FRANCHISE DISCLOSURE DOCUMENT

CAPRIOTTI'S SANDWICH SHOP, INC.
A Nevada Corporation
6056 S. Durango Drive
Las Vegas, Nevada 89113
Phone No: (866) 959-3737
info@capriottis.com — http://www.capriottis.com

You will operate a retail restaurant which serves various submarine, deli sandwiches and related items in a casual sit-down and/or take-out format under the name "CAPRIOTTI'S SANDWICH SHOP®," "CAPRIOTTI'S®" and other service marks.

The total investment necessary to begin operation of a CAPRIOTTI'S SANDWICH SHOP restaurant ranges from $380,000 to $660,413. This includes $61,000 that must be paid to the franchisor or affiliate. If you want development rights, you must pay us a development fee equal to $30,000 (the initial franchise fee for the first Restaurant), plus the $6,000 Development Services Fee for the first Restaurant, plus a deposit of 33% of the initial franchise fee (which is $30,000) for each additional Restaurant you commit to develop. The total investment necessary to begin operation if you acquire development rights (with a minimum required commitment of 3 CAPRIOTTI'S SANDWICH SHOP restaurants) is $390,000 to $670,413. This includes $71,000 that must be paid to the franchisor or affiliate.

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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact the Franchise Administration Department at 6056 S. Durango Drive, Las Vegas, Nevada 89113, (866) 959-3737.

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

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

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

Issuance date of this Franchise Disclosure Document: May 29, 2020

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in its then-current home state (currently Nevada). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in its then-current home state (currently Nevada) than in your own state.

2. **Spousal Liability.** The franchisor may require your spouse to sign a personal guarantee making your spouse individually liable for your financial obligations under the franchise agreement. The guarantee will place your spouse's marital and personal assets at risk if your franchise fails.

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

<u>THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW</u>

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(A) A prohibition on the right of a franchisee to join an association of franchisees.

(B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(H) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(I) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
(517) 335-7567

Despite subparagraph (f) above, we intend to enforce fully the arbitration sections contained in our Franchise Agreement and Area Development Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration sections. If you acquire a franchise, you acknowledge that we will seek to enforce the arbitration sections as written, and that the terms of the Franchise Agreement and Area Development Agreement will govern our relationship with you, including the specific requirements of the arbitration sections.

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

For ease of reference in this Franchise Disclosure Document, Capriotti's Sandwich Shop, Inc. will be referred to as "we" or "us," and the person who is considering the franchise will be referred to as "you." If the franchisee will operate through a corporation, partnership or limited liability company, "you" also includes the franchisee's owners or partners relating to certain provisions of the franchise agreement and related documents that will apply to your shareholders, partners, members, managers, officers and directors. Those provisions will be noted.

Our principal business address is 6056 S. Durango Drive, Las Vegas, Nevada 89113.

We conduct business under the names "Capriotti's Sandwich Shop, Inc.," "CAPRIOTTI'S SANDWICH SHOP," "CAPRIOTTI'S," and/or "CAPRIOTTI'S Restaurant." We are a Nevada corporation organized on December 13, 2007. Other than the franchise opportunity described in this Franchise Disclosure Document, we do not offer franchises for sale in any other lines of business. We have no other business activities and have not operated a CAPRIOTTI'S Restaurant. However, our affiliates have operated CAPRIOTTI'S Restaurants for many years. (Item 20 discloses affiliate-owned CAPRIOTTI'S Restaurants during our last 3 fiscal years.)

We have offered franchises of the type offered to you since our acquisition of the system in January 2008. We have no predecessors, parent companies, or affiliates disclosable in this Item.

We have developed a casual restaurant format and operating system that focuses on serving submarine sandwiches and other menu items. Our operating system includes a recognized design, decor, color scheme, recipes, uniform standards, specifications, rules and procedures of operation, techniques, philosophies, quality and uniformity of products and services offered, and procedures for inventory and management control (the "System"). We grant franchises to operate CAPRIOTTI'S SANDWICH SHOP restaurants ("Restaurant") using the System and the trade names, trademarks, service marks, emblems, slogans, and copyrights we authorize. Our System takes advantage of the growth in the consumption of restaurant food by providing great tasting submarine sandwiches at competitive prices. You must offer a standard menu of our products, which are offered for sale to the general public.

