individual operating locations will no longer qualify as discontinued operations Adoption of this standard has resulted in substantially none of the Company's dispositions meeting the discontinued operations criteria

Fair Value Measurement

We apply the guidance in ASC 820, Fair Value Measurements and Disclosures, to the valuation of goodwill These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and includes three levels defined as follows

Level 1 - Unadjusted quoted prices for identical and unrestricted assets or liabilities in active markets
Level 2 - Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
Level 3 - Unobservable inputs that are significant to the fair value measurement

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement

MILANO RESTAURANTS INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE B – RESTAURANT PROGRESSION

The following summarizes the Company's owned and franchised restaurants opened and closed during 2017 and 2016

	Company Owned Restaurants	Franchised Restaurants	Total
December 31, 2015	42	20	62
Restaurants opened	1	2	3
Restaurants purchased from franchisee	1	(1)	-
Restaurants sold as franchises	(1)	1	-
Restaurants closed	-	-	-
December 31, 2016	43	22	65
Restaurants opened	-	2	2
Restaurants purchased from franchisee	-	-	-
Restaurants sold as franchises	-	-	-
Restaurants closed	(1)	(2)	(3)
December 31, 2017	42	22	64

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following

	2017	2016
Leasehold improvements	$ 15,671,416	$ 14,979,107
Machinery and equipment	13,398,345	12,456,079
Building	3,652,456	3,652,456
Land	374,544	374,544
	33,096,761	31,462,186
Accumulated depreciation	(19,612,103)	(18,121,709)
	$ 13,484,658	$ 13,340,477

Depreciation expense for 2017, 2016 and 2015 was $1,536,363, $1,495,005, and $1,303,973, respectively

MILANO RESTAURANTS INTERNATIONAL CORPORATION
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December 31, 2017

NOTE D – GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles consist of the following

	2017	2016
Goodwill	$ 15,562,521	$ 15,562,521
Dealer franchise and territorial agreements	1,740,000	1,740,000
Trademark and spice blend formula	95,000	95,000
Logo and other	373,246	343,786
	17,770,767	17,741,307
Accumulated amortization	(3,079,744)	(3,022,775)
	$ 14,691,023	$ 14,718,532

Amortization expense for 2017, 2016 and 2015 was $56,969, $55,437, and $54,974, respectively

NOTE E – FAIR VALUE MEASUREMENT

LIABILITIES	Fair Value as of December 31, 2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Interest rate swap	$ (112,822)	$ ---	$ (112,822)

FASB ASC 820, Fair Value Measurement & Disclosure, establishes a framework for measuring fair value That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value The hierarchy consists of three broad levels Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices for identical or similar assets in active or inactive markets, observable inputs that are other than quoted prices and inputs that are derived from or corroborated by observable market data, and Level 3 inputs are unobservable and have the lowest priority The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value Level 3 inputs were used only when Level 1 or Level 2 inputs were not available

NOTE E – FAIR VALUE MEASUREMENT – continued

The following is a description of the valuation methodologies used for assets measured at fair value

The Company is required to assess the fair value of its goodwill annually for indicators of impairment The fair value of the Company is determined using the net present value of discounted cash flows using a discount rate of 4 81 percent and a term of twenty-five years The fair value of the Company is then compared to Goodwill to determine if Goodwill is impaired The fair value measurement used in this evaluation is considered to be Level 2 and 3 valuations within the fair value hierarchy in the accounting rules, as there are significant observable (Level 2) and unobservable inputs (Level 3) Examples of Level 2 inputs the Company utilizes in its fair value calculations are actual operating income and expenses of the Company in prior years Examples of Level 3 inputs the Company utilizes in its fair value calculations is the discount rates, term, and the historical number of prior years used

The interest swap liability is measured at settlement value as a practical expedient The settlement value was estimated based on the present value of the net remaining cash flows without adjustment for nonperformance risk The settlement value measurement used in this interest swap liability is considered to be Level 2 within the fair value hierarchy

The preceding methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future values Furthermore, although the Company believes its valuation methods are appropriate and consistent with methods used by other companies in the same line of business, the use of different methodologies or assumptions to determine certain fair values could result in a different fair value measurement at the reporting

NOTE F – LONG-TERM DEBT

In September 2017, the Company acquired a loan from a financial institution in the amount of $9,750,000 to refinance existing debt The loan requires monthly payments of principal and interest of approximately $100,000 with a final payment of approximately $5 6 million plus accrued interest at maturity on October 1, 2022 The loan bears interest at LIBOR plus an applicable margin The applicable margin may range from 3 to 3 5 percent points The applicable margin is currently 3 25 percentage points making the interest rate 5 52 percent per annum The loan is collateralized by certain company assets and properties Additionally, the Company acquired a Line of Credit with the same financial institution of up to $5 million This Line of Credit contains a conversion feature whereby the Company may convert it to an amortizing term loan with a maturity date of October 1, 2022 During 2017, the Company did not take any advances on the Line of Credit

In September 2017, the Company acquired a first mortgage loan in the amount of $2,247,000 The loan is secured by the commercial office building and is guaranteed by Gruppa Florentina, LLC This loan requires monthly principal payments of $8,589 plus accrued interest The monthly principal payments increase annually by an amount to amortize the principal to be repaid at maturity on October 1, 2032 The loan bears interest at LIBOR plus 2 5 percentage points

MILANO RESTAURANTS INTERNATIONAL CORPORATION
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NOTE F – LONG-TERM DEBT - continued

In October 2016, the Company acquired a loan in the amount of $28,521 in connection with the acquisition of an automobile The loan is secured by the automobile The loan requires monthly principal and interest payments of $529 through 2021, and bears interest at 4 325 percent per annum

In May 2014, the Company acquired a loan in the amount of $31,231 in connection with the acquisition of an automobile The loan is secured by the automobile The loan requires monthly principal and interest payments of $582 through 2019, and bears interest at 4 5 percent per annum

In September 2014, the Company acquired a loan in the amount of $50,672 in connection with the acquisition of an automobile The loan is secured by the automobile The loan requires monthly principal and interest payments of $845 through 2019, and bears interest at -0- percent per annum

In August 2013, the Company acquired a loan in the amount of $27,475 in connection with the acquisition of an automobile The loan is secured by the automobile The loan requires monthly principal and interest payments of $493 through 2018, and bears interest at 2 9 percent per annum

In August 2013, the Company acquired a loan in the amount of $27,475 in connection with the acquisition of an automobile The loan is secured by the automobile The loan requires monthly principal and interest payments of $493 through 2018, and bears interest at 2 9 percent per annum

Balances of the Company's outstanding debt are as follows

	2017	2016
Milano Restaurants International, Refinance loan	$ 9,626,839	$ ---
Milano Restaurants International, Building loan	2,229,823	---
Milano Restaurants International, Inc Auto Loan	40,689	---
Milano Restaurants International, Inc Auto Loan	22,406	27,666
Milano Restaurants International, Inc Auto Loan	17,735	27,870
Milano Restaurants International, Inc Auto Loan	9,572	15,970
Milano Restaurants International, Inc Auto Loan	3,901	10,074
Milano Restaurants International, Inc Auto Loan	3,901	9,148
Milano Restaurants International, Refinance loan	---	5,878,436
Milano Restaurants International, Inc Building loan	---	1,491,724
Milano Restaurants International, Inc Revolver Loan	---	1,450,000
Milano Restaurants International, Inc Building loan	---	823,019
Unamortized Deferred Borrowing Costs	(119,310)	(8,384)
	$ 11,835,556	$ 9,725,523

NOTE F – LONG-TERM DEBT - continued

Under the credit facilities, the Company is subject to various financial and non-financial loan covenants At December 31, 2017, the Company was in compliance with these loan covenants

As noted above, the refinance note entered into in September 2017, bears interest at LIBOR plus 3-3 5 percentage points However, the Company entered into an interest swap contract that effectively converts the interest on the note from variable to fixed Under the swap contract, the Company pays interest at 2 27% and receives interest at LIBOR See Note G

As noted above, the building note entered into in September 2017, bears interest at LIBOR plus 2 5% However, the Company entered into an interest swap contract that effectively converts the interest on the note from variable to fixed Under the swap contract, the Company pays interest at 2 52% and receives interest at LIBOR See Note G

At December 31, 2017, the aggregate principal payments were as follows

Years ending December 31,

2018	$ 894,978
2019	934,336
2020	974,411
2021	1,028,366
2022	6,468,911
Thereafter	1,653,864
	$ 11,954,866

NOTE G – DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into two interest rate swap contracts designed as a cash flow hedge to hedge the risk of changes in interest payments on the related bank notes caused by changes in LIBOR The notional amounts under the swaps decreases as principal payments are made on the notes Therefore, the notional amounts equal the principal outstanding on the notes The swaps are issued at market terms which resulted no fair value at the inception The carrying amounts of the swaps have been recorded at settlement value at December 31, 2017, which resulted in reporting a liability for the settlement value of the future net payments expected under the swaps The liability is classified as noncurrent since management does not intend to settle it during 2018 Under the simplified hedge accounting approach elected by the Company, the swaps are assumed to be completely effective as a hedge and none of the change in settlement value is included in pretax income Accordingly, all of the adjustment of the swap's carrying amount is reported as other comprehensive loss

The notional amount of both swaps at December 31, 2017 was $11,856,662 and the fair value at that date was a derivative liability of $112,822

MILANO RESTAURANTS INTERNATIONAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

NOTE H – COMMITMENTS

The Company conducts all its operations from leased facilities, which include offices, a warehouse, and restaurant locations for which a lease was signed and the parlor was either open at December 31, 2017 or scheduled to open thereafter Certain of the leases also provide for additional rent based on achieving certain sales levels The leases expire through 2021 The Company also leases vehicles under operating leases

The approximate future minimum rent commitments under operating leases are as follows

Years ending December 31,

2018	$	2,577,941
2019		2,419,823
2020		2,188,977
2021		1,850,611
2022		1,258,055
Thereafter		4,129,881
	$	14,425,288

Total facilities and automobile rent expense relating to these leases was approximately $3,883,762, $3,809,969, and $3,507,110, for the years ended December 31, 2017, 2016 and 2015, respectively

NOTE I – RELATED PARTY TRANSACTIONS

The Company has various franchise agreements and a note receivable of approximately $0 and $1,352 at December 31, 2017 and 2016, respectively, with a company owned by certain officers of both the Company and the Company's Parent The balances are included in accounts and notes receivable in the accompanying balance sheets The Company received $748,988 and $721,435 in royalties during 2017 and 2016 from these franchise agreements

The Company has a receivable of approximately $20 million and $20 3 million at December 31, 2017 and 2016, respectively, from an owner of the Company related to a restructuring of the Company in previous years, advances made to the owner and amounts related to the tax sharing agreement

The Company has a note receivable in the amount of $131,084 and $131,084 at December 31, 2017 and 2016, respectively, from a company jointly owned by certain officers of the Company The balances is included in accounts and notes receivable in the accompanying balance sheets

MILANO RESTAURANTS INTERNATIONAL CORPORATION
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NOTE J – INCOME TAXES

The Company's operations are included in the consolidated federal tax return of Gruppa and continue to record income taxes as they are attributable to the Company as a component of Gruppa

Federal and state income tax expense consisted of the following

	2017	2016	2015
Current tax expenses			
Federal	$ 873,334	$ 1,354,173	$ 1,260,477
State	234,602	265,541	177,623
	1,107,936	1,619,714	1,438,100
Deferred tax expense (benefit)			
Federal	(881,313)	61,449	(71,352)
State	108,397	274,609	273,523
	(772,916)	336,058	202,171
Income tax expense	$ 335,020	$ 1,955,772	$ 1,640,271

Income tax differed from the amounts computed by applying an effective U S federal income tax rate of 34% and a California state tax rate of 8 84% to pretax income in 2017, 2016 and 2015 as a result of the following

	2017	2016	2015
Computed expected tax expense (benefit)	$ 859,050	$ 1,544,510	$ 1,557,206
Permanent differences (contributions, meals & entertainment, credits)	(41,353)	(91,800)	(158,548)
Miscellaneous timing differences in			
Depreciation and amortization	227,904	197,559	43,416
Other	62,335	(30,555)	(3,974)
	$ 1,107,936	$ 1,619,714	$ 1,438,100

NOTE J – INCOME TAXES - continued

The Company's effective income tax rate differs from what would be expected if the federal statutory rate were applied to pre-tax income primarily due to the effect of the Tax Compensating Agreement between the Company and Gruppa, permanent differences related to goodwill, and state taxes Had the Company filed its own separate federal income tax return for the entire year, the effective income tax rate would have likely differed

Significant components of the Company's deferred tax liability for federal and state income taxes are as follows

	2017	2016
Equipment, goodwill and intangibles	$ (1,977,785)	$ (3,032,183)
Carryforward of state income tax credits available	850,519	1,000,611
Other	420,497	551,887
	$ (706,769)	$ (1,479,685)

NOTE K – SUPPLEMENTAL CASH FLOW INFORMATION

During 2017, 2016 and 2015, the Company paid interest totaling $665,413, $753,310, and $765,339, respectively During 2017, 2016 and 2015, the Company paid income taxes totaling $781,400, $1,619,714, and $1,438,100, respectively

NOTE L – DISCONTINUED OPERATIONS

Prior to January 1, 2015, we applied the provisions of ASC 360, "Property, Plant and Equipment", which requires that long-lived assets that are to be disposed of by sale be measured at the lesser of (1) book value or (2) fair value less cost to sell In addition, it requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions

Effective January 1, 2015, the Company adopted the provisions of ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which changes the criteria of ASC 360 related to determining which disposals qualify to be accounted for as discontinued operations and modifies related reporting and disclosure requirements

NOTE L – DISCONTINUED OPERATIONS - continued

Disposals representing a strategic shift in operations that have a major effect on a company's operations and financial results will be presented as discontinued operations Companies will be required to expand their disclosures about discontinued operations to provide more information on the assets, liabilities, income and expenses of the discontinued operations The new standard was effective January 1, 2015 Adoption of this standard will result in substantially fewer of the Company's dispositions meeting the discontinued operations criteria

In accordance with ASC 360, Property, Plant and Equipment, discontinued operations represent the operations of properties disposed of or classified as held for sale subsequent to January 1, 2008 as well as any gain or loss recognized in their disposition There were no discontinued operations in 2017, 2016 or 2015

NOTE M – POST RETIREMENT BENEFIT OBLIGATIONS

In 2006, the Company implemented a nonqualified defined benefit plan for certain employees which provides benefits after they leave the employment of the Company It includes benefits for employees determined by management related to retirement, termination, death and disability The plan benefit obligation at December 31, 2017 and 2016 was $142,699 and $154,480, respectively The plan benefit obligation estimate was determined using a 7 5% discount rate each year Since the plan is an unfunded plan, there are no plan assets which results in the obligation being completely underfunded

Consequently, the total amount of the obligation is recorded as a liability in the consolidated financial statements In 2017, $35,305 of the liability was included as current with the remaining $128,454 being long-term In 2016, $35,305 of the liability was included as current with the remaining $152,463 being long-term

Estimated future contributions
The following benefit payments are expected over the next 10 fiscal years ending

2018	$ 35,305
2019	35,305
2020	35,305
2021	23,274
2022	23,274
2023	11,296
	$ 163,759

These amounts are based on current data, current assumptions and reflect expected future service, as appropriate Benefit payments reflect current assumptions throughout the 6-year period

MILANO RESTAURANTS INTERNATIONAL CORPORATION
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December 31, 2017

NOTE N – DEFERRED COMPENSATION PLAN

In 2006, the Company implemented a nonqualified defined contribution deferred compensation plan for certain key employees which provide a manner they can defer the taxability of a portion of their compensation Employees determined by management are eligible to make pre-tax contributions to the plan At December 31, 2017, the Company has a liability recorded in the accompanying consolidated financial statements in the amount of approximately $884,337 related to this plan

NOTE O - ACQUISITION OF PIZZA OF NIPOMO, LLC

On October 1, 2016, The Company purchased 100% of the membership shares in Pizza of Nipomo, LLC The total purchase price of $160,000 was allocated to existing assets and liabilities including cash of $21,418, fixed assets of $29,362, prepaids of $28,773, various other assets of $15,412, liabilities of $30,024 and resulted in Goodwill of $95,059 Goodwill will be evaluated annually to determine whether the amount is impaired

NOTE P – DATE THROUGH WHICH SUBSEQUENT EVENTS EVALUATED

The date to which events occurring after December 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is April 18, 2018, which is the date on which the consolidated financial statements were available to be issued

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

<u>EXHIBIT C FRANCHISE AGREEMENT</u>

BLAST & BREW

FRANCHISE AGREEMENT

BETWEEN

MILANO RESTAURANTS INTERNATIONAL CORP

AND

____

Name of Franchisee(s)

BLAST & BREW
FRANCHISE AGREEMENT

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BLAST & BREW

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (Agreement') is entered into at Fresno, California, by and between Milano Restaurants International Corp ('Milano") a Nevada corporation with headquarters located at 6729 North Palm Avenue, Suite 200 Fresno California 93704 and ____ ('Franchisee"), whose address is ____

This Agreement is for the establishment of one BLAST & BREW (the Restaurant") to be located at the Authorized Location (defined below), with the specific opening date to be determined in accordance with the terms of this Agreement

RECITALS

A Milano has the right to license the BLAST & BREW name trademark and service mark, and such other trademarks, trade names service marks, logotypes, insignias trade dress and designs directed or authorized by Milano for use from time to time, together with associated goodwill (the Proprietary Marks") trade dress and designs used in connection with the development, operation and maintenance of the Restaurants operated in accordance with the System (as defined below) and Milano's prescribed methods and business practices

B The Restaurant will be developed and operated pursuant to a method and system (the System") that Milano has established for the development and operation of restaurants that feature distinctive food and beverage products prepared according to special and confidential recipes, test items and formulas with distinctive storage, preparation, service and procedures and techniques, offered in a setting of distinctive exterior and interior layout design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, ingredients, business techniques, methods and procedures together with sales promotion programs, all of which Milano may modify and change from time to time

C Franchisee desires to obtain the license and franchise to operate a single restaurant, under the Proprietary Marks and in strict accordance with the System and the standards and specifications established by Milano and Milano is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement

NOW THEREFORE the parties agree as follows

1 DEFINITIONS

(a) Adjusted Gross Sales' as used herein means the total gross receipts from all sales by the Restaurant of all products, services or merchandise sold at the Restaurant, without reserve or deduction for inability or failure to collect, and exclusive of sales and equivalent taxes and coupons and similar discounts approved by Milano (but in no event will coupons and similar discounts reduce Adjusted Gross Sales by more than 5%)

(b) Appropriate Clothing" means everyday clothing that can be worn outside of the establishment and does not constitute a uniform of any kind