Your Restaurant may operate at a type of non-traditional location that we call a "Virtual Kitchen." A Virtual Kitchen is characterized by, among other things, the preparation of diverse products under one or more brands in a common venue (which may be stationary or mobile) and the sale and delivery of such products principally or exclusively off-premises through third-party delivery systems. If your Restaurant will operate at a Virtual Kitchen, we and you will sign a Franchise Agreement Amendment for Virtual Kitchen Operations, attached as Exhibit L to this Franchise Disclosure Document, to reflect certain changes to our standard franchise agreement ("Franchise Agreement") for that venue. Our Franchise Agreement is attached as Exhibit B to this Franchise Disclosure Document.

This Franchise Disclosure Document describes many of the things you may want to know about owning and operating a Restaurant. You will use the System to operate a Restaurant. We will provide you with initial basic training and continuing advice and assistance in the operation of your franchise, merchandising and advertising, all as described in this Franchise Disclosure Document.

You must operate the Restaurant according to our Franchise Agreement and the standards and specifications in our confidential operations manual ("Manual").

We will grant you a license to use the service marks "CAPRIOTTI'S," "CAPRIOTTI'S SANDWICH SHOP," "CAPRIOTTI'S Restaurant," and other trade names, trade dresses, service marks, trademarks, copyrights, symbols, logos, characters, designs, illustrations, art works, titles and slogans we periodically specify ("Marks").

If you are renewing your franchise because its current term is about to expire, you will sign our Renewal Rider to Franchise Agreement (Exhibit K), which, among other things, modifies certain provisions in our standard Franchise Agreement that do not apply to you because your Restaurant already is open.

You will compete with other local, regional and national companies offering competitive products and services. Our competitors include other submarine sandwich restaurants. These competitors include Subway®, Jimmy John's®, Jersey Mike's®, and Firehouse Subs®. The market for submarine restaurants is large and developed. You may face competition from larger, more established, and better-funded companies in some areas.

You must comply with all local, state and federal laws and regulations applicable to the operation of your business, including health regulations. You must obtain a food handlers or similar permit and business license in your state and follow any Occupational Safety & Health Administration guidelines, Americans With Disabilities Act guidelines, and any other laws and regulations which apply to restaurants specifically and businesses generally. The preparation and handling of food is federally regulated by the Pure Food and Drugs Act of 1906, the Federal Food, Drug and Cosmetic Act, and by rules and policies of the Food and Drug Administration. State requirements relating to food safety typically pertain to sanitation and food handling. Local inspectors may also enforce sanitation and food handling rules created on the state and/or local level. The location, construction, and operation of a Restaurant may also be affected by a variety of state and local zoning, land use, planning, handicap access, minimum wage, and labor laws and regulations. We urge you to make inquiries, including seeking advice from an attorney, about these laws and regulations.

We also offer options to develop and operate a minimum of 3 CAPRIOTTI'S Restaurants under an Area Development Agreement ("Area Development Agreement") attached to this Franchise Disclosure Document as Exhibit C. If you sign an Area Development Agreement, you receive a Designated Territory ("Designated Territory") in which you will establish individual franchises under separate Franchise Agreements according to the dates specified on the "Development Schedule." The form of Franchise Agreement you sign for future franchises to be developed under the Area Development Agreement may be different from the Franchise Agreement attached to this Franchise Disclosure Document as Exhibit B.

ITEM 2
BUSINESS EXPERIENCE

Director and Chief Executive Officer: Ashley I. Morris

Ashley I. Morris has served as our Chief Executive Officer and a member of the Board of Directors since January 2008 and was our President from January 2008 to December 2011. Before working for us, Mr. Morris served from 2004 to 2008 as Chief Executive Officer and Chief Financial Officer of Damp Industries, Inc., in Las Vegas, Nevada, which owned and operated 3 CAPRIOTTI'S SANDWICH SHOP Restaurants in the Las Vegas area.