(c) Gross Sales" includes the total revenues and receipts from the sale of all products, services and merchandise sold in Franchisee's Restaurant whether under any of the Proprietary Marks or otherwise including, without limitation any cover charges or fees, vending or similar activities in Franchisee's Restaurant or on its premises, catering and other off-site activities and events, and all license and use fees Gross Sales excludes sales taxes

(d) "Mall means a shopping center of not less than 250,000 square feet of gross leasable area where stores front on both sides of a pedestrian walkway which may be enclosed or open

(e) Menu Items means the pizza and other products and beverages prepared according to Milano's specified recipes and procedures, as Milano may modify and change them from time to time

(f) Non-Traditional Venues' means (i) a mall (ii) a facility located within another primary business or in conjunction with other businesses or at institutional settings, (iii) airports, transportation terminals hotels, motels, timeshare properties condo hotel properties, casinos sports arenas stadiums, race tracks, convention centers, hospitals, universities, colleges, schools, museums, amusement parks, theme parks aquariums, toll roads, freeways and motorway locations, military and other governmental facilities office or in-plant food service facilities shopping mall food courts operated by a master concessionaire, and similar venues such as any site for which the lessor, owner or operator shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider, (iv) supermarkets, grocery stores, convenience stores, retail food stores, or club stores, (v) ports, piers, ships, cruises, trains and common carriers and (vi) community and special events

(g) "Principal Owner" means, as of the Effective Date (as defined below) the Principal Owner is _______________, subject to the terms of the definition below Principal Owner" means any person who directly or indirectly owns a 10% or greater interest in Franchisee when Franchisee is a corporation, limited liability company, a partnership, or a similar entity However, if Milano is entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in Franchisee, Milano has the right to designate that person or entity as a Principal Owner for all purposes under this Agreement In addition if Franchisee is a partnership entity, then each general partner is a Principal Owner regardless of the percentage of ownership interest If Franchisee is one or more individuals, each individual is a Principal Owner of the developer Franchisee must have at least one Principal Owner Each Principal Owner shall execute and deliver a guarantee to Milano in the form prescribed by Milano from time to time

2 GRANT OF FRANCHISE

(a) <u>Nonexclusive Right to Use System</u> Subject to all the terms and conditions of this Agreement Milano grants to the Franchisee the nonexclusive right to use the System to establish and operate the Restaurant The Franchisee acknowledges that adherence to the standards and policies of the System, as changed from time to time is absolutely essential for the continued operation of the franchise granted by this Agreement

(b) <u>Authorized Location</u> The retail Restaurant identified by the Proprietary Marks established and operated pursuant to this Agreement shall be located at

_________________________________ or a location to be designated within 90 days from the date of this Agreement (the Authorized Location) When a location has been designated by Franchisee and approved by Milano, it will become part of this subparagraph 2(b) as if originally stated Franchisee acknowledges and agrees that Milano's approval of a site does not constitute a warranty of any kind express or implied, as to the suitability of the site for the Restaurant Franchisee acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of a Restaurant at this Authorized Location is based on Franchisee's own independent investigation If an Authorized Location is not designated by Franchisee and approved by Milano within ninety (90) days from the date of this Agreement Milano has the right to declare this Agreement null and void without the return of any Initial Franchise Fee or other amounts paid to Milano Franchisee accepts the license and undertakes the obligation to operate the Restaurant at the Authorized Location using the Proprietary Marks and the System in compliance with the terms and conditions of this Agreement Milano, at its sole discretion may extend the timeframe to locate an approved site

(c) Designated Area The Franchisee must locate and operate the Restaurant at an Authorized Location within the area described in Exhibit "B" (the Designated Area)

(d) Relocation The Franchisee shall have the right to establish and operate the Restaurant only at the single location designated above Any relocation of the Restaurant shall require Milano's prior written consent Such consent may be withheld in Milano's sole discretion unless the lease for the site of Franchisee's Restaurant expires or terminates without fault of the Franchisee, or if the site is destroyed, condemned or otherwise rendered unusable, in which case Milano will grant permission for relocation of the Restaurant to a location and site meeting Milano's then-current standards provided that (i) Franchisee has submitted third-party demographic information and such other analysis and information related to the site and market as Milano may require, (ii) Milano has consented in writing to the new site, (iii) the new Restaurant is under construction within 90 days after Franchisee discontinues operation of the Restaurant at the Authorized Location, and (iv) the new Restaurant is open and operating within 270 days after construction commences If Franchisee voluntarily decides to relocate the Restaurant, Franchisee's right to relocate the Restaurant will be void and Franchisee's interest in the Agreement will be voluntarily abandoned, unless Franchisee has given Milano notice of its intent to relocate not less than 60 days prior to closing the Restaurant, has procured a site that Milano has consented to in writing within 60 days after closing the prior Restaurant, has opened the new Restaurant for business within 180 days of such closure and complied with any other conditions that Milano reasonably requires Franchisee must pay the costs of any relocation and Milano reserves the right to charge the Franchisee a Relocation Fee to cover Milano's costs in approving and processing the request for relocation Such fee is payable upon approval by Milano at such location Any relocation will be at the Franchisee's sole expense

(e) Non-exclusivity, Reservation of Rights

(i) The license is limited to the right to develop and operate one Restaurant at the Authorized Location located in the Designated Area and does not include (1) any right to sell products and Menu Items at any location other than the Authorized Location, or through any other channels or methods of distribution including the internet (or any other existing or future form of electronic commerce) delivery or through delivery service (e g UberEats DoorDash, etc) (2) any right to sell products and Menu Items to any person or entity for resale or further distribution, or (3) any right to exclude, control or impose conditions on Milano's development of future franchised company or affiliate owned restaurants (whether under the Proprietary Marks or different trade names and trademarks) at any time outside of the Trade Area (as defined below)

(ii) Milano (on behalf of itself and on behalf of any other entity which Milano may acquire or be acquired by, or otherwise are or become affiliated with) retain all rights not expressly granted to Franchisee in this Agreement Notwithstanding anything to the contrary in this Agreement, Milano (on behalf of itself and on behalf of any other entity which Milano may acquire or be acquired by or otherwise are or become affiliated with) its affiliates and its franchisees and licensees will have the right to

(1) market, distribute and sell, on a wholesale or retail basis food products or other goods under any of the Proprietary Marks or other marks by direct sale the Internet mail order infomercials, telemarketing or by any other marketing or distribution method, even if such sales are made to customers, distributors or retailers who are located in the Franchisee's trade area,

(2) franchise, license, own operate, manage and/or develop other restaurant business concepts under other brand names or marks anywhere in the world, even if the locations for the concepts are within the Franchisee's trade area,

(3) franchise, license, own, operate, manage and/or develop restaurants or any other business for the same, similar or different products or services both within and outside the trade area, under trademarks other than 'BLAST & BREW"-

(4) franchise, license, own, operate, manage and/or develop restaurants and/or otherwise offer sell or distribute any products or services, including those associated with the System under the Proprietary Marks or any other trademarks service marks or trade names,

(5) to manufacture and distribute anywhere in the world, including the Franchisee's trade area, products under Milano's Proprietary Marks or other products through retail food stores and other channels of distribution, without limitation, regardless of whether such products are authorized for sale in Restaurants, and

(6) franchise, license, own, operate, manage or develop Restaurants at malls and/or Non-Traditional Venues anywhere in the world, even if the locations for the Restaurants are within the Franchisee's trade area

(iii) Franchisee acknowledges that the consumer service area or trade area of another BLAST & BREW restaurant may overlap with Franchisee's trade area and such overlap will not be a breach of this Agreement

3 PROTECTED TERRITORY

(a) Trade Area Subject to Paragraph 2(e) and Franchisee's compliance with this Agreement Milano shall not itself or grant any other franchisee or licensee the right to operate a restaurant under the BLAST & BREW trademark within a two mile radius of the Authorized Location (the 'trade area" or Trade Area), provided, however, that if the Franchisee s Restaurant is located in a mall or within certain areas as may be designated from time to time by Milano, no such exclusive right shall be granted

(b) Alteration of Trade Area From time to time, Milano may designate certain areas within which Milano will not grant exclusive rights, but the Franchisee's trade area may not be altered except by the mutual written agreement of the Franchisee and Milano

4 TRADEMARK STANDARDS AND REQUIREMENTS

Franchisee acknowledges and agrees that the Proprietary Marks are Milano's property Franchisee further acknowledges that its right to use the Proprietary Marks is specifically conditioned upon the following

(a) Trademark Ownership and Standards

(i) The Proprietary Marks are Milano's valuable property and it is the owner of all right, title and interest in and to the Proprietary Marks and all past present or future goodwill of the Restaurant and of the business conducted at the Authorized Location that is associated with or attributable to the Proprietary Marks Franchisee s use of the Proprietary Marks will inure to Milano's benefit Franchisee shall acquire no right to use, or to license the use of, any name, mark or other intangible property right granted or to be granted herein, or any name or mark confusingly similar thereto, except in connection with the operation of the Restaurant Franchisee may not, during or after the term of this Agreement engage in any conduct directly or indirectly that would infringe upon, harm or contest Milano's rights in any of the Proprietary Marks or the goodwill associated with the Proprietary Marks, including any use of the Proprietary Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to, print or electronic media

(ii) Franchisee shall use its best efforts to promote and protect the Franchisee's and Milano's business interests and protect the goodwill and trade name of Restaurants and the Proprietary Marks Franchisee also shall immediately notify Milano of any infringement of or challenge to the Franchisee's use of Milano's trademarks, service marks, trade names, logo types or other commercial symbols Milano, though is not obligated to protect the Franchisee's right to the use of Milano's trademarks, service marks trade names, logo types or other commercial symbols and further, is not obligated to protect the Franchisee against any claim of infringement or unfair competition with respect to the names marks and symbols Milano is not obligated to indemnify the Franchisee against or to reimburse the Franchisee for any damages for which the Franchisee is held liable in any proceeding arising out of the Franchisee's use of Milano's trademarks, service marks, or other commercial symbols under this Agreement

(iii) Franchisee agrees to consistently use the mark 'BLAST & BREW" and/or such other name(s) as designated by Milano on all signs, decorations, advertising, menus, letterhead, telephone listings, and other printed and decorative materials used in or on the premises or with which the Restaurant is identified Franchisee shall not use the Proprietary Marks, including BLAST & BREW' name service mark, and/or trademark on any automobile or truck or otherwise

(iv) If there should be asserted a claim of prior use of any of the trade names, trademarks, service marks, slogans or visual indicia used in the Restaurant, the Franchisee, at its expense, shall use such name or marks as may then be provided by Milano, or if no such substitutes are provided by Milano, the Franchisee's own name and such marks or words as shall clearly avoid any possible confusion between the business of the Restaurant and the business of the claimant and the Franchisee shall have no claim against Milano for any damages due to the change in names or marks

(v) If it becomes advisable at any time in Milano's sole discretion for the Franchisee to modify or discontinue use of any Trademark the Franchisee must do so Milano s sole obligation in such an event is to reimburse the Franchisee for its actual, out-of-pocket costs incurred in complying with this obligation, unless Milano shall have given the Franchisee six months prior written notice of such requirement in which case Milano shall have no obligation to reimburse the Franchisee

(b) Trademark Use Franchisee may not use, or permit the use of any trademarks, trade names or service marks in connection with the Restaurant except as otherwise directed in writing Franchisee may use the Proprietary Marks only in connection with such products and services as Milano specifies and only in the form and manner it prescribes in writing Franchisee must comply with all trademark, trade name and service mark notice marking requirements Franchisee may use the Proprietary Marks only in association with products and services approved by Milano and that meet Milano's standards or requirements with respect to quality, mode and condition of storage production preparation and sale and portion and packaging

(c) Restaurant Identification Franchisee must use the name 'BLAST & BREW" (or such other name that Milano specifies) as the trade name of the Restaurant and Franchisee may not use any other mark or words to identify the Restaurant without Milano's prior written consent Franchisee may not use the phrase 'BLAST & BREW" or any of the other Proprietary Marks as part of the name of Franchisee's corporation, partnership, limited liability company or other similar entity Franchisee may use the Proprietary Marks on various materials, such as business cards, stationery and checks provided Franchisee (i) accurately depicts the Proprietary Marks on the materials as Milano prescribes, (ii) includes a statement on the materials indicating that the business is independently owned and operated by Franchisee, (iii) does not use the Proprietary Marks in connection with any other trademarks, trade names or service marks unless Milano specifically approves in writing prior to such use, and (iv) makes available to Milano upon its request, a copy of any materials depicting the Proprietary Marks Franchisee must post a prominent sign in the Restaurant identifying it as a 'BLAST & BREW" franchisee in a format Milano deems reasonably acceptable including an acknowledgment that Franchisee independently owns and operates the Restaurant and that the BLAST & BREW" trademark is owned by Milano and Franchisee's use is under a license Milano has issued to Franchisee All of Franchisee's internal and external signs must comply at all times with Milano's outdoor/indoor guidelines and practices, as they are modified from time to time

(d) Changes Franchisee may not make any changes or substitutions to the Proprietary Marks unless Milano directs in writing Milano reserves the right to change the Proprietary Marks at any time Upon receipt of Milano's notice to change the Proprietary Marks, Franchisee must cease using the former Proprietary Marks and commence using the changed Proprietary Marks, at Franchisee s expense If the changes to the Proprietary Marks result in a required change to outdoor signage, such changes will be subject to the provisions in 8(g~~f~~)

5 TERM AND RENEWAL

(a) Term The term of this Agreement shall commence on the date of execution of this Agreement by Milano, and shall expire 10 years after the date the Restaurant opens for business or the length of the lease, whichever occurs first The Franchisee may request that the term of this Agreement be lengthened to be congruent with the term of the lease for the Restaurant premises Milano may grant or withhold consent to such request in Milano's sole discretion Once the Restaurant opens for business, Milano shall insert the exact opening or transfer date in Exhibit "A' attached hereto and incorporated herein by reference

(b) Termination In the event that (i) the Franchisee fails to obtain an on-sale beer and wine license or a liquor license whichever is applicable for the Restaurant prior to the date the Franchisee opens the Restaurant for business, unless otherwise agreed to in writing by Milano, (ii) the Franchisee fails to open the Restaurant within 12 months after Milano s execution of this Agreement, or (iii) the Franchisee fails to complete or achieve a passing grade in the customary training course concerning the operation of the Restaurant at least one month prior to the opening of the Restaurant, then Milano will have the right to terminate this Agreement upon the Franchisee's receipt of written notice of termination from Milano In that event Milano shall refund to the Franchisee the Initial Franchise Fee paid by the Franchisee to Milano less expenses incurred by Milano in connection with the Restaurant and/or this Agreement, as determined in Milano's sole discretion

(c) Renewal Term and Conditions of Renewal The Franchisee, at its option, shall have the right to renew the franchise granted herein for the term and upon conditions contained in the then-current standard Franchise Agreement in use by Milano on the date of renewal, provided that

(i) The Franchisee is not in default of any provision of this Agreement or any other agreement with Milano or its subsidiaries or affiliates or any other creditor or supplier of the Restaurant and has substantially complied with all the terms and conditions of these agreements in accordance with their terms and has satisfied all monetary obligations owed to these parties,

(ii) The Franchisee has given Milano written notice of Franchisee s decision to renew at least six (6) but not more than twelve (12) months prior to the end of the expiring term

(iii) The Franchisee is able to maintain possession of the site of its Restaurant or to secure and develop a suitable alternative site approved by Milano

(iv) The Franchisee agrees to refurbish the site in accordance with Paragraph 8 of this Agreement

(v) The Franchisee executes a general release, in a form satisfactory to Milano, of any and all claims it may have against Milano and its officers, directors, shareholders agents, and employees, in their corporate and individual capacities,

(vi) The Franchisee or a representative approved by Milano attends and satisfactorily completes any retraining or refresher training program that Milano may require, in its sole discretion,

(vii) In connection with this renewal, the Franchisee must execute Milano s then-current standard Franchise Agreement and all other agreements customarily used by Milano in the renewal of franchises, which may provide for higher Royalty Fees and for greater expenditures for advertising and promotion than were provided for under this

Agreement, and may contain other fees and terms materially different from the terms of this Agreement,

(viii) The trade area of the Restaurant will not be modified unless such modification is consistent with criteria then in effect for comparable market areas and

(ix) There will be a renewal fee of 25% of the then current franchise fee

(d) Interim Period If Franchisee does not sign a new Franchise Agreement for its renewal of the franchise term and continues to accept the benefits of this Agreement after the expiration of this Agreement then at Milano's option, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a license to do so and in violation of Milano's rights, (ii) extended for a term sufficient for Milano to give any required notices of non-renewal or expiration or (iii) continued on a month-to-month basis (clauses (ii) and (iii), the 'Interim Period') until one party provides the other with written notice of such party s intent to terminate the Interim Period In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of this Interim Period

(e) Milano's Renewal Obligations Milano will send all agreements relating to renewal of the franchise for the Franchisee's review and execution not less than 12 months prior to the expiration of this Agreement along with a notification of the expiration of this Agreement Milano's notice will also state what actions, if any, the Franchisee must take to correct the deficiencies in the operation of the Restaurant and will specify the time period in which these deficiencies must be corrected Renewal of the franchise will be conditioned upon the Franchisee's continued compliance with all the terms and conditions of this Agreement and all other agreements with Milano and its affiliates and subsidiaries and all other creditors and suppliers of the Restaurant up to the date of expiration The Franchisee will have no right to renew the franchise upon the expiration of the first additional term

6 FEES

(a) Initial Franchise Fee In consideration of the franchise granted herein, the Franchisee opening a new Restaurant at its first franchise location shall pay to Milano an Initial Franchise Fee of $30 000, payable upon the execution of this Agreement

(b) Initial Advertising Fee Upon execution of this Agreement, the Franchisee shall pay to Milano's brand fund (the 'Brand Fund) a nonrefundable Initial Advertising Fee of $3,000, which shall be disbursed by the Brand Fund at Milano s sole discretion

(c) Royalty Fee In consideration of the franchise granted herein and the continuing right to use the System the Franchisee agrees to pay to Milano commencing from the date the Restaurant opens, a Royalty Fee of 4% of the Adjusted Gross Sales generated weekly by the Restaurant, or the sum of $250, whichever is greater Payment of the Royalty Fee shall be made on or before Tuesday of each week for the preceding week (Sunday through Saturday)

(d) Periodic Brand Fund Fee Commencing from the date the Restaurant opens the Franchisee shall pay to the Brand Fund a Brand Fund Fee as follows (i) 2% of the