Director, President, and Chief Information Officer: Jason M. Smylie

Jason M. Smylie has been our President since January 2016 and a member of the Board of Directors and Chief Information Officer since July 2009. He was our Executive Vice President from July 2009 until January 2016. Mr. Smylie served as our Chief Operating Officer from January 2008 to July

2009. From 2004 to 2008, Mr. Smylie served as Chief Operating Officer of Damp Industries, Inc. in Las Vegas, Nevada, which owned and operated 3 CAPRIOTTI'S SANDWICH SHOP Restaurants.

Chief Development Officer: David Bloom

David Bloom has served as our Chief Development Officer since January 2017. From January 2016 to December 2016, he served as President for Office Evolution in Denver, Colorado. From September 2015 to January 2016, he served as Executive Vice President of Business Development and Strategy for Synergy Restaurant Consultants in Newport Beach, California. From October 2013 to May 2015, he served as Chief Operating Officer for Famous Brands International in Broomfield, Colorado.

Senior Vice President of Marketing: Jane McPherson

Jane McPherson has served as our Senior Vice President of Marketing since August 2017. From April 2016 to August of 2017, she served as Vice President of Marketing at Office Evolution in Denver, Colorado. From August 2014 to April 2016, she served as Vice President at Famous Brands in Denver, Colorado, responsible for TCBY and Mrs. Fields brand management and marketing.

Senior Vice President of Finance: Brent Erwin:

Brent Erwin has served as our Senior Vice President of Finance since November 2018. From October 2016 through August 2018, he was the Senior Director, Operations Finance for Levy Restaurants in Chicago, Illinois. (He was in between positions from August 2018 to November 2018.) From February 2015 through October 2016, he was Vice President of Finance for Element Collective Inc. in Chicago, Illinois.

Vice President of CAPmastery: Glynn Chambers

Glynn Chambers has served as our Vice President of CAPMastery since December 2018. From June 2017 to December 2018, she served as a Capriotti's Business Coach. From June 2015 to May 2017, she served as Director of Operations for Five Guys Enterprises, LLC, in Manassas, Virginia. From January 2013 to June 2015, she served as an Area Manager for Five Guys Enterprises, LLC in Maryland.

President of Real Estate: Dennis Watts

Dennis Watts has served as our President of Real Estate since March 2018. From August 2013 to February 2018, he served as Senior Director with Dapper Companies in Las Vegas, Nevada.

Vice President of Development: Raymond "Bruce " Evans

Bruce Evans has served as our Vice President of Development since December 2013. From October 2012 to December 2013, he served as our Vice President of Franchise Sales.

Senior Director of Design & Construction: Ja Haddad

Ja Haddad has served as our Senior Director of Design and Construction since March 2019. She served as Director of Design and Construction from December 2014 to March 2019.

Senior Vice President of Supply Chain: Ami Lindsay

Ami Lindsay has served as our Senior Vice President of Supply Chain since January of 2019. Prior to that she served as Vice President of Supply Chain from December 2015 to January 2019. From April 2015 to November 2015, she served as Vice President of Supply Chain for the Chalak Mitra Group in Dallas, Texas. She also served as Director of Food and Beverage for the Mark Cuban Companies in Dallas, Texas from November 2012 to November 2015.

Training Program Director: Ron Martinez

Ron Martinez has served as our Training Program Director since February 2018. He served as our Senior Training Manager in Las Vegas, Nevada from January 2015 to February 2018 and as our Training Manager from March 2012 to January 2015.

Chairman of the Board of Directors: George J. Chanos

George J. Chanos, Esq., has served as our Chairman of the Board of Directors since January 2008. He also has been a business and legal consultant in Las Vegas, Nevada since at least April 2012.

Director: David Barr

Mr. Barr has been one of our Directors since December 2015. He is Chairman of the Board and Founder of PMTD Restaurants, located in Marietta, Georgia, which has owned and operated KFC Restaurants and other businesses since May 1998. Mr. Barr (based in Marietta, Georgia) also has been self-employed in various business ventures since at least April 2015 and served on the Boards of Directors of numerous foodservice and other companies in the United States beginning before April 2015 and continuing to the date of this Franchise Disclosure Document.