Adjusted Gross Sales generated weekly by the Restaurant Such fee shall be paid at the same time as the Royalty Fee with a late charge computed and assessed in the same manner as may be imposed for any late payment of a Royalty Fee and (ii) a mandatory advertising and promotional expenditure of 2 5% of your Adjusted Gross Sales within your trade area which will be audited by Milano The Brand Fund shall be administered by Milano in accordance with Paragraph 7(h) below Milano may in its sole discretion from time to time credit against the obligation of the Franchisee to contribute to the Brand Fund up to an amount equal to the Franchisee's obligation to contribute to the Brand Fund for amounts expended by the Franchisee in the applicable period on local advertising and promotional campaigns Such local advertising and promotions shall be subject to Milano's prior written consent

(e) Late Payment Charges If the Franchisee is late in paying the Royalty Fee periodic Brand Fund Fee or the amount owed for the special spice blend, the special flour blend and related food products delivered pursuant to this Agreement a late charge at the maximum rate permitted by state law shall be payable on the unpaid fees from the date such payments were due

(f) Pre-Authorized Bank Transfers The Franchisee will, from time to time during the term of this Agreement execute such documents as Milano may request to provide the Franchisee's unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the Franchisee's bank or financial institution to transfer directly to the bank account of Milano and to charge to the account of the Franchisee, the amount of Royalty Fees, Brand Fund Fees, product purchases and other sums due and payable by the Franchisee to Milano pursuant to this Agreement The transfer authorizations will be in the form prescribed by Milano's bank Transfers will be made on Tuesday of each week for weekly fees payable on the Franchisee's Gross Revenues for the preceding week, within 30 days after the date Milano ships products to the Franchisee for the products purchased by the Franchisee, and upon the issuance of an invoice by Milano for other amounts payable by the Franchisee The Franchisee s authorizations will permit Milano to designate the amount to be transferred from the Franchisee's account, and to adjust such amount from time to time, for the Royalty Fees Brand Fund Fees and other sums then payable to Milano from the Franchisee If the Franchisee fails at any time to provide the weekly reports of Adjusted Gross Sales required under this Agreement then Milano will have the right, in its sole discretion, to estimate the amount of Royalty Fees, Brand Fund Fees and other sums due and payable to Milano and to transfer such estimated amount from the Franchisee s bank account to Milano's bank account The Franchisee will at all times maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be transferred from the Franchisee's account for payment of the Royalty Fees, Brand Fund Fees any products purchased and other sums payable by the Franchisee directly to Milano's bank account

7 DUTIES OF FRANCHISOR

(a) Location The Franchisee may not execute a lease or a purchase agreement for the Restaurant which has not been reviewed and accepted by Milano The Franchisee shall provide Milano with any and all documents relating to a site under consideration and the lease or purchase agreement for such site when seeking Milano's review of such site Franchisee must obtain and submit third-party demographic information and such other analysis and information related to the site and market as Milano may require While it is the Franchisee s obligation to find a suitable location for the Restaurant which meets Milano's criteria, Milano may assist the Franchisee with the search for a suitable location by advising and consulting with the Franchisee if requested to do so by the Franchisee The Franchisee acknowledges that Milano's review of a location does not constitute a representation or guaranty by Milano that the location will be a successful location for the Restaurant

(b) Training Prior to the public opening of the Restaurant Milano will make available to the Franchisee and two designated persons approved by Milano, Milano s customary training and indoctrination course concerning the operation of the Restaurant as described in Paragraph 8(i~~h~~) of this Agreement At its discretion, Milano may also offer additional training programs and refresher courses to the Franchisee during the term of this Agreement, at the Franchisee's expense Any training Milano provides to any of Franchisee's employees will be limited to training or guidance regarding the delivery of approved products and services to customers in a manner that reflects the customer service standards of the System Franchisee is, and will remain, the sole employer of its employees at all times including during all training programs, and Franchisee is solely responsible for all employment decisions and actions related to its employees Franchisee is solely responsible for ensuring that its employees receive adequate training

(c) Operating Manual and Other Manuals Milano shall loan to the Franchisee during the term of the franchise one or more copies of an operating manual or operational bulletins or similar materials containing mandatory and suggested specifications, standards and operating procedures and rules prescribed from time to time by Milano and information relative to other obligations of the Franchisee under this Agreement and the operation of its Restaurant and copies of other manuals that may be developed by Milano (collectively, the 'Manuals") Milano has the right to add to and otherwise modify the Manuals from time to time, if deemed necessary to improve the standards of service or product quality or the efficient operation of the Restaurant, to protect or maintain the goodwill associated with the trademarks or to meet competition However no such addition or modification will alter the Franchisee's fundamental status and rights under this Agreement The provisions of the Manuals, as modified from time to time and mandatory specifications, standards and operating procedures and rules prescribed from time to time by Milano and communicated to the Franchisee in writing, will constitute provisions of this Agreement

(d) Design Milano shall designate the standard design, color scheme trade dress and motif for the Restaurant

(e) Fixture, Sign, Equipment, Inventory and Supply Specifications Milano shall designate standard fixtures, signs, equipment, and initial and continuing inventory and supplies for placement in and use at the Restaurant

(f) Advice and Consultation

(i) Milano shall advise and consult with the Franchisee periodically in connection with the development and operation of the Restaurant The Franchisee shall submit to Milano within 6 months prior to the opening of the Restaurant, a business plan setting forth the proposed prices expenses and other operational items reasonably requested by Milano so that Milano may provide guidance to the Franchisee in the initial operation of the Restaurant Milano shall communicate to the Franchisee it's know how new developments techniques, and improvements in restaurant management food preparation, and services which are pertinent to the operation of the Restaurant in accordance with the System, all subject to the Franchisee's obligation to maintain in confidence such information as would not ordinarily be disclosed during operation of the Restaurant

(ii) Milano will advise the Franchisee from time to time of operating problems of its Restaurant, disclosed by reports submitted to or inspections made by Milano Milano will make no separate charge to the Franchisee for such operating or marketing assistance, except that Milano may make reasonable charges for forms and other materials supplied to the Franchisee and for operating assistance made necessary in its judgment as a result of the Franchisee's failure to comply with any provision of this Agreement or for operating assistance requested by the Franchisee in excess of that normally provided by Milano

(iii) Milano will make available to the Franchisee from time to time, the services of certain principals employees, representatives or agents of Milano on a consulting basis Such individuals will provide, at the Franchisee's request and at such individual's then-current rates and charges, extraordinary services above and beyond the operational assistance customarily provided by Milano

(g) Independent Status of Franchisee Milano shall not establish requirements regarding (i) the Franchisee's employment policies, assignment or direction of the Franchisee's employees, wages or hours of labor (except to the extent specified in Paragraphs 8(o~~n~~) of this Agreement), (ii) the prices charged by the Franchisee for products sold at the Restaurant, (iii) the customers to whom such products may be sold, or (iv) the sources from which the Franchisee obtains any item or services used in the Restaurant (except as provided in Paragraph 8(h~~g~~) of this Agreement) Milano shall not be involved to any extent in the management or day-to-day operation of the Restaurant

(h) Advertising

(i) Milano shall administer the Brand Fund referred to in Paragraphs 6(b) and (d) The Brand Fund exists for the primary purpose of promoting the System through advertising, promotional programs and materials, and various marketing techniques The Franchisee acknowledges that the Brand Fund which may hire employees, agents and firms to carry out its purpose, shall be used to meet any and all costs, direct and indirect, incident to marketing the System including, without limitation, those incurred in administering the Brand Fund, developing advertising and promotional programs and materials conducting market and consumer research, employing individuals, and implementing other marketing activities In its sole discretion, Milano shall determine the media, markets and content of all advertising programs Milano is not obligated to account to the Franchisee for any expenditures of the Brand Fund

(ii) The Franchisee acknowledges the need for uniformity in the Restaurant's image, therefore, except for all advertising and/or promotional materials prepared or previously approved by Milano, no advertising and/or promotional materials shall be used by the Franchisee until such time as the Franchisee has submitted the materials to Milano and the use of such materials has not been disapproved by Milano within a period of 10 days after the date of Milano's receipt of the materials

8 DUTIES OF FRANCHISEE

In addition to its duties as set forth elsewhere in this Agreement, the Franchisee agrees to perform the following

(a) Site Selection Franchisee must complete and submit to Franchisor a Site Selection form and receive in writing from the Franchisor approval to proceed with Location

(b) Preparation of Location Within 12 months after Milano's execution of this Agreement, the Franchisee shall totally equip and ready the location of the Restaurant for occupancy Immediately upon receipt of written acknowledgment from Milano that the Restaurant complies with the System's specifications and requirements, the Franchisee shall commence operation of the Restaurant

(c) Lease and Purchase Agreement Responsibilities Except as otherwise provided herein, the Franchisee shall be responsible for all terms and conditions of the lease or purchase agreement covering the Restaurant location, including any required security deposit and prepaid rent The Franchisee shall provide to Milano a copy of the fully executed lease (and any assignments and/or subleases thereto) or purchase agreement within 90 days after Milano's execution of this Agreement

(d) Beer and Wine License, Liquor License Within five days after the Franchisee's execution of the lease or purchase agreement for the Restaurant location, the Franchisee shall apply to the appropriate state and/or local authorities for an on sale beer and wine license for the Restaurant or a liquor license The Franchisee shall be solely responsible for obtaining such license prior to the opening of the Restaurant for business In the event of regulatory delays, which could not reasonably have been avoided by the Franchisee Milano may, in its sole discretion and upon terms and conditions it may require authorize the Franchisee to open the Restaurant for business prior to timely obtaining such license Written application for such exemption from this licensing requirement must be made to Milano no later than 45 days prior to the opening of the Restaurant and must be accompanied by a copy of the completed license application as filed

(e) Construction Standards

(i) The Franchisee shall be responsible for the establishment and completion of the Restaurant including construction or remodeling and equipment installation The Franchisee agrees that in constructing or remodeling the Restaurant, it shall secure all necessary permits and adhere to the plan, design, color scheme and motif as specified by Milano, provided that the Franchisee may make minor changes to the standard plans and specifications, if necessary to meet the requirements of local codes and regulations The Franchisee shall submit all building plans and specifications to Milano and shall not proceed with construction until Milano s written approval has been obtained In the event the Franchisee commences construction, remodeling installation or other work on the premises without the prior written approval of Milano, or contrary to the specifications and directions of Milano, the Franchisee shall upon notice from Milano and solely at the Franchisee's expense, promptly remove or appropriately modify all objectionable items so as to comply with Milano's specifications and directions The Franchisee shall also obtain all required zoning changes, all required building driveway, utility, health sanitation and sign permits and any other required permits and shall obtain all customary contractor's sworn statements and partial and final waivers of lien for construction remodeling decorating and installation services, and other materials or labor liens

(ii) Franchisee must begin substantial construction (site work, utility infrastructure and building erection) of the Restaurant at least 150 days before the deadline to open the Restaurant if the Restaurant will be in a free standing location or at least 120 days before the deadline to open the Restaurant if the Restaurant will be in a non-free standing location Milano may require Franchisee to provide Milano with weekly development and construction progress reports in the form Milano designates from the date Franchisee begins development until the date Franchisee opens the Restaurant In addition, on or before the deadlines to start construction Franchisee must submit to Milano executed copies of any loan documents and any other document that proves that Franchisee has secured adequate financing to complete the construction of the Restaurant by the date Franchisee is obligated to have the Restaurant open and in operation

(f) Fixture and Equipment Standards The Franchisee shall lease and/or purchase all fixtures and equipment designated by Milano and shall install, or have installed in the Restaurant all such fixtures and equipment The Franchisee has the right to lease and/or purchase the fixtures and equipment from any source, provided, however, all fixtures furnishings, color schemes, machinery, equipment, and accessories shall conform to specifications of design, color quality, performance, and utility designated and approved by Milano

(g) Sign Standard The Franchisee shall prominently display and maintain in good appearance and condition on the land and building comprising the Restaurant all signs of such nature form, color illumination and size, and containing such legends and symbols as Milano shall require The Franchisee shall not display at the Restaurant any signs to which Milano objects

(h) Product and Operations Standards and Requirements Franchisee must implement and abide by Milano's requirements and recommendations directed to enhancing substantial System uniformity The following provisions control with respect to products and operations

(i) Franchisee's business must be confined to the preparation and sale of only such Menu Items and other food and beverage products as Milano designates and approves in writing from time to time for sale by Franchisee's Restaurant Franchisee must offer for sale from the Restaurant all items and only those items listed as Menu Items and other approved food and beverage products Franchisee must offer the full all Menu Items that Milano has authorized for sale by Franchisee during all hours of operation Milano has the right to make modifications to these items from time to time and Franchisee agrees to comply with any modifications Franchisee may not offer or sell any other product or service at the Authorized Location without Milano s prior written consent

(ii) Franchisee must use in the operation of the Restaurant and in the preparation of Menu Items and other food and beverage products only the proprietary sauces and mixes and other proprietary and non-proprietary ingredients, recipes formulas cooking techniques and processes and supplies and must prepare and serve Menu Items and products in such portions, sizes appearance taste and packaging, all as Milano specifies in its most current product preparation materials or otherwise in writing Milano will supply to Franchisee a copy of the current product preparation materials prior to opening the Restaurant Franchisee acknowledges and agrees that Milano may change these periodically and that Franchisee is obligated to conform to the requirements All supplies, including containers, cups plates wrapping eating utensils, and napkins and all other customer service materials of all descriptions and types must meet Milano's standards of uniformity and quality Franchisee acknowledges that the Restaurant must at all times maintain an inventory of ingredients food and beverage products and other products, material and supplies that will permit operation of the Restaurant at maximum capacity

(iii) Milano will furnish to Franchisee from time to time lists of approved supplies or approved suppliers Franchisee must only use approved products, services, inventory, equipment fixtures furnishings signs advertising materials, trademarked items and novelties and other items or services (collectively, approved supplies) in connection with the design construction and operation of the Restaurant as set forth in the approved supplies and approved suppliers lists as Milano may amend from time to time Although Milano does not do so for every item Milano has the right to approve the manufacturer, distributor and/or supplier of approved supplies and in some instances require that Franchisee use designated sources or suppliers Franchisee acknowledges and agrees that certain approved supplies may only be available from one source and Milano or its affiliates may be that source Franchisee will pay the then-current price in effect for all products and supplies that Franchisee purchases from Milano or its affiliates All inventory products, services materials and other items and supplies used in the operation of the Restaurant that are not included in the approved supplies or approved suppliers lists must conform to the specifications and standards Milano establishes from time to time ALTHOUGH APPROVED OR DESIGNATED BY MILANO, MILANO AND ITS AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO SERVICES, PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS IN ADDITION, MILANO DISCLAIMS ANY LIABILITY ARISING OUT OF OR IN CONNECTION WITH THE SERVICES RENDERED OR PRODUCTS FURNISHED BY ANY SUPPLIER APPROVED OR DESIGNATED BY MILANO MILANO'S APPROVAL OR CONSENT TO ANY SERVICES, GOODS, SUPPLIERS, OR ANY OTHER INDIVIDUAL, ENTITY OR ANY ITEM SHALL NOT CREATE ANY LIABILITY TO MILANO

(i) <u>Training</u>

(i) The Franchisee (or the controlling shareholder, member or partner if the Franchisee is a corporation limited liability company or partnership) must enroll in complete and achieve a passing grade in all training programs and classes which Milano requires for the operation of a Restaurant at least one month prior to the opening of the Restaurant All classes will be held at such times and places as Milano designates Milano will not charge a training fee for the initial training class The initial training class required of the Franchisee is for up to three persons (the Franchisee and two managers) In addition, Milano may require that the Franchisee attend and achieve a passing grade in supplemental or additional training classes which may be offered from time to time during the term of the franchise The fee for such additional training will range from $250 to $1 000 per training class which fee will include all training materials The Franchisee will be responsible for all travel, living expenses compensation, benefits and other costs incurred by all persons attending any training programs and classes on the Franchisee's behalf The Franchisee, for itself and all persons who attend training on behalf of the Franchisee, hereby releases and agrees to hold harmless Milano its affiliates officers, directors, agents and employees, from and against any and all claims liability, damages or causes of action of any nature arising from the participation and attendance of the Franchisee or any other such person in any training programs or classes

(ii) Franchisee will employ a sufficient number of competent and trained employees to ensure efficient service to its customers Franchisee must require all its employees to work in clean uniforms approved by Milano, but furnished at Franchisee s cost or the employees' cost as determined by Franchisee No employee of Franchisee will be deemed to be an employee of Milano s for any reason whatsoever

(j) Confidential Information and Manuals The Franchisee and its owners are obligated to maintain the absolute confidentiality of the Manuals and all other information concerning Milano's System during and after the term of the franchise, disclosing this information to the other employees of the Restaurant only to the extent necessary for the operation of the Restaurant in accordance with this Agreement The Franchisee and its owners may not use any such information in any other business or in any manner not specifically authorized or approved in writing by Milano The customer lists and all historical data relating to the sale of all pizza and beverage products at or from the Restaurant (the 'Customer Lists") also are confidential The Franchisee (a) acknowledges that the Customer Lists are a valuable asset of Milano, (b) may not use the Customer Lists in any other business or capacity, and (c) must maintain the absolute secrecy and confidentiality of the Customer Lists

(k) Operation of Restaurant The Franchisee, the controlling shareholder, member or partner of the Franchisee or, if the Franchisee has also entered into a development agreement with Milano an operator who satisfies the requirements set forth in such development agreement, must devote his or her full time and efforts in managing the general business matters and operations of the Restaurant or other Restaurants (or other related activities approved by Milano) Further, the Franchisee its owners and its operator, if any may not during the term of this Agreement, engage in any conflicting enterprises or any business activity which would be detrimental or interfere with the operation or management of the Restaurant In addition, the Restaurant must be at all times under the direct, on-premises supervision of the Franchisee or the Franchisee shall employ a manager for such purpose, who shall have met the following requirements (a) he or she has been properly trained by the Franchisee, (b) his or her identity has been disclosed in writing to Milano and (c) he or she has executed, at Milano's request an agreement in the form provided by Milano agreeing not to divulge any trade secret or confidential or proprietary information, including the contents of the Manuals, or to engage in or have any interest in any other sit-down and carry-out pizza business The Franchisee must offer for final consumption, and not for resale, except in certain retail markets that are authorized in writing by Milano, all pizza and beverage products which Milano from time to time authorizes Milano may change the types of authorized and required goods and services at any time and for any reason, and the Franchisee is required to comply with these changes within 60 days after receiving notice The Franchisee is prohibited from offering or selling any products or services not authorized by Milano and from using the premises of the Restaurant for any purpose other than the operation of the Restaurant (or other related activities approved by Milano) The Franchisee shall conspicuously post at the Restaurant a notice to the effect that the Restaurant is a franchised business operated independently of Milano Restaurants International Corp , the franchisor of the Restaurant

(l) Sanitation and Maintenance Standards The Restaurant must be operated and maintained at all times in compliance with any and all applicable health and sanitary standards prescribed by governmental authority Franchisee must comply with any standards that Milano may prescribe In addition to complying with such standards, if the Restaurant is subject to any sanitary or health inspection by any governmental authorities under which it may be rated in one or more than one classification, it must be maintained and operated so as to be rated in the highest available health and sanitary classification with respect to each governmental agency inspecting the same In the event Franchisee fails to be rated in the highest classification or receives any notice that Franchisee is not in compliance with all applicable health and sanitary standards, Franchisee must immediately notify Milano of such failure or noncompliance Although Milano does not currently do so, Milano may require Franchisee to perform third-party food safety and other operational audits of the Restaurant, including through a specific vendor that Milano designates

(m) Improvements The building, equipment, fixtures furnishings signage and trade dress (including the interior and exterior appearance) employed in the operation of Franchisee's Restaurant must be maintained and refurbished in accordance with Milano's requirements established periodically and any of Milano's reasonable schedules prepared based upon periodic evaluations of the premises by Milano Within a period of 30-45 days (as determined by Milano depending on the work needed) after the receipt of any particular report prepared following such an evaluation, Franchisee must effect the items of maintenance Milano designates including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and interior signage The Franchisee shall refurbish its Restaurant (in addition to regular maintenance and repair) as Milano from time to time requires to maintain or improve the appearance and efficient operation of the Restaurant to increase the sales potential or to comply with Milano's standards and identity Refurbishing may include (i) replacement of worn out or obsolete equipment fixtures, furniture and signs, (ii) the substitution or addition of new or improved equipment including computer hardware and software, and safes, fixtures furniture and signs, (iii) redecorating, (iv) repair of the interior and exterior of the premises and repair and resurfacing of parking facilities, and (v) structural modifications and remodeling of the premises The Franchisee will not be required to make aggregate expenditures for refurbishing in excess of $50 000 or, except in connection with a renewal of the franchise, to effect any refurbishing of the Restaurant during the last 12 months of the term of the franchise

(n) Uniform Standards The Franchisee shall require all employees to wear Appropriate Clothing of such color, design and other specifications as Milano may designate from time to time

(o) Hours of Operation The Franchisee shall operate the Restaurant at such minimum hours and on such days as may from time to time be prescribed by Milano (except when the Restaurant is untenable as a result of fire or other casualty) and shall maintain sufficient supplies of goods and products so as to operate the Restaurant at maximum capacity and efficiency

(p) Sales Records and Financial Statements The Franchisee is required to use Milano's designated InTouchPOS® System to record sales and to track inventory and other related expenses The InTouchPOS® System shall be linked to Milano's corporate office as a means of evaluating and monitoring individual Restaurant performance The Franchisee will maintain repair, upgrade, and update the in touch" POS System as required by Milano during the term of this Agreement The Franchisee agrees to furnish Milano with a report of Adjusted Gross Sales for the prior week, including a tabulation of daily cash register tape or computer totals certified to be true and correct by the Franchisee, on or before Tuesday of each week during the term of this Agreement The Franchisee agrees to maintain its accounting records in accordance with the accounting system employed by Milano which system reflects the costs of all saleable products and services The Franchisee shall also furnish Milano on or before the 20th day following the end of each month with an updated profit and loss or operating statement prepared by a licensed public accountant or certified public accountant, which will provide Milano with current results of the Franchisee s operations All financial statements shall be supported by actual physical inventories of supplies and products on hand at the beginning and end of each monthly or other reporting period All financial statements shall be prepared following the format used by Milano presently or as changed from time to time If requested by Milano, the Franchisee shall furnish more frequent reports of Adjusted Gross Sales by telephone or as otherwise specified by Milano The Franchisee shall, upon request of Milano, deliver to Milano copies of all sales tax reports and tax returns In addition, the Franchisee shall keep all such records for at least five consecutive years Milano reserves the right to audit or cause to be audited the sales reports financial statements and tax returns which the Franchisee is required to submit to Milano In the event any audit discloses an understatement of the Adjusted Gross Sales of the Franchisee's Restaurant for any period or periods, the Franchisee must immediately pay to Milano the due and unpaid fees, all advertising contributions due under this Agreement and the amount, if any required to be paid to the Brand Fund, plus interest due on these amounts Further, in the event such understatement for any period or periods is 2% or more of the Adjusted Gross Sales of the Restaurant or such inspection or audit is made necessary by the Franchisee's failure to furnish reports, supporting records, financial statements or other information required by this Agreement or to furnish these reports, records, information or financial statements on a timely basis, the Franchisee is obligated to reimburse Milano for the cost of such audit, including the charges of any independent certified public accountant and the travel expenses, room and board and compensation of Milano s employees incurred in conducting such audit

(q) <u>Entertainment and Vending Machines</u> Unless first approved in writing by Milano the Franchisee shall neither allow any product vending machine or entertainment device to be sold, displayed situated or used at the Restaurant, nor permit any live entertainment, musicians, motion pictures, television, or other entertainment, including dancing, at the Restaurant Under no circumstances will pool tables or gaming machines be allowed on Restaurant premises

(r) <u>Social Networking</u> The Franchisee and its employees and agents will not have the right to use the Proprietary Marks or other intellectual property of Milano on any "social network" on the Internet including, but not limited, any blog ' YouTube, Facebook, Yelp, Instagram My Space, Twitter and Wikipedia, except with the prior written permission of Milano

(s) <u>Legal Compliance</u> At its sole expense the Franchisee shall secure and maintain in force all required licenses, permits and certificates and shall operate its Restaurant in full compliance with all applicable federal state and local laws, ordinances and regulations

(t) <u>Right of Inspection</u> Milano has the right at any time during business hours and without prior notice to the Franchisee, to conduct reasonable inspections of the Restaurant and its business records to ascertain if the provisions of this Agreement are being observed by Franchisee to inspect and evaluate Franchisee's building, land and equipment, and to test, sample, inspect and evaluate Franchisee s supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage production, handling and serving If Milano determines that any condition in the Restaurant poses a threat to customers or public health or safety, Milano may take whatever measures it deems necessary including requiring Franchisee to immediately close the Restaurant until the situation is remedied to Milano s satisfaction Milano s inspections and evaluations may include a 'secret shopper' program from time to time throughout the term of this Agreement Milano hires various vendors who send the 'secret shoppers' into the BLAST & BREW restaurants If Franchisee fails an evaluation by Milano or by a mystery shopper or if Milano receives a specific customer complaint, Franchisee must pay for the secret shopper Milano sends to Franchisee s Restaurant (until the issue is resolved to Milano's satisfaction) The current fee charged by vendors is approximately $100 per visit which Franchisee must pay directly to the vendor The fee per visit includes the reimbursement of the tab paid by the secret shopper for the items consumed at Franchisee's Restaurant, and therefore the actual fee for each visit will vary Inspections of the Restaurant will be made at Milano's expense, unless Milano is required to make any additional inspections in connection with the Franchisee's failure to comply with this Agreement In such event Milano has the right to charge the Franchisee for the costs of making all additional inspections in connection with such failure to comply including, without limitation, travel expenses room and board, compensation of its employees, and the total cost of having a representative of Milano stay in the Restaurant until Milano shall determine that there is compliance

(u) Insurance The Franchisee must at all times during the term of this Agreement maintain in force at its sole expense (i) property insurance on a replacement cost basis at a minimum limit based on the total value of the Franchisee's assets (including, but not limited to, fire extended coverage, vandalism and malicious mischief), (ii) commercial general liability insurance including contractual liability, products completed operations, personal and advertising injury and liquor liability with minimum limits of liability for each type of insurance of $1 000,000 general aggregate, $1,000,000 products-completed operations aggregate $1,000 000 personal and advertising injury, $1,000,000 each occurrence, $50 000 fire damage, $1,000 medical expense and $1 000 000 liquor liability, (iii) primary automobile liability insurance, (iv) workers' compensation insurance (in the Franchisee's name) as required by applicable law, (v) business interruption insurance of at least $1,000 per day, and (vi) employment practices liability insurance with minimum limits of liability of $1,000 000 In addition, the Franchisee is required to carry an umbrella policy for excess coverage on the policies described above up to $3 000 000 of coverage The Franchisee may not self-insure nor participate in any self-insurance program All insurance policies must be issued by an insurance carrier rated A or better by Alfred M Best & Milano, Inc or an alternative company approved in writing by Milano, in Milano's sole discretion All liability insurance policies must name Milano and the subsidiaries and affiliates which it designates as additional insureds entitled to the coverage afforded to all named insureds, without regard to any other insurance or self-insured program which Milano may have in effect, and must also provide that Milano receive 30 days prior written notice of termination, expiration cancellation, modification, or reduction in coverage or limits of any such policy Milano may also reasonably increase the minimum liability protection requirement annually and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in public, product or motor vehicle litigation or other relevant changes in circumstances The Franchisee must submit to Milano annually a copy of the certificate of or evidence of the renewal or extension of each such insurance policy or any modifications to any such insurance policy If the Franchisee at any time fails or refuses to maintain in effect any insurance coverage required by Milano, or to furnish satisfactory evidence of such insurance Milano may at its option and in addition to Milano's other rights and remedies under this Agreement obtain such insurance coverage on behalf of the Franchisee, and the Franchisee must promptly execute any applications or other forms or instruments required to obtain any such insurance The Franchisee shall also promptly pay to Milano on demand any costs and premiums incurred by Milano together with an amount equal to 10% of the premium charged, as a fee to Milano The Franchisee's obligation to obtain and maintain the insurance described in this Agreement will not be limited in any way by reason of any insurance maintained by Milano

(v) Notification of Legal Proceedings The Franchisee shall notify Milano in writing within 10 days after the commencement of any action suit or proceeding or of the issuance of any order writ injunction award or decree of any court or government agency which may adversely affect the Franchisee's financial condition or ability to perform its duties or meet its obligations hereunder

(w) Indemnity The Franchisee shall be responsible for and shall pay all bills, debts obligations and liabilities incurred in connection with the opening and operation of the

Restaurant and in the performance of off-site delivery services and shall indemnify and hold each Indemnified Party (as defined below) harmless therefrom If an Indemnified Party is subjected to any claim, demand or liability or becomes a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission of the Franchisee its employees or agents or by reason of any act or omissions occurring on the Restaurant premises or otherwise relating to the business or operation of the Restaurant the Franchisee shall indemnify each Indemnified Party and hold each Indemnified Party harmless from and against all judgments, settlements, penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceeding, incurred by or imposed on any Indemnified Party in connection with the investigation or defense related to such claim or litigation or administrative proceeding The defense of such claim, litigation or administrative proceeding by an Indemnified Party, or by the Franchisee on an Indemnified Party's behalf shall be at the sole cost and expense of the Franchisee who shall hold each Indemnified Party free and harmless from all such obligations and liabilities and shall reimburse the Indemnified Party for all expenses incurred therein including attorneys' fees Further, the Indemnified Party shall have the right independently to take any action it may deem necessary in its sole discretion to protect and defend itself against any threatened action subject to indemnification hereunder without regard to expense forum or other parties that may be involved As used in this Agreement, the term Indemnified Party" means Milano and any subsidiary or affiliated company of Milano, including any officer, director, shareholder, employee or agent of Milano or of any such subsidiary or affiliated company The Franchisee's indemnification obligations described above will continue in full force and effect after the expiration or termination of this Agreement

(x) Copyrights Milano owns rights under the Copyright Act in various creative works Milano shall have the right, in its sole discretion, to grant to the Franchisee a revocable, non-exclusive, royalty free license to reproduce, copy and distribute copyrighted works selected and made available to the Franchisee (except confidential and trade secret information) by Milano from time to time, but any such license shall not include the right to make adaptations or derivative works based upon the licensed works Milano and the Franchisee have the same rights and obligations in relation to copyrights as they do, respectively, in relation to Milano's Proprietary Marks.

(y) Home Page The Franchisee will not establish a website or home page on the Internet (the Home Page") to advertise or promote its Restaurant without the prior written consent of Milano All features of any proposed Home Page, including its domain name, content format and links to other websites, must be approved by Milano prior to activation of the Home Page The Franchisee's Home Page must advertise only the Franchisee s Restaurant, and all content and information maintained by the Franchisee on the Home Page will at all times be subject to the provisions of this Agreement including, without limitation, provisions of this Agreement relating to trademark usage, conditions on the business to be conducted by the Franchisee pursuant to this Agreement, advertising approval confidentiality, and product and service limitations The Franchisee will not link its Home Page to any Internet site without Milano's prior written approval

(z) Confidential Information The Franchisee its guarantors officers directors members, managers, partners employees or agents, or any other individual or entity related to or controlled by the Franchisee may not, during the term of this Agreement or thereafter disclose, copy reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by Milano any Confidential Information For purposes of this Agreement, Confidential Information" means the whole or any portion of know-how, knowledge methods, specifications, processes procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to Milano's competitors and any proprietary information contained in the manuals or otherwise communicated to Franchisee in writing verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Restaurant, as well as the content of this Agreement and any other document executed in connection with this Agreement Any and all Confidential Information, including, without limitation proprietary ingredients, sauces and mixes, secret formulas and recipes, methods, procedures suggested pricing specifications, processes materials, techniques and other data may not be used for any purpose other than operating the Restaurant Milano may require that Franchisee obtain nondisclosure and confidentiality agreements in a form satisfactory to Milano from any persons owning a minority interest in the Franchisee, and key employees of the Restaurant Franchisee must provide executed copies of these agreements to Milano upon request Notwithstanding the foregoing, the Franchisee is authorized to disclose the terms of this Agreement to any lender providing financing for the Restaurant as well as to Franchisee s landlord

(aa) Compliance with Law, Licenses and Permits

(i) Franchisee must at all times maintain its premises and conduct Restaurant operations in compliance with all applicable laws, regulations, codes and ordinances Franchisee must secure and maintain in force all required licenses, permits and certificates relating to Franchisee's Restaurant, including a liquor license that permits alcohol sales 7 days a week ~~, permits and certificates relating to Franchisee's Restaurant~~

(ii) Franchisee acknowledges that it is an independent business and responsible for control and management of the Restaurant, including, but not limited to, the hiring and discharging of its employees and setting and paying wages and benefits of its employees Franchisee acknowledges that Milano has no power responsibility or liability in respect to the hiring, discharging setting and paying of wages or related matters, as the sole power, responsibility and liability for such matters rest exclusively with Franchisee

(iii) Franchisee must immediately notify Milano in writing of any claim litigation or proceeding that arises from or affects the operation or financial condition of its Restaurant, including any notices of health code violations or liquor license violations

bb) Innovations All ideas, concepts, techniques, or materials concerning the Restaurant, whether or not protectable intellectual property and whether created by or for Franchisee or one of Franchisee's owners or employees, must be promptly disclosed to Milano and will be deemed to be Milano's sole and exclusive property, part of the System, and works made-for-hire for Milano To the extent any item does not qualify as a work made-for-hire" for Milano, the Franchisee hereby assigns and must assign ownership of that item, and all related rights to that item, to Milano and must take whatever action, and require Franchisee's owners or employees to take whatever action (including signing an assignment agreement or other documents) Milano's request to show our ownership or to help Milano obtain intellectual property rights in the item

9 NON-COMPETITION

(a) Covenant Not to Compete Neither the Franchisee nor its owners may either directly or indirectly, for the benefit of the Franchisee or its owners or through or on behalf of or in conjunction with any other person, partnership or corporation, own, engage in, be employed by, advise assist, invest in franchise make loans to, or have any interest whether financial or otherwise, in any other sit-down, carry-out or delivery pizza restaurant business or any other fast service restaurant business which is located within a radius of 100 miles of the Restaurant and is substantially similar to the Restaurants operated by Milano or by other the Franchisees under active franchises granted by Milano (except for other Restaurants operated under Franchise Agreements entered into by the Franchisee with Milano or other Restaurants in which the Franchisee or its owners have an ownership interest) This covenant not to compete shall be effective during the term of this Agreement and any renewal of the franchise and for a period of 3 years thereafter where the franchise is terminated by Milano for cause or by the Franchisee without cause or if the franchise has been sold, assigned, or transferred by the Franchisee

(b) Damages The Franchisee acknowledges that the damages to Milano arising from a violation of this covenant by the Franchisee are difficult to ascertain and agrees that for each month that the Franchisee operates a business in violation of this Paragraph 9 Milano shall be entitled to liquidated damages in addition to its other remedies under law or equity equal to the average Royalty Fee paid or owed to Milano during the most recent six months of full operation of the Restaurant that the Franchisee operates or operated pursuant to this Agreement If the Franchisee has not operated the Restaurant for six months or more, the Franchisee shall have to pay to Milano the average Royalty Fee paid or owed to Milano during the actual period that the Franchisee operated the Restaurant pursuant to this Agreement

(c) Other Activities Neither the Franchisee nor any of its owners, if the Franchisee is a corporation or partnership may, without Milano's prior written consent, engage in any other active business activity during the term of this Agreement, except passive investments as permitted by Milano

(d~~(d) Employees Neither the Franchisee nor its owners may, during the term of this Agreement directly or indirectly solicit or employ any person who is employed by Milano, by any entity controlled by Milano or by any other of its Franchisees nor may the Franchisee or its owners induce or attempt to induce any of these people to leave their employment without Milano s prior written consent and the consent of their employers Milano will not induce or attempt to induce the Franchisee's employees to leave their employment with the Franchisee and become employed by Milano or its subsidiaries or affiliates without the Franchisee's consent~~

~~(e~~) Public Companies These covenants will not apply to ownership by the Franchisee or its owners of less than a 5% beneficial interest in the outstanding equity securities of any corporation whose stock is publicly traded

10 RIGHT OF FIRST REFUSAL

If the Franchisee or its owners propose to sell the Restaurant (or its assets) or if the Franchisee is a corporation limited liability company or partnership any ownership interest in the corporation, limited liability company or partnership, and the Franchisee or its owners obtain a bona fide executed written offer to purchase this interest the Franchisee or its owners must deliver a copy of the bona fide offer to Milano along with all documents to be executed by the Franchisee or its owners and the proposed assignee or transferee Milano will, for a period of 30 days after the date of delivery of such offer to it, have the right, exercisable by written notice to the Franchisee or its owners, to purchase the Restaurant (or its assets) or such ownership interest for the price and on the terms and conditions contained in such offer If the offer is to purchase the interest of a controlling shareholder member or partner and is for less than all of the outstanding interests of the corporation, limited liability company or partnership, Milano also has the right, during the 30 day period upon written notice to the other owners to purchase the remaining shares of capital stock membership interest or partnership interest at a per share or per unit or interest price equivalent to the price being offered under the bona fide offer to the controlling shareholder, member or partner If Milano does not exercise this right of first refusal, the offer may be accepted by the Franchisee or its owners, subject to Milano's prior written approval If the offer is not accepted within 60 days, Milano will again have the right of first refusal described in this Paragraph