Director: John D. ("JD") Sun

Mr. Sun has been one of our Directors since December 2015. He has engaged in personal investment activities since at least April 2015.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

Ami Lindsay, our Vice President of Supply Chain, filed for relief under Chapter 7 of the United States Bankruptcy Code on June 10, 2010. (United States Bankruptcy Court for the District of Oregon, Case No. 10-34173-clp7) She received a discharge on August 11, 2010. This bankruptcy proceeding did not involve the CAPRIOTTI'S system in any way.

Other than this action, no bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

The initial franchise fee due under each Franchise Agreement (where no development rights are granted) is a lump sum payment of $40,000, payable in full when you sign the Franchise Agreement. The initial franchise fee is fully earned when paid and non-refundable in consideration of our administrative and other expenses incurred in granting the franchise and for our lost or deferred opportunity to franchise others.

You also must pay a Development Services Fee for each Restaurant you develop for our costs incurred in site selection assistance, layout and design assistance, plan review, and lease review assistance. This fee is $6,000 and is due in a lump sum when you sign the Franchise Agreement. This fee is fully earned and non-refundable.

You must spend at least $30,000 on a Shop Launch Marketing Plan. You must pay us this amount in 2 equal installments. The first $15,000 is due no later than 4 weeks before the Restaurant opens. The second $15,000 installment is due no later than 10 weeks after the Restaurant opens. We will create the Shop Launch Marketing Plan in collaboration with you and implement the Plan on your behalf. The Shop Launch Marketing Plan for non-traditional locations will be determined on a case-by-case basis as applicable for the particular location. This payment is non-refundable.

If you sign an Area Development Agreement, the initial franchise fee due for each restaurant slated for development, including the first restaurant, is $30,000. When you sign the Area Development Agreement, you also must sign a Franchise Agreement for the first restaurant to be developed and pay us a development fee. The development fee is the sum of the following amounts: (1) the $30,000 initial franchise fee for the first restaurant to be developed under the Area Development Agreement (for which you concurrently sign the Franchise Agreement); (2) the $6,000 Development Services Fee due for the first restaurant to be developed under the Area Development Agreement; and (3) a deposit equal to 33% of the total initial franchise fees due for all additional restaurants (after the first restaurant) which the Area Development Agreement grants you the right to develop.

The development fee is not refundable under any circumstances, even if you do not comply or attempt to comply with the Development Schedule and we then terminate the Area Development Agreement. While the Development Fee is not refundable, each time you sign a Franchise Agreement for another restaurant to be developed within the Designated Territory, we will apply the deposit related to that restaurant (which is part of the Development Fee) toward the initial franchise fee due for that restaurant (leaving 67% of the initial franchise fee due at time of signing).

Except as provided above, the initial franchise fee and development fee are uniform for all franchisees and developers under this offering. We had one franchisee that received a 15% discount on its initial franchise fee in 2019. We participate in the VetFran program, offering a 15% discount on the initial franchise fee to military veterans providing a copy of their DD214.

We will pay a referral incentive to each existing franchisee that refers to us (by telephone or email introduction to the Franchise Sales Department) a new prospective franchisee (not already in the system) that ultimately signs a Franchise Agreement or Area Development Agreement with us. We will pay a $7,500 referral fee only for the first agreement executed as a result of the referral. We will pay $5,000 of this referral fee within 10 days after the Agreement is signed (if we have received the development fee or franchise fee from the developer or franchisee) and the remaining $2,500 within 10 days after the developer or franchisee opens its first Restaurant. We may end or change this referral incentive at any time in our sole judgment. We do not expect or want the referring franchisee to be involved in the franchise sales process.

ITEM 6
OTHER FEES

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee	6% to 7% of monthly Gross Sales[2,3]	Payable the 5th day after the end of each calendar month along with the Royalty Fee report.	
Marketing Fund	Up to 3% of monthly Gross Sales[2]	Payable monthly with your Royalty Fee[2]	You must make contributions to the Marketing Fund.
Cooperative Advertising	Up to 2% of your monthly Gross Sales[2]	As determined by the Cooperative	We currently have 2 advertising Cooperatives: 1 in the Las Vegas area and 1 in the Mid-Atlantic Region. We may require you to join a local advertising Cooperative established in your area. If we establish an advertising Cooperative, you will have 1 vote per restaurant. If we own restaurants in the market, we will have 1 vote for each of the restaurants we own in the market. Contributions are non-refundable unless the Cooperative is dissolved with unused money. If there is no cooperative in your area, you might be required to spend this amount on Local Advertising. See Note 4 below.
Shop Launch Marketing Plan	$15,000	Upon demand	This is the second installment of the $30,000 you must pay us to purchase marketing and advertising for the Shop Launch Marketing Plan, which covers marketing activities during the first 6 months of operation. It is due no later than 10 weeks after the Restaurant opens.