11 TRANSFER AND ASSIGNMENT

(a) Transfer by Franchisee Milano has entered into this Agreement with specific reliance upon Franchisee's financial qualifications, experience skills and managerial qualifications as being essential to the satisfactory operation of the Restaurant Consequently, neither Franchisee's interest in this Agreement nor in the Restaurant may be transferred or assigned to or assumed by any other person or entity (the 'assignee") in whole or in part unless Franchisee has first tendered to Milano the right of first refusal to acquire this Agreement in accordance with Paragraph 10 and, if Milano does not exercise such right unless Milano s prior written consent is obtained the transfer fee provided for in Paragraph 11(a)(x) is paid, and the transfer conditions described in Paragraph 11(a) are satisfied A transfer of ownership of the Restaurant (or its assets) may only be made in conjunction with a transfer of this Agreement Any such assignment, transfer or encumbrance without Milano's approval will have no effect and will constitute a breach of this Agreement Milano will permit sales, transfers or assignments of this Agreement or an ownership interest of an owner, if the Franchisee is a corporation, limited liability company or partnership, to others provided

(i) The Franchisee (or any of its owners) is not in default under this Agreement or any other agreement with Milano or its subsidiaries or affiliates or any other creditor or supplier of the Restaurant,

(ii) All obligations of the Franchisee created by this Agreement and all other related franchise documents and the relationship created hereunder are assumed by the proposed transferee or assignee (and its controlling shareholder member or partner and all other owners if it is a corporation, limited liability company or partnership)

(iii) All debts of the Franchisee to Milano are paid in full prior to such transfer,

(iv) The Franchisee executes a general release, in a form satisfactory to Milano, of any and all claims against Milano and its past and present 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

(v) The proposed transferee or assignee (and its controlling shareholder or partner and all other owners if it is a corporation or partnership) meets Milano s standards for the Franchisees or owners including, but not limited to, good reputation and character business experience operational ability, financial strength and other business considerations,

(vi) The proposed transferee or assignee (and its owners) is not operating, franchising or licensing the operation of any sit-down, carry-out or delivery pizza business except other Restaurants

(vii) The proposed transferee or assignee (and its owners) agrees to sign Milano's then-current standard Franchise Agreement for a term equal to at Milano's election the remaining term of this Agreement the remaining term of the existing lease for the Restaurant premises, or the term set forth in the then-current standard Franchise Agreement

(viii) The proposed transferee or assignee (or the person designated by Milano) completes all required training to the extent required by Milano,

(ix) At Milano's request, the proposed transferee or assignee refurbishes the Restaurant in the manner and subject to the provisions of this Agreement,

(x) The proposed transferee or assignee pays a Transfer Fee of $2,500 to cover Milano s costs in approving and processing the assignment and

(xi) The proposed transferee qualifies as a transferee of the alcohol beverage license application to the Restaurant premises

The provisions of Paragraph 11(a)(vi) (vii) and (ix) above will not apply to an approved sale, transfer or assignment by a shareholder member or partner owning a 30% or less interest in the corporation, limited liability company or partnership, except that the proposed transferee or assignee must guarantee the performance by the Franchisee of its obligations under this Agreement and agree to be bound by all of the provisions of this Agreement in the form prescribed by Milano In connection with any assignment permitted under this Agreement, the Franchisee must provide Milano with all documents to be executed by the Franchisee and the proposed assignee or transferee at least 30 days prior to signing

The Franchisee acknowledges that Milano may, in its sole discretion and as it may deem necessary in particular circumstances, vary and/or waive conditions or requirements which Milano deems necessary for the operation of the franchised business in connection with its approval of a transfer

(b) <u>Transfer to a Corporation, Limited Liability Company or Partnership</u> Milano will allow the Franchisee to assign this Agreement and the Restaurant (and its assets) to a corporation, limited liability company or partnership, for convenience of ownership of the Restaurant, provided

(i) The partnership, limited liability company or corporation conducts no business other than the Restaurant (or other related businesses authorized by Milano),

(ii) The corporation limited liability company or partnership is actively managed by the Franchisee

(iii) The person designated as the Principal Owner owns and controls not less than 70% of the general partnership interest or the equity and voting power of all issued and outstanding capital stock, membership interests or partnership rights of the entity,

(iv) All shareholders members and partners meet the requirements established by Milano from time to time in its sole discretion and agree to guarantee the obligations of the Franchisee under this Agreement and be bound by the terms of this Agreement in the manner prescribed by Milano The articles of incorporation, limited liability company agreement and/or other organizational and governing documents of any limited liability company, partnership or corporation must recite that they are subject to all restrictions contained in this Agreement Milano also has the right to require, as a condition of any assignment of this Agreement to a corporation limited liability company or partnership or the operation of a franchise by a corporation limited liability company or partnership that the shareholders or partners enter into a buy/sell agreement among themselves in a form and containing such terms as Milano prescribes for transfers of ownership interests in such corporation, limited liability company or partnership, and

(v) All fees are current to the Franchisor

(c) No Subfranchise Rights The Franchisee does not have the right to grant a sublicense, subfranchise or similar rights including a management agreement

(d) Offerings by Franchisee Securities, membership interests or partnership interests in the Franchisee may be offered by private offering or otherwise, only with the prior written consent of Milano All materials required for such offering by federal or state law shall be submitted to Milano for review 30 days prior to their use or filing with any government agency, and any materials to be used in any offering exempt from federal or state securities laws shall be submitted to Milano for review 30 days prior to their use No offering by the Franchisee shall imply by use of the Proprietary Marks or otherwise that Milano is participating in underwriting, issuing, or offering securities of the Franchisee or Milano Milano's review of any offering materials shall be limited solely to matters deemed relevant by Milano, and Milano's failure to comment on any items shall not be deemed approval The Franchisee and the other participants in the offering must fully indemnify Milano in connection with the offering For each proposed offering the Franchisee shall pay to Milano a non-refundable fee not to exceed Milano's reasonable costs and expenses associated with reviewing the proposed offering including, without limitation, legal and accounting fees

(e) Transfer by Milano Milano shall have the right to sell, assign, or transfer all or any part of its interests herein to any person or entity without prior notice to or consent of the Franchisee Except as otherwise expressly provided herein this Agreement shall inure to the benefit of and shall bind the heirs executors, personal representatives, administrators, successors, and assigns of Milano and the Franchisee

12 OPERATION IF ABSENCE, DISABILITY OR DEATH

(a) Death of Franchisee Upon the death or permanent disability of the Franchisee or the death or permanent disability of the controlling shareholder, member or partner this Agreement or the ownership interest of the deceased or permanently disabled shareholder member or partner must be transferred to a party approved by Milano Any transfer including, without limitation, transfers by devise or inheritance or trust provisions, will be subject to the same conditions for transfers which are contained in this Agreement Except as otherwise prescribed in writing by Milano, the Franchisee's personal representative or the personal representative of such shareholder member or partner must submit to Milano a proposal meeting the requirements for transfer of this Agreement or such ownership interest within 120 days after the Franchisee's death or permanent disability or the death or permanent disability of such shareholder, member or partner Milano will communicate its approval or disapproval of any such proposal within 15 days after receipt Milano will not unreasonably withhold its consent to the transfer of this Agreement or such ownership interest to the Franchisee's spouse heirs or relatives or the spouse heirs or relatives of such deceased or permanently disabled shareholder member or partner, provided the requirements of Paragraph 11 of this Agreement are satisfied Milano during such 120 day period, will evaluate any proposal regarding transfer of this Agreement or such ownership interest including any request that Milano consider purchasing the franchise or such ownership interest The Franchisee's personal representative or the personal representative of such deceased or permanently disabled shareholder member or partner must complete the transfer of this Agreement or such ownership interest within 60 days after the date of Milano s approval of any such proposal Upon the death of any other owner, the interest of such owner must be transferred within a reasonable time to a person meeting Milano's requirements All such transfers must also comply with Paragraphs 10 and 11 of this Agreement, including qualification as transferee of the alcoholic beverage license applicable to the Restaurant premises The Franchisee's or any of its owners failure to transfer the interest in accordance with the provisions of this Paragraph will be considered a breach of this Agreement

(b) Permanent Disability The Franchisee will be deemed to have a permanent disability if the Franchisee's or its owners' usual, active participation in the Restaurant as contemplated by this Agreement is for any reason curtailed for a continuous period of 6 months

(c) Appointment of Manager Milano has the right to appoint a manager for the Restaurant if in Milano's judgment the Restaurant is not being managed properly after the Franchisee's death or permanent disability (or the death or permanent disability of an owner if the Franchisee is a corporation limited liability company or partnership) The manager appointed by Milano may be Milano in its capacity as a restaurant management business In no event will Milano charge more to the Franchisee's Restaurant in management fees than it charges its own affiliated entities All funds from the operation of the Restaurant during the management by Milano's appointed manager will be kept in a separate fund and all expenses of the Restaurant, including compensation, other costs and travel and living expenses of Milano's manager will be charged to this fund In managing the Restaurant, Milano's obligation will be to use its reasonable efforts and Milano will not be liable for any debts or obligations of the Restaurant, or to any of the Franchisee's creditors for any products, materials, supplies or services purchased by the Restaurant prior to or during Milano's management

13 DEFAULT AND TERMINATION

(a) Grounds for Termination In the event any of the following defaults occurs Franchisee will have no right or opportunity to cure the default (except as provided below) and this Agreement will terminate effective immediately on Milano s delivery of notice of termination to the Franchisee, if

(i) The Franchisee or any of its owners has made any material misrepresentations on its application for the franchise or has made any representation or warranty or provided Milano with any information which is untrue or inaccurate in any material respect,

(ii) The Franchisee does not open the Restaurant within 12 months after the date of execution of this Agreement,

(iii) The Franchisee fails to apply for an on-sale beer and wine license or a liquor license, whichever is applicable for the Restaurant on or before the expiration of five days after the execution of the lease for the Restaurant premises,

(iv) The Franchisee fails to attend, complete and/or achieve a passing grade in any required course given by Milano subsequent to the opening of the Restaurant,

(v) The Franchisee's on-sale beer and wine license or liquor license whichever is applicable, is suspended for a period in excess of 65 days or is revoked,

(vi) The Franchisee or any of its owners is judged a bankrupt becomes insolvent, makes an assignment for the benefit of creditors, is unable to pay its debts as they become due a petition under any bankruptcy law is filed against the Franchisee or any of its owners or a receiver or other custodian is appointed for all or substantially all of the assets of the Restaurant

(vii) The Franchisee abandons or fails to continuously and actively operate the Restaurant,

(viii) The lease or sublease for the Restaurant is terminated or cancelled or the Franchisee is unable to renew or extend the lease or sublease or the Franchisee fails to maintain possession of the Restaurant premises (unless the Franchisee is permitted to relocate the Restaurant as provided in this Agreement),

(ix) The Franchisee or any of its owners is convicted of a felony or other crime which substantially impairs the goodwill associated with the Proprietary Marks or engages in any misconduct which, in Milano s judgment, adversely affects the reputation of the Restaurant or the goodwill associated with the Proprietary Marks

(x) The Franchisee intentionally underreports the Adjusted Gross Sales of the Restaurant for any period or periods,

(xi) Any other Franchise Agreement between the Franchisee or any of its owners and Milano is terminated by Milano for cause

(xii) The Franchisee violates any health safety or sanitation law or regulation, violates any system standard as to food handling, cleanliness health and sanitation, or if the operation of the Restaurant presents a health or safety hazard to the Franchisee's customers or to the public, Franchisee will have no more than 24 hours after Milano provides written notice of the default to cure the default

(xiii) The Franchisee fails to obtain or maintain insurance required by Milano and does not correct such failure within 48 hours after written notice is delivered to the Franchisee, provided however, that Milano will not exercise its right to terminate this Agreement if the Franchisee immediately ceases operating the Restaurant and obtains all such insurance within10 days after written notice is delivered to the Franchisee

(xiv) The Franchisee fails to comply with any provision of this Agreement or any specification, standard or operating procedure or rule prescribed by Milano relating to the use of any Proprietary Mark or the quality of pizza or any beverage sold or the cleanliness or sanitation of the Restaurant and does not correct such failure within seven calendar days after written notice is delivered to the Franchisee,

(xv) The Franchisee or any of its owners fails to comply with any other provision of this Agreement or any specification standard or operating procedure and fails to correct this failure within 30 calendar days after written notice is delivered to the Franchisee,

(xvi) The Franchisee fails to pay any amount owed to Milano, its affiliates or subsidiaries, or any creditor or supplier of the Franchisee or the Restaurant or any taxing authority for federal state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and does not correct such failure within 10 calendar days after written notice is delivered to the Franchisee, or

(xvii) The Franchisee or any of its owners on three or more occasions within any one year period fails to comply with any one or more provisions of this Agreement including, without limitation, the obligation to submit when due sales reports or financial statements, to pay when due the Royalty Fees Brand Fund Fees, or other payments to Milano or its affiliates or subsidiaries or any other creditors or suppliers of the Franchisee or the Restaurant, whether or not such failure to comply is corrected after notice is delivered to the Franchisee

(b) Obligations upon Termination Upon termination or expiration of the franchise the Franchisee is required to immediately pay Milano all Royalty Fees, Brand Fund Fees and other charges which are due and owing under this Agreement The Franchisee must also immediately return to Milano all copies of the Manuals and take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of any Proprietary Mark, notify the telephone company and all listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings of the Restaurant, and authorize transfer of these to Milano or its Franchisee or designee, and make the Restaurant accessible and available for Milano to operate if Milano elects to do so If the Franchisee fails to take any of these measures it shall pay to Milano a fee of $2,500 for the expense of handling these matters which Milano requires the Franchisee to specifically perform with respect to its obligations under this Paragraph Upon termination or expiration of this Agreement, the Franchisee must, at its own expense, and within 45 days of termination or expiration of this Agreement make such reasonable modifications in the exterior and interior decor of the Restaurant as Milano requires to eliminate its identification as a Restaurant and cease identifying the Restaurant as a "BLAST & BREW" as being associated with Milano and its Proprietary Marks

(c) Purchase of Restaurant Assets Upon the termination or expiration of the franchise, except termination by the Franchisee for cause, Milano has the option, but not the obligation, exercisable for 30 days to purchase or designate a third party that will purchase all or any portion of the assets of the Restaurant that are owned by Franchisee or any of its affiliates including without limitation the land, building, equipment fixtures signage, furnishings, supplies leasehold improvements, liquor license, and inventory of the Restaurant The formula purchase price for such acquisition will be an amount calculated by determining the net after tax earnings of the Restaurant during the immediately preceding three years, multiplied by five and divided by three If Milano does not exercise its option to purchase under this provision, Franchisee may sell or lease the Restaurant premises to a third party purchaser, provided that the Franchisee's agreement with the purchaser includes a covenant by the purchaser which is expressly enforceable by Milano as a third party beneficiary, pursuant to which the purchaser agrees for a period, of 2 years after the expiration or termination of this Agreement not to use the premises for the operation of a restaurant business that has a menu or method of operation similar to that employed by Milano's company-owned or franchised restaurants

14 UNAVOIDABLE DELAYS

In the event of failure to perform or delays in the performance of any duties hereunder caused by forces not within the reasonable preventive control of the party due to perform, for example (without limitation), government regulations, fire, flood, labor disputes, natural disasters, acts of God, civil disorders, riots, insurrections, work stoppages, slowdowns or disputes, or other similar events, such failures or delays shall not cause a default in performance but in the event of delay, the parties shall extend the time of performance for a period of time equivalent to the length of delay, or for such other reasonable period of time as agreed to between the parties provided that such extension shall not enlarge or extend the term of this Agreement set forth in Paragraph 5 of this Agreement

15 SEVERABILITY AND CONSTRUCTION

(a) Severability 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, any 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 hereto, and the invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be part of this Agreement

(b) No Rights to Others 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 the Franchisee, Milano Milano's officers, directors and employees, and such of the Franchisee's and Milano's respective successors and assigns any rights or remedies under or by reason of this Agreement

(c) Court Decisions The Franchisee 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 provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Milano is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order

16 RELATIONSHIP BETWEEN PARTIES

(a) No Fiduciary Relationship It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them that the Franchisee is an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner employee, or servant of the other for any purpose whatsoever

(b) Independent Contractors The Franchisee shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement The Franchisee agrees to take such actions as shall be necessary to that end

(c) Indemnification The Franchisee understands and agrees that nothing in this Agreement authorizes the Franchisee to make any contract, agreement warranty or representation on Milano's behalf, or to incur any debt or other obligations in Milano's name, and that Milano shall in no event assume liability for or be deemed liable hereunder as a result of, any such action or by reason of any act or omission of the Franchisee or any claim or judgment arising therefrom The Franchisee shall indemnify and hold Milano its subsidiaries and affiliates, and their respective officers directors shareholders employees and agents harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with the Franchisee's activities hereunder, as well as the costs including attorneys' fees, of defending against them

17 WAIVER

No failure of Milano to exercise any power given to it hereunder, or to insist on strict compliance by the Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Milano's right to demand exact compliance with the terms hereof Waiver by Milano of any particular default by the Franchisee shall not affect or impair Milano's rights with respect to any subsequent default of the same or of a different nature nor shall any delay or omission of Milano to exercise any rights arising from a default affect or impair Milano s rights as to the default or any subsequent default

18 NOTICES

All notices hereunder shall be hand-delivered or sent by express mail or air courier or by registered or certified mail to Milano and the Franchisee at the respective addresses set forth on the first page of this Agreement, unless Milano and/or the Franchisee shall from time to time change the addresses by written notice to the other as provided herein Notice may also be given to the Franchisee at the Restaurant location specified herein after the date the Restaurant is first open for business Any notice given by registered or certified mall shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with postage thereon fully prepaid, return receipt requested

19 DISPUTE RESOLUTION

(a) Jurisdiction Except to the extent that a dispute is required to be arbitrated as provided below, the parties agree that any action brought by either party against the other in any court, whether federal or state shall be brought in a court of competent jurisdiction in the County of Fresno, State of California Both Milano and Franchisee irrevocably submit themselves to and consent to the jurisdiction of said courts The provisions of this paragraph will survive the termination of this Agreement Franchisee is aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding, agrees to be bound in the manner set forth herein

(b) Arbitration

(i) Except as qualified below, any dispute between Franchisee and Milano or any affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the then-current rules and procedures and under the auspices of the American Arbitration Association (JAMS) The arbitration must take place in Fresno California, or at such other place as may be mutually agreeable to the parties Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties The arbitrators must follow the law and not disregard the terms of this Agreement The decision of the arbitrators will be final and binding on all parties to the dispute, however the arbitrators may not under any circumstances (i) stay the effectiveness of any pending termination of this Agreement (ii) assess punitive or exemplary damages, or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that Milano sets

(ii) Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered below, provided that the party seeking mediation must notify the other party of its intent to mediate prior to the termination of this Agreement Mediation will be conducted by a mediator or mediation program agreed to by the parties Persons authorized to settle the dispute must attend any mediation session The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures If not resolved within 30 days, or if one party refuses to participate in mediation as outlined herein the parties are free to pursue arbitration Mediation is a compromise negotiation for purposes of the federal and state rules of evidence and the entire process is confidential

(c) Waiver of Jury Trial All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement

(d) Injunctive Relief Nothing in this Agreement bars Milano's right to obtain injunctive relief against threatened conduct that will cause Milano loss or damages, under the usual equity rules including the applicable rules for obtaining restraining orders and preliminary injunctions Similarly in the event of Milano's breach or threatened breach of any of the terms of this Agreement Franchisee will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance Furthermore, Milano and its affiliates have the right to commence a civil action against Franchisee or take other appropriate action for the following reasons (i) to collect sums of money due to Milano, (ii) to compel Franchisee s compliance with trademark standards and requirements to protect the goodwill of the Proprietary Marks, (iii) to compel Franchisee to compile and submit required reports to Milano, or (iv) to permit evaluations or audits authorized by this Agreement

(e) Attorneys Fees and Costs The prevailing party in any action or proceeding arising under, out of in connection with, or in relation to this Agreement, any lease or sublease for the Restaurants or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs

20 TERMINOLOGY

All terms and words used in this Agreement regardless of the number and gender in which they are used, shall be deemed and construed to include any other number singular or plural and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph, or clause herein may require, as if such word had been fully and properly written in the appropriate number and gender

21 STATUS OF AGREEMENT

(a) Entire Agreement This Agreement and the exhibits attached hereto and incorporated herein if any contain the entire agreement of the parties and there are no representations inducements promises agreements, arrangements or undertakings, oral or written between the parties hereto other than those set forth and duly executed in writing in this Agreement

(b) Other Agreements Upon execution of this Agreement by Milano, all previous agreements, contracts arrangements or undertakings of any kind relative to the franchise granted herein are cancelled, and as between the parties hereto, all claims and demands are fully satisfied, provided, however, that this subparagraph shall have no effect upon written agreement(s) signed by both parties, whenever executed, except to the extent that such written agreement specifically refers to and modifies or cancels this Agreement

22 AMENDMENT OF AGREEMENT

This Agreement shall not be modified or amended except by written agreement executed by both parties hereto

23 COSTS AND EXPENSES OF ENFORCEMENT

The prevailing party shall recover the reasonable costs and expenses, including reasonable attorneys' fees incurred by such party in connection with any legal proceeding involving the enforcement of any of the provisions of this Agreement

24 CAPTIONS

The paragraph headings throughout this Agreement are for convenience and reference only and the words contained therein shall not be held to expand, modify amplify or aid in the interpretation or construction of this Agreement

25 CONSENT AND APPROVAL

Whenever either of the parties is required herein to obtain the consent or approval of the other party such consent or approval shall not be unreasonably withheld

26 REPRESENTATIONS

(a) NO REPRESENTATION PROMISE, GUARANTY OR WARRANTY WAS MADE TO INDUCE THE EXECUTION HEREOF OR IN CONNECTION HEREWITH WHICH IS NOT EXPRESSLY CONTAINED HEREIN THE FRANCHISEE RECOGNIZES THAT NEITHER MILANO NOR ANY OTHER PERSON CAN GUARANTEE THE FRANCHISEE'S SUCCESS IN

THE FRANCHISED BUSINESS BY THE EXECUTION AND ACCEPTANCE OF THIS AGREEMENT THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF THIS AGREEMENT, ALTHOUGH DRAWN BY MILANO, SHALL BE CONSTRUED FAIRLY AND REASONABLY AND NOT MORE STRICTLY AGAINST ONE PARTY THAN AGAINST THE OTHER PARTY HERETO

(b) Business Risks The Franchisee acknowledges that the success of the business venture contemplated by this Agreement involves substantial business risks and will be largely dependent upon the ability of the Franchisee as an independent business person Milano expressly disclaims the making of and the Franchisee acknowledges not having received, any warranty or guaranty, express or implied, as to the potential volume profits, or success of the business venture contemplated by this Agreement

(c) Review of Agreement The Franchisee acknowledges that the Franchisee has received and read, and understands this Agreement, the exhibits attached hereto and agreements relating hereto if any, and that Milano has accorded the Franchisee ample time and opportunity to consult with advisors of the Franchisee's own choosing about the potential benefits and risks of entering into this Agreement

(d) Receipt of Franchise Disclosure Document The Franchisee acknowledges that it received a complete copy of this Agreement, the exhibits hereto, and agreements relating hereto, if any, at least seven days prior to the date on which this Agreement was executed The Franchisee further acknowledges that it has received the disclosure statement/franchise disclosure document required by law at least 14 days prior to the date on which this Agreement was executed

27 EFFECTIVE DATE

This Agreement shall become effective and binding on the date of execution by Milano as set forth below

[The balance of this page is intentionally left blank]

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement

DATED ________________ ________________________________
Franchisee (Print Name)

By ________________________________

Title ________________________________

DATED ________________ MILANO RESTAURANTS INTERNATIONAL CORP

By ________________________________

Title ________________________________

EXHIBIT A

On _______________, 20____ _________________________________ opened
(Name of Franchisee)

a Restaurant pursuant to the Franchise Agreement, dated ______________ 20____ and located at ____

____
Franchisee (Print Name)

By ________________________________

Title ______________________________

MILANO RESTAURANTS INTERNATIONAL CORP

By ________________________________

Title ______________________________

AUTHORIZATION TO HONOR MILANO RESTAURANTS INTERNATIONAL CORP ELECTRONIC FUNDS TRANSFER

Payee	Bank Name	Account No
Milano Restaurants International Corporation	______________________	______________________

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

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

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

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

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

Name of Depository (Franchisee's Bank) ______________________________

Name of Franchisee/Depositor (as listed on account) ______________________________

Designated Bank Account (Franchisee's Bank) ______________________________
(Please attach one voided check for the above account)

Franchisee's Business Address ______________________________
Address City State Zip Code

For information call ______________________________
Print Name of Franchisee s Contact Person

Telephone Number ____________________ Fax Number ____________________

E-Mail Address ____________________

____
Name of Franchisee/Depositor as Listed On Account (please print)

By ______________________________ ______________________________
Franchisee's Authorized Representative Title

Date ______________________________, 20___

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D AREA DEVELOPMENT AGREEMENT

BLAST & BREW

AREA DEVELOPMENT AGREEMENT

BETWEEN

MILANO RESTAURANTS INTERNATIONAL CORP

AND

____

DEVELOPER

BLAST & BREW

AREA DEVELOPMENT AGREEMENT

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BLAST & BREW

AREA DEVELOPMENT AGREEMENT

This AREA DEVELOPMENT AGREEMENT (Development Agreement") is made and entered into at Fresno California, between Milano Restaurants International Corp (Milano"), located at 6729 N Palm Ave , Fresno, California 93704 and ______________________ (the "Developer"), whose address is____

RECITALS

A Milano has the right to license the BLAST & BREW name trademark and service mark, and such other trademarks, trade names, service marks, logotypes, insignias trade dress and designs directed or authorized by Milano for use from time to time together with associated goodwill (the Proprietary Marks") trade dress and designs used in connection with the development, operation and maintenance of restaurants operated in accordance with the System (as defined below) and Milano's prescribed methods and business practices (individually Restaurant' and collectively 'Restaurants')

B The Restaurants are developed and operated pursuant to a method and system (the System) that Milano has established for the development and operation of restaurants that feature distinctive food and beverage products prepared according to special and confidential recipes and formulas with distinctive storage, preparation, service and procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies ingredients, business techniques methods and procedures together with sales promotion programs, all of which Milano may modify and change from time to time

C The Developer recognizes the distinctive and valuable significance of the System and has applied for the right to open and operate Restaurants in the area described in Exhibit A (the "Development Territory") The purpose of this Development Agreement is to grant to the Developer the exclusive right and to impose the obligation to develop Restaurants in the Development Territory in strict accordance with the Development Schedule set forth in Paragraph 4 1 (the 'Development Schedule") and Milano s requirements for the opening and continued operation of the Restaurants The rights and obligations of the parties with respect to the opening and operation of any particular Restaurant in the Development Territory will be governed by the franchise agreement to be entered into for each particular Restaurant

D The Developer desires to develop and operate Restaurants and Milano in reliance on Developer's representations, has approved Developer's franchise application below

NOW, THEREFORE, it is agreed

1 GRANT

1 1 Development Rights Milano hereby grants to the Developer, pursuant to the terms and conditions of this Development Agreement development rights to obtain licenses to establish and operate Restaurants and to use the System solely in connection therewith, at specific locations to be designated in separate franchise agreements (the Franchise Agreements") and pursuant to the Development Schedule Each Restaurant developed

hereunder shall be located in the Development Territory In the event of any dispute concerning the geographical limits of the Development Territory Milano's determination as to the exact boundaries of the Development Territory shall be controlling

1 2 Development Territory Except as otherwise provided in this Development Agreement Milano shall not establish nor license anyone other than the Developer to establish any sit down or carry-out pizza restaurant business in the Development Territory during the term of this Development Agreement The Developer understands however, that Exhibit A includes a list of pre-existing Restaurants, if any in the Development Territory as of the date of this Development Agreement Such pre-existing Restaurants, and the trade areas of such Restaurants as indicated in Exhibit A, are excluded from the Development Territory

1 3 Limitations on Exclusivity Milano and its affiliates retain and reserve the right, in their sole discretion to manufacture and distribute anywhere in the world, including the Development Territory, products under Milano's Proprietary Marks or other products through retail food stores and other channels of distribution, without limitation regardless of whether such products are authorized for sale in Restaurants Notwithstanding anything to the contrary in this Development Agreement, Milano and/or an affiliate will also have the absolute right to (a) franchise, license, own, operate manage or develop other restaurant business concepts under other brand names or marks anywhere in the world, even if the locations for the concepts are located within the Development Territory (b) market, distribute and sell, on a wholesale or retail basis, food products or other goods under any of the Proprietary Marks or other marks by direct sale, the Internet, mail order infomercials, telemarketing or by any other marketing or distribution method, even if such sales are made to customers, distributors or retailers who are located in the Development Territory, and franchise, license, own, operate manage or develop Restaurants at malls and/or Non-Traditional Venues anywhere in the world, even if the locations for the Restaurants are within the Development Territory For purposes of this Agreement, a mall means a shopping center of not less than 250,000 square feet of gross leasable area where stores front on both sides of a pedestrian walkway which may be enclosed or open Non-Traditional Venue' means (i) a facility located within another primary business or in conjunction with other businesses or at institutional settings (ii) airports, transportation terminals, hotels, motels, timeshare properties condo hotel properties, casinos sports arenas, stadiums, race tracks convention centers hospitals, universities, colleges schools, museums amusement parks, theme parks, aquariums toll roads, freeways and motorway locations, military and other governmental facilities, office or in-plant food service facilities, shopping mall food courts operated by a master concessionaire and similar venues such as any site for which the lessor, owner or operator shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider (iii) supermarkets, grocery stores, convenience stores, retail food stores, or club stores, (iv) ports, piers, ships cruises, trains and common carriers, and (v) community and special events

1 4 Trade Area The trade area for each Restaurant opened by the Developer in the Development Territory will be pursuant to the terms and conditions of the Franchise Agreement for that Restaurant

1 5 Use of System The Developer will not be entitled to use the Proprietary Marks or the System, except pursuant to the Franchise Agreement for each Restaurant

1 6 No Right to License The Developer shall have no rights under this Development Agreement to license, sublicense sub-franchise or authorize others to open or operate restaurants or use the Proprietary Marks or the System

1 7 Company Name The Developer shall not use any name or Proprietary Mark in whole or in part belonging to Milano in its company name

1 8 Social Networking The Developer and its employees and agents will not have the right to use any of the Proprietary Marks or other intellectual property of Milano on any social network" on the Internet including, but not limited to, any blog YouTube, Facebook, My Space Twitter and Wikipedia except with the prior written permission of Milano

1 9 Development Schedule The Developer is obligated to open and operate Restaurants in the Development Territory in strict accordance with the Development Schedule set forth in Paragraph 4 1 subject to the terms and conditions of this Development Agreement

1 10 Principal Owner As of the Effective Date (as defined below), the Principal Owner is _______________, subject to the terms of the definition below Principal Owner" means any person who directly or indirectly owns a 10% or greater interest in the Developer when the Developer is a corporation, limited liability company, partnership, or a similar entity However, if Milano is entering into this Development Agreement totally or partially based on the financial qualifications, experience skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in the Developer Milano has the right to designate that person or entity as a Principal Owner for all purposes under this Development Agreement In addition, if the Developer is a partnership entity, then each general partner is a Principal Owner regardless of the percentage of ownership interest If the Developer is one or more individuals, each individual is a Principal Owner of the Developer Developer must have at least one Principal Owner

2 DEVELOPMENT FEE

2 1 Fee In consideration of the development rights granted herein, the Developer shall pay Milano upon execution of this Development Agreement, a development fee (Development Fee) equal to $30,000 for the first Restaurant required to be opened according to the Development Schedule plus $15,000 times the number of additional Restaurants required to be opened under the Development Schedule The Developer acknowledges that the Development Fee is fully earned upon execution of this Development Agreement nonrefundable and not contingent on the opening or operation of any Restaurant in the Development Territory The Development Fee will be applied to the Initial Franchise Fees for the Developer's Restaurants in the Development Territory

2 2 Separate Applications Developer must submit a separate application for each restaurant to be established by Developer within the Development Territory as further described herein Upon Milano s consent to the site of Developer's Restaurant a separate Franchise Agreement must be executed for each such Restaurant Upon the execution of each Franchise Agreement the terms and conditions of the Franchise Agreement control the establishment and operation of such Restaurant

3 CORPORATE OR OTHER ENTITY DEVELOPERS

In the event the Developer is a corporation, limited liability company, partnership or other entity the following requirements shall apply to the Developer

3 1 Subject to Development Agreement The Developer's articles of incorporation, certificate of formation, operating agreement, partnership agreement and/or charter documents shall at all times provide that its activities are confined exclusively to operating the Restaurants which are the subject of this Development Agreement, and a Principal Owner must devote his or her full time (except reasonable vacation periods) to the management and/or supervision of Restaurants within the Development Territory unless the corporation designates an Operator in accordance with Paragraph 5 2(b) of this Development Agreement to hold these responsibilities

3 2 Governing Documents Copies of the Developer's articles of incorporation or charter, bylaws, operating agreement partnership agreement and other governing documents and any amendments thereto including the resolution of the Board of Directors, manager(s) or similar management body, authorizing entry into this Development Agreement, shall be promptly furnished to Milano within 15 days after execution of this Development Agreement by the Developer

3 3 Stock Certificates The Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities The operating agreement, partnership agreement and each stock certificate or other document evidencing ownership of the Developer shall have conspicuously endorsed upon its face a statement in a form satisfactory to Milano that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Development Agreement provided however, that the requirements of this Paragraph shall not apply if the Developer is a publicly-held entity For the purposes of this Development Agreement, a "publicly-held corporation" is a corporation which has registered a class of equity securities under the Securities Exchange Act of 1934

3 4 List of Owners The Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of the Developer and shall furnish the list to Milano upon request

3 5 Credit Standards The Developer shall meet certain creditworthiness standards, as determined by Milano in its sole discretion If the Developer does not meet such standards, all shareholders, members, partners or other equity owners of the Developer shall personally guarantee, jointly and severally, the Developer's performance hereunder and shall bind themselves to the terms of this Development Agreement Without limiting the generality of the foregoing, each Principal Owner shall execute and deliver such guarantee to Milano

4 SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4 1 Development Schedule In order to maintain the development rights granted to the Developer under this Development Agreement, the Developer shall open the following number of Restaurants in the Development Territory within the time period set forth below, and shall continue to operate that number of Restaurants in the Development Territory for the term of this Development Agreement

BY THE FOLLOWING DATES	TOTAL NUMBER OF PIZZERIAS TO BE OPEN AND OPERATING IN ASSIGNED AREA
______________________	___________
______________________	___________
______________________	___________
______________________	___________

(a) Developer is bound by and must strictly follow the Development Schedule By the dates set forth above, Developer must enter into Franchise Agreements with Milano pursuant to this Development Agreement for the number of Restaurants described under the Development Schedule Developer also must comply with the Development Schedule requirements regarding the cumulative number of Restaurants to be open and continuously operating for business in the Development Territory

(b) For purposes of determining the Developer's compliance with the Development Schedule set forth above, a Restaurant shall be deemed to be open when (i) all construction on the Restaurant space has been completed, (ii) all furnishings fixtures and appliances have been installed (iii) all required business licenses (including liquor licenses) and certificates of occupancy have been obtained, (iv) all insurance required under the Franchise Agreement governing the particular Restaurant is in effect, (v) all inventories and supplies have been stocked and the Restaurant is open for business and receiving customers, and (vi) the Franchise Agreement for that Restaurant has been executed by the Developer and received by Milano

(c) Developer may not develop a Restaurant unless all of the following conditions have been met

(i) Submission of Proposed Site Developer must find a proposed site for the Restaurant which Developer reasonably believes to conform to Milano's site selection criteria, as modified by Milano from time to time; and submit to Milano a complete site report (containing such demographic commercial, and other information and photographs as Milano may reasonably require) for such site

(ii) Acceptance of the Proposed Site Developer must receive Milano's written acceptance of Developer's proposed site Milano agrees not to unreasonably withhold acceptance of a proposed site Prior to Milano accepting a site, Developer must obtain and submit third-party demographic information and such other analysis and information related to the site and market as Milano may require In reviewing any proposed site Milano will consider such matters as it deems material, including demographic characteristics of the proposed site traffic patterns, competition the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site) and the size of premises, appearance and other physical characteristics

(iii) Submission of Information Developer must furnish to Milano, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which Developer must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Restaurant, financial statements and other information regarding Developer, the operation of any of Developer's other Restaurants within the Development Territory and the development and operation of the proposed Restaurant (including without limitation, investment and financing plans for the proposed Restaurant) as Milano may reasonably require

(iv) Good Standing Developer must not be in default of this Development Agreement, any Franchise Agreement entered into pursuant to this Development Agreement or any other agreement between Developer or any of Developer's affiliates and Milano or any of its affiliates Developer also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Restaurants