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Training for Additional Team Members/Managers in Las Vegas [5]	$1,000 per person per 5 days[5] We may increase to $5,000 per person per 5 days	Upon commencement of training	You pay for additional training if you request it
Training for Additional Team Members/Managers at your location[5]	$2,000 per 5 days[5] We may increase to $7,500 per person per 5 days	Upon commencement of assistance	You pay for additional training if you request it.
Extensive On-Site Training Program	$10,000	Upon demand	We have the right to require your managerial personnel to participate in, and complete successfully, an additional extensive onsite training program at the Restaurant for up to 6 weeks after the Restaurant has opened for business.
Copy of Manual	Paper Copy $1,000 (electronic copy available at no charge)	10 days after billing	Cost of replacement copy
Approval of New Supplier	Our costs incurred in approving supplier	Upon submission of sufficient background information on the supplier	See Item 8
Transfer Fee	Greater of $10,000 or 5% of the sales price (but not to exceed $20,000)	At time of approved transfer	No transfer fee if 100% of interest in franchise is transferred to a corporation, partnership or limited liability company controlled by you.
Renewal Fee	$10,000	Upon signing new successor franchise agreement	
Relocation Fee	$5,000	As incurred	Due if you wish to relocate the Restaurant's premises.

Column 1 Type of Fee[(1)]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Audit	Costs of audit plus interest at the rate of *Wall Street Journal* Prime Rate plus 5% on underpayment	10 days after billing, with interest beginning from the date of underpayment	Costs of audit payable only if audit shows an underpayment of any amount owed to us of 3% or more.
Bookkeeping Services	$100 per hour	When billed	Payable if you fail to provide timely financial reports twice in a 24-month period and we require you to use our bookkeeper.
Guest Complaint Resolution	Currently $50 per hour (not to exceed $150 per hour)	As incurred	Due if you do not resolve guest complaints twice in 24-month period, and we require you to use our complaint resolution system.
Late Fees	$250	When billed	Charged on all overdue amounts
Costs and Attorneys' Fees	Will vary based on circumstances	As incurred	Due when you do not comply with Franchise Agreement or Area Development Agreement.
Indemnification	Will vary based on circumstances	As incurred	You must reimburse us if we are held liable for claims arising from our operation of your franchise.

Note 1: All fees are imposed by and are payable to us and are non-refundable unless otherwise noted. Unless otherwise negotiated with you, all fees outlined in Item 6 are uniformly imposed on franchisees. You may not withhold all or any part of the fees due to us or any buying group on the grounds of nonperformance.

Note 2: The term "Gross Sales" means all revenue received by you from the operation of the Restaurant, whether from sales for cash or credit, including sales of merchandise, products, and services. Gross Sales will not include sales tax, approved promotional giveaways, and refunds.

Note 3: Your Royalty Fee is 7% of monthly Gross Sales if you sign an individual Franchise Agreement to operate 1-2 Restaurants. You will pay 6% of monthly Gross Sales if you sign an Area Development Agreement to operate 3 or more Restaurants. Should you default on the Area Development Agreement before opening the 3rd Restaurant, your monthly Gross Sales will immediately revert to 7% of monthly Gross Sales on all existing Franchise Agreements.

Gross Sales will include any items provided to anyone on a complimentary basis. If you wish to have food or other items provided to anyone on a complimentary basis to be considered as promotional items, you must first have the plan approved by us. If we approve your plan, you may consider items provided on a complimentary basis under that plan a promotional program not subject to inclusion in Gross Sales.

Note 4: Beginning after the Shop Launch Marketing Plan ends (6 months after the Restaurant opens), you must spend at least 1.5% of monthly Gross Sales (though we recommend that you spend up to 4% of monthly Gross Sales) towards local marketing efforts.

Note 5: The fee for 2 people to attend the full initial training program, and for 2 people to attend the hourly team-member training program, before the Restaurant opens is included in the initial franchise fee. We provide your Managing Owner and a second attendee a full initial training program at a designated CAPRIOTTI'S SANDWICH SHOP training restaurant in Las Vegas. If your Managing Owner will not be the Restaurant's full-time general manager, we will require at least 2 other people with primary responsibility for operating your Restaurant to attend training (in addition to your Managing Owner). If we determine that the required attendees cannot complete initial training to our satisfaction, we have the right to postpone the Restaurant's opening until 2 trained candidates are available. Two additional people must attend and satisfactorily complete an hourly team-member training program. We also have the right to postpone the Restaurant's opening if we determine that a person in our training program (i) falsified any documentation, (ii) made any material misrepresentation, (iii) was not approved under our standard application procedures, (iv) failed to complete all the training hours in our training program or (v) failed to pass our training program examinations. We have the right to expel that person from our training program or postpone the opening until a qualified, trained candidate is available. You must pay any damages we experience due to the expulsion and will be charged for then-current training costs.

You must pay salaries and benefits, travel, lodging, meals, and other associated expenses incurred by you and your trainees/attendees.

If you request our trainers to provide additional or supplemental training and we have the resources to accommodate this request, fees you will incur include a fee of $1,000 per trainer per 5 days for training in Las Vegas. If you request that our trainers provide additional or supplemental training at your location and we have the resources to accommodate this request, fees you will incur include a fee of $2,000 per 5 days of training and you will be invoiced for travel related expenses (flight, car, hotel, per diem) and other associated expenses.

Please note that the table above and the footnotes are a general summary only. You can only obtain a full understanding of the System and the costs involved by reading all of the franchise documentation completely and obtaining independent legal, accounting, and business advice for your proposed investment. Certain state and federal legislation may affect the respective rights and liabilities under the various agreements to which you and we are both parties.

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of Expenditure	Column 2 Amount[1]	Column 3 Method of Payment	Column 4 When Due	Column5 To Whom Payment is Made
Franchise Fee[2]	$40,000	Lump Sum	When you sign Agreement	Us
Development Services Fee[3]	$6,000	Lump Sum	When you sign Agreement	Us
Kitchen Plans and Architectural / Engineering Fees[4]	$10,000 - $15,000	Vendor's Terms	As Incurred	Kitchen Planner/ Architect/ Engineer
Professional Services/Permits and Licensing[5]	$1,000 - $4,000	As Incurred	As Incurred	Your attorney, accountant, and other professionals
Rent[6]	See Note 6	See Note 6	See Note 6	See Note 6
Security Deposits[7]	$0 - $8,000	Lump Sum	Per Lease/Utility Co Requirements	Landlord/Utili-ties
Leasehold Improvements[8]	$125,000 - $315,913	Negotiable	Contract Terms	General Contractor
Furniture, Fixtures and Smallwares[9]	$85,000 - $135,000	Vendor's Terms	Before opening	Approved Independent Suppliers
Signage & Décor	$15,000 - $19,000	Vendor's Terms	Before opening	Approved Sign-Maker
Menu Boards	$3,000 - $3,500	Vendor's Terms	Before opening	Vendor
POS System[10]	$12,000 - $17,000	Vendor's Terms	Before opening	Vendor
Training[11]	$15,000	As Incurred	As Incurred	Various
Opening Inventory	$4,000 - $7,000	Vendor's Terms	Before opening	Vendor

Column 1 Type of Expenditure	Column 2 Amount[1]	Column 3 Method of Payment	Column 4 When Due	Column5 To Whom Payment is Made
Shop Launch Marketing Plan[12]	$30,000	As Incurred	Upon demand	Us
Pre-Opening Mock Operations[13]	$3,000	As Incurred	Before opening	Various
Insurance (3 Months)[14]	$1,000 - $2,000	Vendor’s Terms	Before opening	Vendor
Additional Funds – 3 Months[15]	$30,000 - $40,000	See Note 15	As incurred	Various
TOTAL[16] (excluding real estate purchase and lease costs)	$380,000 - $660,413			

- There are no other direct or indirect payments regarding the purchase of the franchise.