(v) Execution of Franchise Agreement Milano and Developer must enter into Milano's then-current form of Franchise Agreement for the proposed Restaurant Developer understands that Milano may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement including different fees and obligations Developer understands and agrees that any and all Franchise Agreements will be construed and exist independently of this Development Agreement The continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement Except as specifically set forth in this Development Agreement, the establishment and operation of each Restaurant must be in accordance with the terms of the applicable Franchise Agreement

(d) Developer must begin substantial construction of each of the Restaurants at least 150 days before the deadline to open each of the Restaurants if the Restaurant will be in a free standing location or at least 120 days before the deadline to open the Restaurant if the Restaurant will be in a non-free standing location In addition, on or before the deadlines to start construction Developer must submit executed copies of any loan documents and/or any other document that proves that Developer has secured adequate financing to complete the construction of the Restaurant by the date Developer is obligated to have that Restaurant open and in operation In the event that Developer fails to comply with any of these obligations Milano will have the right to terminate this Development Agreement without opportunity to cure pursuant to Paragraph 6 1

(e) Developer acknowledges that it has conducted an independent investigation of the prospects for the establishment of Restaurants in the Development Territory, and recognizes that the business venture contemplated by this Development Agreement involves business and economic risks and that Developer's financial and business success will be primarily dependent upon the personal efforts of the Developer and its management and employees Milano expressly disclaims the making of, and Developer acknowledges that it has not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross sales profits, earnings or the financial success of the Developer within the Development Territory

(f) Existing Restaurants transferred to the Developer will not be counted for the purposes of the Developer meeting the Development Schedule If any of the Restaurants opened under this Development Agreement in the Development Territory are closed, a substitute Restaurant shall be opened within 12 months after the date of the closing

4 2 <u>Franchise Agreements</u> The Developer shall exercise each development right granted herein only by executing a Franchise Agreement for each Restaurant at a site reviewed by Milano in the Development Territory as hereinafter provided The Developer shall act as the franchisee under each such Franchise Agreement Notwithstanding the foregoing

however the Developer is given the right to designate one or more entities 70% or more of the stock of which is owned by the Developer or the owners of the Developer to act as the franchisee Any such affiliated entity must receive the approval of Milano, which approval may not be unreasonably withheld Milano may condition its approval on assurance of the creditworthiness of such affiliate of the Developer as determined by Milano in its sole discretion or on receipt of personal guaranties from the shareholders of such affiliate Each Franchise Agreement shall be in the form and subject to the terms and conditions of the Franchise Agreement being offered by Milano at the time each development right is exercised The Developer shall not be required to pay the Initial Franchise Fee but shall be required to pay all other initial and on-going fees as required under the Franchise Agreement for the Restaurant including without limitation, Advertising Fees

4 3 Site Selection Prior to the Developer s acquisition by lease or purchase of any site for a Restaurant, the Developer shall submit to Milano information and materials as may be required by Milano and as may be specified in the Franchise Agreement to be executed for that Restaurant, and subject to the terms and conditions contained therein Prior to Milano accepting a site, Developer must obtain and submit third-party demographic information and such other analysis and information related to the site and market as Milano may require Milano's acceptance of a proposed site, however, does not in any way constitute a guaranty by Milano as to the success of the Restaurant Following Milano's prior written approval of the site, the Developer shall execute a lease (if the premises are to be leased), or a binding agreement to purchase the site, and a Franchise Agreement (in Milano's then-current form) relating to the approved site The lease, if any, shall be subject to such terms and conditions as may be contained in the Franchise Agreement relating to that site Although the Developer has primary responsibility for locating sites in Development Territory, Milano will furnish to the Developer site selection consultation and counseling and such site evaluation assistance as Milano shall deem advisable

4 4 More Restaurants The Developer may develop more Restaurants than required in the Development Schedule only with the prior written consent of Milano for each such Restaurant For each such Restaurant, the Developer shall pay the fees in full as stated in the then-current standard Franchise Agreement for that Restaurant

4 5 Term Unless sooner terminated in accordance with the terms of this Development Agreement, the terms of this Development Agreement and all rights granted hereunder shall expire on the date for the opening of the final Restaurant as shown in the Development Schedule

5 DUTIES OF PARTIES

5 1 Duties of Milano Milano shall furnish to the Developer the following

(a) Site selection consultation and counseling and

(b) Such site evaluation assistance as Milano may deem advisable pursuant to the terms and conditions which may be contained in the Franchise Agreement to be executed for each Restaurant to be developed hereunder

5 2 Developer's Obligations The Developer accepts the following obligations

(a) The Developer shall comply with all terms and conditions set forth in this Development Agreement and each Franchise Agreement to be entered into hereunder

(b) The Developer may designate an individual to serve as its "Operator" hereunder to actively manage and/or supervise the Restaurants hereunder The Operator shall meet the following qualifications

(i) The Operator shall devote his or her full time and best efforts to the development and supervision of Restaurants hereunder,

(ii) The Operator shall complete and achieve a passing grade in Milano s training course, and

(iii) The Operator shall execute covenants similar to those set forth in Paragraphs 5 2(d) and 9 of this Development Agreement

(c) If at any time or for any reason the Operator no longer qualifies to act as such the Developer shall promptly designate another Operator subject to the same qualifications listed above

(d) Developer and its owners, officers, directors shareholders partners, members and managers (if any) acknowledge that the Developer's entire knowledge of the operation of a BLAST & BREW and the System including the knowledge or know-how regarding the specifications standards and operating procedures of the services and activities, is derived from information Milano discloses to Developer and that certain information is proprietary, confidential and constitutes Milano's~~our~~ trade secrets The term 'trade secrets" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, test items procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to Milano's competitors, any proprietary information contained in the manuals or otherwise communicated to Developer in writing, verbally or through the internet or other online or computer communications and any other knowledge or know-how concerning the methods of operation of the Restaurants Developer and its owners officers, directors, shareholders partners members and managers (if any), jointly and severally, agree that at all times during and after the term of this Development Agreement, Developer will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by Milano Milano may require that Developer obtain nondisclosure and confidentiality agreements in a form satisfactory to Milano from the individuals identified in the first sentence of this paragraph and other key employees

(e) The Developer shall maintain its creditworthiness net worth and financial condition at least at the level existing when the Developer entered into this Development Agreement

(f) The Developer shall comply with all requirements of federal, state and local laws, rules, and regulations

6 DEFAULT AND TERMINATION

6 1 Events of Default Developer will be deemed in default under this Development Agreement if Developer breaches any of the terms of any Franchise Agreement or any other agreements between it and its affiliates and Milano and its affiliates The following shall constitute events of default (Events of Default") hereunder (i) Developer or any of its owners is judged a bankrupt, becomes insolvent makes an assignment for the benefit of creditors, is unable to pay its debts as they become due, a petition under any bankruptcy law is filed against the Developer or any of its owners or a receiver or other custodian is appointed for all or substantially all of the assets of the Restaurants, (ii) Developer or any of its owners is convicted of a felony or other crime which substantially impairs the goodwill associated with the Proprietary Marks or engages in any misconduct which, in Milano s judgment adversely affects the reputation of the Restaurants or the goodwill associated with the Proprietary Marks (iii) if the Developer fails to comply with any term or condition of this Development Agreement including but not limited to, the failure to comply with the Development Schedule and does not cure such breach within 30 days after written notice is given by Milano to the Developer, (iv) if the Developer makes or attempts to make a transfer or assignment in violation of Paragraph 8, (v) If the Developer has made any material misrepresentation in the Developer s application for this Development Agreement or has made any representation or warranty or provided Milano with any information which was untrue or inaccurate in any material respect and (vi) the occurrence of any default under any Franchise Agreement or any other agreement between Milano and the Developer for which Milano could terminate that agreement

6 2 Occurrence of Event of Default Upon the occurrence of an Event of Default Milano, in its discretion, may without prejudice to any other rights or remedies contained in this Development Agreement or provided by law or equity, do any one or more of the following

(a) Terminate this Development Agreement and all rights granted hereunder without affording the Developer any opportunity to cure the default effective immediately upon the mailing of written notice by Milano to the Developer

(b) Reduce the number of Restaurants which the Developer may establish pursuant to this Development Agreement, or

(c) Terminate the territorial exclusivity granted the Developer in Paragraph 1 2 or reduce the area of territorial exclusivity granted the Developer hereunder

7 RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION

7 1 Automatic Termination Upon termination or expiration of this Development Agreement all rights granted to Developer will automatically terminate and

(a) All remaining rights granted to Developer to develop Restaurants under this Development Agreement will automatically be revoked and will be null and void Developer will not be entitled to any refund of any fees Developer will have no right to develop or operate any business for which a Franchise Agreement has not been executed by Milano Milano will be entitled to develop and operate, or to franchise others to develop and operate Restaurants in the Development Territory, except as may be otherwise provided under any

Franchise Agreement that has been executed between Milano and Developer and that has not been terminated

(b) Developer must immediately cease to operate its business under this Development Agreement and must not thereafter directly or indirectly, represent to the public or hold itself out as a present or former developer of Milano

(c) Developer must take such action as may be necessary to cancel or assign to Milano or its designee, at its option any assumed name or equivalent registration that contains the name or any of the words BLAST & BREW or any other Proprietary Mark, and Developer must furnish Milano with evidence satisfactory to Milano of compliance with this obligation within 30 days after termination or expiration of this Development Agreement

(d) Developer must assign to Milano or its designee all right, title, and interest in and to Developer's telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of its right to use any telephone number in any regular, classified or other telephone directory listing associated with the Proprietary Marks and to authorize transfer of same at Milano s direction

(e) Developer must within 30 days of the termination or expiration pay all sums owing to Milano and its affiliates, including the balance of the Initial Franchise Fees that Milano would have received had Developer developed all of the Restaurants set forth in the Development Schedule In addition to the Initial Franchise Fees for undeveloped Restaurants, Developer agrees to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to $30,000 for each undeveloped Restaurant Developer agrees that this amount is for lost revenues from Royalty Fees and other amounts payable to Milano, including the fact that Developer was holding the development rights for those Restaurants and precluding the development of certain Restaurants in the Development Territory and that it would be difficult to calculate with certainty the amount of damage Milano will incur Notwithstanding Developer's agreement, if a court determines that this liquidated damages payment is unenforceable, then Milano may pursue all other available remedies including consequential damages All unpaid amounts will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less from and after the date of accrual In the event of termination for any default by Developer, the sums due will include all damages costs, and expenses, including reasonable attorneys' fees and expenses incurred by Milano as a result of the default Developer must also pay to Milano all damages, costs and expenses, including reasonable attorneys' fees and expenses that Milano incurs subsequent to the termination or expiration of this Development Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Development Agreement

(f) If this Development Agreement is terminated solely for Developer's failure to meet the Development Schedule and for no other reason whatsoever, and Developer has opened at least 50% of the total number of Restaurants provided for in the Development Schedule, Developer may continue to operate those existing Restaurants under the terms of the separate Franchise Agreement for each Restaurant On the other hand, if this Development Agreement is terminated under any other circumstance Milano has the option to purchase from Developer all the assets used in the Restaurants that have been developed prior to the termination of this Development Agreement Assets include leasehold improvements, equipment, furniture fixtures signs inventory liquor licenses and other transferable licenses and permits for the Restaurants

(g) Milano has the unrestricted right to assign this option to purchase Milano or its assignee will be entitled to all customary warranties and representations given by the seller of a business including without limitation, representations and warranties as to (i) ownership, condition and title to assets (ii) liens and encumbrances relating to the assets, and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise The purchase price for the assets of the Restaurants will be determined in accordance with the post-termination purchase option provision in the individual Franchise Agreement for each Restaurant (with the purchase price to include the value of any goodwill of the business attributable to Developer s operation of the Restaurant if Developer is in compliance with the terms and conditions of the Franchise Agreement for that Restaurant) The purchase price must be paid in cash at the closing of the purchase, which must take place no later than 90 days after Developer s receipt of notice of exercise of this option to purchase, at which time Developer must deliver instruments transferring to Milano or its assignee (i) good and merchantable title to the assets purchased free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by Developer, and (ii) all licenses and permits of the Restaurants that may be assigned or transferred If Developer cannot deliver clear title to all of the purchased assets or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow Milano has~~We have~~ the right to set off against and reduce the purchase price by any and all amounts owed by Developer to Milano, and the amount of any encumbrances or liens against the assets or any obligations assumed by Milano Developer and each holder of an interest in Developer must indemnify Milano and its affiliates against all liabilities not so assumed Developer must maintain in force all insurance policies required pursuant to the applicable Franchise Agreement until the closing on the sale

(h) The parties obligations that expressly or by their nature survive the expiration or termination of this Development Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire

8 TRANSFER OF INTEREST

8 1 Transfer by Milano Milano shall have the right to transfer or assign all or any part of its rights and obligations herein to any person or legal entity without prior notice to or consent of the Developer

8 2 Transfer by Developer

(a) This Development Agreement is entered into by Milano with specific reliance upon Developer s personal experience, skills and managerial and financial qualifications Accordingly, this Development Agreement, and Developer's rights and obligations under it are and will remain personal to the Developer The Developer may only transfer its rights and interests under this Development Agreement if Developer obtains the prior written consent of Milano and Developer transfers all of its rights and interests under all Franchise Agreements for Restaurants in the Development Territory Accordingly the assignment terms and conditions of the Franchise Agreements shall apply to any transfer of Developer s rights and interests under this Development Agreement As used in this Development Agreement, the term Transfer" means any sale assignment, gift, pledge mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange transfer by operation of law or otherwise, whether direct or indirect voluntary or involuntary, of this Development Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of Developer s assets, or of any interest in Developer A transfer of ownership of the Restaurant (or its assets) may only be made in conjunction with a transfer of this Development Agreement Any such assignment, transfer or encumbrance without Milano's approval will have no effect and will constitute a breach of this Development Agreement

(b) Milano will permit sales transfers or assignments of this Development Agreement or an ownership interest of an owner, if the Developer is a corporation or partnership, to others provided

(i) The Developer (or any of its owners) is not in default under this Development Agreement or any other agreement with Milano or its subsidiaries or affiliates or any other creditor or supplier of the Restaurants

(ii) All obligations of the Developer created by this Development Agreement and all other related franchise documents, and the relationship created hereunder are assumed by the proposed transferee or assignee (and its controlling shareholder or partner and all other owners if it is a corporation or partnership)

(iii) All debts of the Developer to Milano are paid in full prior to such transfer

(iv) The Developer executes a general release in a form satisfactory to Milano, of any and all claims against Milano and its past and present 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,

(v) The proposed transferee or assignee (and its controlling shareholder or partner and all other owners if it is a corporation or partnership) meets Milano s standards for the Developers or owners including but not limited to good reputation and character, business experience, operational ability, financial strength and other business considerations

(vi) The proposed transferee or assignee (and its owners) is not operating franchising or licensing the operation of any sit-down or carry-out pizza business except other Restaurants

(vii) At Milano's option, the transferee shall execute (and/or upon Milano's request shall cause all interested parties to execute), for a term ending on the expiration date of this Development Agreement, either Milano's then-current standard Area Development Agreement or an agreement in the form of this Development Agreement, as Milano determines and such other ancillary agreements as Milano may require,

(viii) The proposed transferee or assignee (or the person designated by Milano) completes all required training to the extent required by Milano, and

(ix) The proposed transferee or assignee pays a Transfer Fee of $2,500 to cover Milano's costs in approving and processing the assignment

The provisions of Paragraph 8 2(~~a~~b)(vi) above will not apply to an approved sale, transfer or assignment by a shareholder, member or partner owning a 30% or less interest in the corporation, limited liability company or partnership, except that the proposed transferee or assignee must guarantee the performance by the Developer of its obligations under this Development Agreement and agree to be bound by all of the provisions of this Development Agreement in the form prescribed by Milano In connection with any assignment permitted under this Development Agreement the Developer must provide Milano with all documents to be executed by the Developer and the proposed assignee or transferee at least 30 days prior to signing

(c) The Developer acknowledges that Milano may, in its sole discretion and as it may deem necessary in particular circumstances, vary and/or waive conditions or requirements which Milano deems necessary in connection with its approval of a transfer

(d) Milano will allow the Developer to assign this Development Agreement to a corporation, limited liability company or partnership provided

(i) The Developer complies with the applicable provisions of Paragraph 3 of this Development Agreement,

(ii) The partnership or corporation conducts no business other than the Restaurants (or other related businesses authorized by Milano),

(iii) The corporation or partnership is actively managed by the Developer

(iv) The person designated as the controlling shareholder, member or partner owns and controls not less than 70% of the general partnership interest or the equity and voting power of all issued and outstanding capital stock of the corporation, limited liability company or partnership as applicable, and

(v) All other shareholders, members and partners meet the requirements established by Milano from time to time in its sole discretion and agree to guarantee the obligations of the Developer under this Development Agreement and be bound by the terms of this Development Agreement in the manner prescribed by Milano The articles of incorporation or the organization documents of any partnership, limited liability company or corporation must recite that they are subject to all restrictions contained in this Development Agreement Milano also has the right to require, as a condition of any assignment of this Development Agreement to a corporation limited liability company or partnership or the operation of a franchise by a corporation, limited liability company or partnership, that the shareholders, members or partners enter into a buy/sell agreement among themselves in a form and containing such terms as Milano prescribes for transfers of ownership interests in such corporation, limited liability company or partnership

(e) The Developer does not have the right to grant a subfranchise or similar rights

(f) Securities, membership units or partnership interests in the Developer may be offered by private offering or otherwise, only with the prior written consent of

Milano All materials required for such offering by federal or state law shall be submitted to Milano for review 30 days prior to their use or filing with any government agency, and any materials to be used in any offering exempt from federal or state securities laws shall be submitted to Milano for review 30 days prior to their use No offering by the Developer shall imply by use of the Proprietary Marks or otherwise that Milano is participating in underwriting, issuing or offering securities of the Developer or Milano Milano's review of any offering materials shall be limited solely to matters deemed relevant by Milano, and Milano s failure to comment on any items shall not be deemed approval The Developer and the other participants in the offering must fully indemnify Milano in connection with the offering For each proposed offering, the Developer shall pay to Milano a non-refundable fee not to exceed Milano's reasonable costs and expenses associated with reviewing the proposed offering including without limitation, legal and accounting fees

(g) Milano shall have the right to sell, assign, or transfer all or any part of its interests herein to any person or entity without prior notice to or consent of the Developer Except as otherwise expressly provided herein, this Development Agreement shall inure to the benefit of and shall bind the heirs executors personal representatives, administrators, successors and assigns of Milano and the Developer

(h) Upon the death or permanent disability of the Developer or the death or permanent disability of the controlling shareholder or partner, this Development Agreement or the ownership interest of the deceased or permanently disabled shareholder, member or partner must be transferred to a party approved by Milano Any transfer including, without limitation, transfers by devise or inheritance or trust provisions, will be subject to the same conditions for transfers which are contained in this Development Agreement Except as otherwise prescribed in writing by Milano, the Developer's personal representative or the personal representative of such shareholder member or partner must submit to Milano a proposal meeting the requirements for transfer of this Development Agreement or such ownership interest within 120 days after the Developer's death or permanent disability or the death or permanent disability of such shareholder or partner Milano will communicate its approval or disapproval of any such proposal within 15 days after receipt Milano will not unreasonably withhold its consent to the transfer of this Development Agreement or such ownership interest to the Developer's spouse, heirs or relatives or the spouse, heirs or relatives of such deceased or permanently disabled shareholder or partner provided the requirements of this Development Agreement are satisfied Milano during such 120 day period, will evaluate any proposal regarding transfer of this Development Agreement or such ownership interest, including any request that Milano consider purchasing the business or such ownership interest The Developer's personal representative or the personal representative of such deceased or permanently disabled shareholder, member or partner must complete the transfer of this Development Agreement or such ownership interest within 60 days after the date of Milano's approval of any such proposal Upon the death of any other owner, the interest of such owner must be transferred within a reasonable time to a person meeting Milano s requirements All such transfers must also comply with this Development Agreement The Developer's or any of its owners' failure to transfer the interest in accordance with the provisions of this Paragraph will be considered a breach of this Development Agreement

(i) The Developer will be deemed to have a "permanent disability' if the Developer's or its owners usual, active participation in the Restaurant businesses as contemplated by this Development Agreement is for any reason curtailed for a continuous period of six (6) months

9 NON-COMPETITION COVENANTS

9 1 Covenant Not to Compete Neither the Developer nor its owners may, either directly or indirectly, for the benefit of the Developer or its owners or through or on behalf of or in conjunction with any other person, partnership, limited liability company or corporation, own engage in be employed by advise, assist, invest in, franchise, make loans to or have any interest, whether financial or otherwise, in any other sit-down, carry-out pizza restaurant business or any other fast service restaurant business which is located within the Development Territory or within a radius of 100 miles of the Development Territory and is substantially similar to the Restaurants operated by Milano or by other franchisees under active franchises granted by Milano (except for other Restaurants operated under Franchise Agreements entered into by the Developer with Milano or other Restaurants in which the Developer or its owners have an ownership interest) This covenant not to compete shall be effective during the term of this Development Agreement and for a period of three (3) years thereafter where this Development Agreement is terminated by Milano for cause or by the Developer without cause, or if this Development Agreement has been sold, assigned, or transferred by the Developer

9 2 Other Activities Neither the Developer nor any of its owners, if the Developer is a corporation or partnership may without Milano's prior written consent, engage in any other active business activity during the term of this Development Agreement, except passive investments as permitted by Milano

9 3 Employees Neither the Developer nor its owners may, during the term of this Development Agreement, directly or indirectly solicit or employ any person who is employed by Milano by any entity controlled by Milano or by any other of its franchisees nor may the Developer or its owners induce or attempt to induce any of these people to leave their employment without Milano's prior written consent and the consent of their employers Milano will not induce or attempt to induce the Developer's employees to leave their employment with the Developer and become employed by Milano or its subsidiaries or affiliates without the Developer's consent

9 4 Public Companies These covenants will not apply to ownership by the Developer or its owners of less than a 5% beneficial interest in the outstanding equity securities of any corporation whose stock is publicly traded

10 NOTICES

All notices hereunder shall be hand delivered or sent by express mail or air courier or by registered or certified mail to Milano and the Developer at the respective addresses set forth on the first page of this Development Agreement, unless Milano and/or the Developer shall from time to time change the addresses by written notice to the other as provided herein Notice may also be given to the Developer at the Restaurant location specified herein after the date the Restaurant is first open for business Any notice given by registered or certified mail shall be deemed received by the party to whom it is addressed on the third day after such notice is deposited in the United States mail with postage thereon fully prepaid, return receipt requested

11 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11 1 No Fiduciary Relationship It is understood and agreed by the parties hereto that this Development Agreement does not create a fiduciary relationship between them, that the Developer is an independent contractor, and that nothing in this Development Agreement is intended to constitute either party an agent, legal representative subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever

11 2 Independent Contractors The Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Development Agreement The Developer agrees to take such actions as shall be necessary to that end

11 3 Indemnification The Developer understands and agrees that nothing in this Development Agreement authorizes the Developer to make any contract, agreement, warranty or representation on Milano's behalf, or to incur any debt or other obligations in Milano's name, and that Milano shall in no event assume liability for or be deemed liable hereunder as a result of any such action, or by reason of any act or omission of the Developer or any claim or judgment arising therefrom The Developer shall indemnify and hold Milano, its subsidiaries and affiliates, and their respective officers, directors, shareholders, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with the Developer's activities hereunder as well as the costs, including attorneys' fees, of defending against them

12 APPROVALS

12 1 Written Consent Whenever this Development Agreement requires the prior approval or consent of Milano, the Developer shall make a timely written request to Milano therefor and, except as may be otherwise expressly provided herein, any approval or consent granted must be in writing

12 2 Reasonable Consent Whenever either of the parties is required herein to obtain the consent or approval of the other party such consent or approval shall not be unreasonably withheld

12 3 No Warranties Milano makes no warranties or guaranties upon which the Developer may rely and assumes no liability or obligation to the Developer or any third party to which it would not otherwise be subject, by providing any waiver approval, advice consent, or services to the Developer in connection with this Development Agreement or by reason of any neglect, delay or denial of any request therefor

13 NON-WAIVER

No failure of Milano to exercise any power given to it hereunder, or to insist on strict compliance by the Developer with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Milano's right to demand exact compliance with the terms hereof Waiver by Milano of any particular default by the Developer shall not affect or impair Milano's rights with respect to any subsequent default of the same or of a different nature nor shall any delay or omission of Milano to exercise any rights arising from a default affect or impair Milano's rights as to the default or any subsequent default

14 SEVERABILITY AND CONSTRUCTION

14 1 Severability Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Development Agreement shall be considered severable, and if, for any reason any 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 Development Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and the invalid portions, sections, parts terms, and/or provisions shall be deemed not to be part of this Development Agreement

14 2 No Rights to Others Except as expressly provided to the contrary herein nothing in this Development Agreement is intended nor shall be deemed, to confer upon any person or legal entity other than the Developer, Milano, Milano's officers, directors, and employees, and such of the Developer's and Milano's respective successors and assigns as may be contemplated by Paragraph 8 hereof any rights or remedies under or by reason of this Development Agreement

14 3 Court Decisions The 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 Development Agreement that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Milano is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order

14 4 Captions All captions in this Development 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

14 5 Terminology 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 the Developer shall be deemed jointly and severally undertaken by all those executing this Development Agreement on behalf of the Developer

14 6 Counterparts This Development Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which taken together shall be deemed one and the same instrument

15 ENTIRE AGREEMENT APPLICABLE LAW

15 1 Entire Agreement This Development Agreement, the documents referred to herein and the exhibits attached hereto constitute the entire full and complete agreement between Milano and the Developer concerning the subject matter hereof and supersede any and all prior agreements No amendment, change, or variance from this Development Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing

15 2 Applicable Law This Development Agreement shall be interpreted and construed under the laws of the state in which the Development Territory is located or if the Development Territory includes more than one state, then under the laws of the state, if any, covered by the Development Territory which would uphold the provisions of this Development Agreement

15 3 Jurisdiction To the extent permitted in Paragraphs 15 4 and 15 5 the parties agree that any action brought by either party against the other in any court, whether federal or state shall be brought in a court of competent jurisdiction in the County of Fresno State of California Both Milano and Developer irrevocably submit themselves to, and consent to the jurisdiction of said courts The provisions of this Paragraph will survive the termination of this Development Agreement Developer is aware of the business purposes and needs underlying the language of this subparagraph and with a complete understanding agrees to be bound in the manner set forth herein

15 4 Arbitration Except as qualified below, any dispute between Developer and Milano or any affiliates arising under, out of in connection with or in relation to this Development Agreement, the parties' relationship, or the business must be submitted to binding arbitration under the authority of the Federal Arbitration Act The arbitration shall be administered by JAMS pursuant to its then-current Comprehensive Arbitration Rules and Procedures Judgment on the award may be entered in any court having jurisdiction This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction The arbitration must take place in Fresno, California Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties The arbitrators must follow the law and not disregard the terms of this Development Agreement The decision of the arbitrators will be final and binding on all parties to the dispute, however, the arbitrators may not under any circumstances (i) stay the effectiveness of any pending termination of this Development Agreement, (ii) assess punitive or exemplary damages or (iii) make any award which extends, modifies or suspends any lawful term of this Development Agreement or any reasonable standard of business performance that Milano sets

Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered below provided that the party seeking mediation must notify the other party of its intent to mediate prior to the termination of this Development Agreement Mediation will be conducted by a mediator or mediation program agreed to by the parties Persons authorized to settle the dispute must attend any mediation session The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures If not resolved within 30 days, or if one party refuses to participate in mediation as outlined herein, the parties are free to pursue arbitration Mediation is a compromise negotiation for purposes of the federal and state rules of evidence, and the entire process is confidential

15 5 Waiver of Jury Trial All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Development Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Development Agreement

15 6 Injunctive Relief Nothing in this Development Agreement bars Milano's right to obtain injunctive relief against threatened conduct that will cause Milano loss or damages, under the usual equity rules including the applicable rules for obtaining restraining orders and preliminary injunctions Similarly in the event of Milano s breach or threatened breach of any of the terms of this Development Agreement, Developer will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, Furthermore Milano and its affiliates have the right to commence a civil action against Developer or take other appropriate action for the following reasons (i) to collect sums of money due to Milano, (ii) to compel Developer's compliance with trademark standards and requirements to protect the goodwill of the Proprietary Marks, (iii) to compel Developer to compile and submit required reports to Milano, or (iv) to permit evaluations or audits authorized by this Development Agreement

15 7 Attorneys' Fees and Costs The prevailing party in any action or proceeding arising under out of in connection with, or in relation to this Development Agreement will be entitled to recover its reasonable attorneys' fees and costs

16 ACKNOWLEDGMENTS

NO REPRESENTATION PROMISE GUARANTY OR WARRANTY WAS MADE TO INDUCE THE EXECUTION HEREOF OR IN CONNECTION HEREWITH WHICH IS NOT EXPRESSLY CONTAINED HEREIN THE DEVELOPER RECOGNIZES THAT NEITHER MILANO NOR ANY OTHER PERSON CAN GUARANTEE THE DEVELOPER S SUCCESS IN THE FRANCHISED BUSINESS BY THE EXECUTION AND ACCEPTANCE OF THIS DEVELOPMENT AGREEMENT, THE PARTIES HERETO ACKNOWLEDGE THAT THEY HAVE READ THE SAME AND UNDERSTAND EACH PROVISION HEREOF THIS DEVELOPMENT AGREEMENT, ALTHOUGH DRAWN BY MILANO, SHALL BE CONSTRUED FAIRLY AND REASONABLY, AND NOT MORE STRICTLY AGAINST ONE PARTY THAN AGAINST THE OTHER PARTY HERETO

16 1 Business Risks The Developer acknowledges that the success of the business venture contemplated by this Development Agreement involves substantial business risks and will be largely dependent upon the ability of the Developer as an independent business person Milano expressly disclaims the making of and the Developer acknowledges not having received, any warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Development Agreement

16 2 Review of Agreement The Developer acknowledges that the Developer has received and read, and understands this Development Agreement, the exhibits attached hereto, and agreements relating hereto, if any and that Milano has accorded the Developer ample time and opportunity to consult with advisors of the Developer s own choosing about the potential benefits and risks of entering into this Development Agreement

16 3 Receipt of Franchise Disclosure Document The Developer acknowledges that it received a complete copy of this Development Agreement the exhibits hereto, and agreements relating hereto, if any at least seven (7) days prior to the date on which this Development Agreement was executed The Developer further acknowledges that it has received the disclosure statement/franchise disclosure document required by law at least fourteen (14) days prior to the date on which this Development Agreement was executed

17 EFFECTIVE DATE

This Development Agreement shall become effective and binding on the date of execution by Milano (the Effective Date") as set forth below

[The balance of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Development Agreement

DEVELOPER

Dated ____________________ By ____

Title ____

MILANO RESTAURANTS INTERNATIONAL CORP

Dated ____________________ By ____

Title ____

<u>EXHIBIT A</u>

DEVELOPMENT TERRITORY

<u>EXHIBIT B</u>

FRANCHISE AGREEMENT

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E SAMPLE RELEASE

EXHIBIT E
MILANO RESTAURANTS INTERNATIONAL CORP

SAMPLE RELEASE LANGUAGE

Unless precluded by applicable state law if you sell assign or transfer your Franchise Agreement or Area Development Agreement to a third party, you will sign a joint and mutual release containing language substantially similar to the following

1 Release of Franchisor by Franchisee For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisee and its affiliates hereby release and forever discharge the Franchisor and its affiliates from any and all claims which the Franchisee and its affiliates have had or now have or may in the future have against the Franchisor and its affiliates or any of them, for, upon or by reason of any matter fact or thing whatsoever from the beginning of time through and including the date of this Joint and Mutual Release including, but not limited to, any alleged violations of the Federal Trade Commission's Trade Regulation Rule relating to Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, mini" FTC laws, deceptive or unfair trade practices laws, franchise laws or securities laws, and all other local, municipal state federal or other laws statutes, rules or regulations, and any alleged breaches or violations of the Agreement and/or any other agreements between the Franchisee and its affiliates and any of them, and the Franchisor and its affiliates and any of them, provided, however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release

2 Release of Franchisee by Franchisor For and in consideration of the execution of this Joint and Mutual Release and the consent by the Franchisor to the assignment of the Agreement to the Assignee, the Franchisor and its affiliates hereby release and forever discharge the Franchisee and its affiliates from any and all claims which the Franchisor and its affiliates have had or now have against the Franchisee and its affiliates for upon or by reason of any matter, fact or thing whatsoever from the beginning of time through up to and including the date of this Joint and Mutual Release including, but not limited to any local, municipal, state, federal or other laws, statutes, rules or regulations, and any alleged violations of the Agreement, and/or any other agreements between the Franchisee and its affiliates and any of them and the Franchisor and its affiliates and any of them provided however, that this provision will not apply to any claims specifically excluded by terms of this Joint and Mutual Release

The above language may be modified or supplemented to address issues specific to the transfer of your Franchise Agreement or Area Development Agreement to a third party, or to comply with applicable law (see Notes to Item 17 of the Franchise Disclosure Document)

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, Milano Restaurants International Corp (the "Franchisor') and you are preparing to enter into a Franchise Agreement for the operation of a franchised BLAST & BREW ~~ME N ED'S PIZZERIA, or ME N ED'S ON TAP~~ Restaurant (the Franchise") The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue inaccurate or misleading Please review each of the following questions carefully and provide honest responses to each question

	QUESTION	YES	NO
1	Have you received and personally reviewed the Franchisor s Franchise Disclosure Document (the Disclosure Document') provided to you?		
2	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3	Do you understand all of the information contained in the Disclosure Document?		
4	Have you received and personally reviewed the Franchise Agreement the Development Agreement and each attached exhibit or schedule?		
5	Please insert the date on which you received a copy of the Franchise Agreement and, if applicable, the Development Agreement with all material blanks fully completed ______________________		
6	Do you understand the terms of and your obligations under the Franchise Agreement and the Development Agreement?		
7	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8	Do you understand the risks associated with operating the Franchise?		
9	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition interest rates the economy, inflation labor and supply costs, lease terms and the marketplace?		
10	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from the information contained in the Disclosure Document?		
11	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to or different from, the information contained in the Disclosure Document?		

	QUESTION	YES	NO
12	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
13	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
14	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement other than those matters addressed in the Franchise Agreement and the Development Agreement, concerning advertising, marketing, media support, market penetration training, support service or assistance relating to the Franchise that is contrary to, or different from the information contained in the Disclosure Document?		

If you answered "Yes" to any of questions ten (10) through fourteen (14), please provide a full explanation of your answer in the following blank lines (Attach additional pages, if necessary, and refer to them below) If you have answered "No" to each of the foregoing questions, please leave the following lines blank

___

___

___

___

___

You understand that your answers are important to us and that we will rely on them By signing this Questionnaire, you are representing that you have responded truthfully to the above questions

___
FRANCHISE APPLICANT

___
FRANCHISE APPLICANT

Dated ________________ 20____

Dated ________________, 20____

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G STATE AGENCY EXHIBIT

STATE AGENCY EXHIBIT
TO FRANCHISE DISCLOSURE DOCUMENT

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 1-213-576-7500	Commissioner of Business Oversight 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 1 866-275-2677

MILANO RESTAURANTS INTERNATIONAL CORP

FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT
MILANO RESTAURANTS INTERNATIONAL CORP

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 Milano Restaurant International Corp offers you a franchise it must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement with or make a payment to Milano Restaurant International Corp or an affiliate in connection with the proposed franchise sale

New York requires that Milano Restaurant International Corp give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship Iowa and Michigan require that Milano Restaurant International Corp give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration whichever occurs first

If Milano Restaurant International Corp does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission Washington D C 20580 and the state agency listed in the State Agency Exhibit

Issuance Date April 19, 2018.~~May 22 2017~~ See State Cover Page for effective date in California

The franchise sellers for this offering are Mr John Ferdinandi Mr Tom Ferdinandi, Ms Marta Gray Ms Lisa Nilmeier and Mr Michael Reynolds Milano Restaurants International Corp 6729 North Palm Avenue Suite 200 Fresno California 93704 (559) 449-9785

Milano Restaurants International Corp authorizes the applicable state agency listed in the State Agency Exhibit to receive service of process

I received the Franchise Disclosure Document of Milano Restaurants International Corp dated April 19, 2018~~May 22 2017~~ that included the following exhibits

Exhibit A - List of Restaurant Outlets
Exhibit B - Financial Statements
Exhibit C - Franchise Agreement
Exhibit D - Area Development Agreement
Exhibit E - Sample Release
Exhibit F Franchisee Questionnaire and
Exhibit G - State Agency Exhibit

Signed	____________	Signed	____________
Print Name	____________	Print Name	____________
Address	____________	Address	____________
City/State/Zip	____________	City/State/Zip	____________
Telephone	____________	Telephone	____________
Dated	____________	Dated	____________

Copy To
Milano Restaurants International Corp
6729 North Palm Avenue Suite 200
Fresno California 93704

RECEIPT

MILANO RESTAURANTS INTERNATIONAL CORP

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Signed	______________	Signed	______________
Print Name	______________	Print Name	______________
Address	______________	Address	______________
City/State/Zip	______________	City/State/Zip	______________
Telephone	______________	Telephone	______________
Dated	______________	Dated	______________

Copy To
Franchisee