- Except for the security deposit and perhaps some utility deposits (see note 8 below), no expenditure in this table is refundable.

- All figures in this Item 7 are estimates only. Actual costs will vary for each restaurant and each location depending on a number of factors. If you are renewing your franchise, you will not incur most of these costs because your Restaurant is already open. However, you must make certain upgrades, modifications, and improvements at your Restaurant to meet our current standards. Your costs will depend on your Restaurant’s current condition.

[1]The initial fees represent actual amounts; we have estimated all other amounts based on our experience. The low estimate is the lowest for each category.

[2]We describe the initial franchise fee and development fee, and when these fees are due, in Item 5. No separate initial investment is required when you sign the Area Development Agreement, although you of course must build the first Restaurant at a cost estimated to range as described in the chart above. Therefore, the total investment necessary to begin operation of your acquired development rights is $390,000 to $670,413 (if you commit to develop a minimum of 3 CAPRIOTTI’S Restaurants).

[3]This fee is payable when you sign the Franchise Agreement for our costs incurred in providing site selection, layout, and design assistance. However, if you sign an Area Development Agreement, this fee for the first Restaurant you agree to develop is due when you sign the Area Development Agreement. You will not pay this fee for the 10th and each additional Restaurant you develop under an Area Development Agreement. We charge the same fee whether your Restaurant will be in a traditional or non-traditional location.

[4]This fee represents the cost of plans and specifications paid to an approved kitchen designer, architect, and engineer. The cost for the development of construction documents can vary depending on the state or municipality where your Restaurant will be built. The fee is the same whether your Restaurant will be in a traditional or non-traditional location.

[5]Professional fees are for attorneys, accountants, or other professionals from whom you seek advice.

[6]A Restaurant occupies approximately 1,400 to 1,600 square feet of leased space, typically in an in-line shopping center in an urban or suburban commercial area. Your investment could be substantially higher if you decide to buy property or to lease space in a regional shopping mall, enclosed shopping mall, lifestyle center, or high-rent facility. Rent depends on geographic location, space size, local rental rates, other businesses in the area, site profile, and other factors. We cannot estimate precisely your initial real estate investment. While there are exceptions depending on landlord negotiations, our franchisees typically do not pay rent before they open for business.

[7]Landlords typically charge a security deposit equal to 1 month's rent and also may have site lease deposits that vary according to location. Utility and other companies typically charge security deposits that vary by locale and your credit history. Some security deposits will be refundable depending on your agreement with the landlord or the utility and other companies.

[8]The cost of leasehold improvements can vary significantly depending on factors like (i) whether pre-construction demolition of existing walls and partitions is required, (ii) whether the space was previously used as a restaurant and already contains facilities required by code like a grease trap, ventilation system, and fire extinguisher system, (iii) whether the space is in a multi-story or a high-rise building (these spaces can significantly increase your costs), and (iv) regional differences in material costs. The high and the low amounts reflect estimated leasehold improvement costs without any tenant improvement allowances but do include a 10% contingency (of the total estimated cost) for unexpected cost over-runs or delays. Please note that not all of our franchisees receive tenant-improvement allowances. If your landlord provides a tenant-improvement allowance and you do not experience significant cost over-runs or delays, your actual leasehold improvement costs might be at the lower end of the estimate, although your landlord might incorporate the amount of the tenant improvement allowances into your rent. We have detailed information on 6 franchised Restaurants that opened in 2019, 2 non-traditional restaurants that opened in 2019, and 1 affiliate-owned restaurant that opened in 2019. These restaurants ranged in size from 1,300 to 1,800 square feet. According to our records, all 6 franchised Restaurants fell within the range above.

Although we expect all projects to fall within the indicated range, as we continue to expand into new and higher cost markets, our experience with these costs could change significantly. Depending on the market in which you develop or the type of Restaurant you develop, you might experience costs exceeding the range listed in the table.

[9]The high and low amounts represent the price to buy new equipment. This range includes the purchase of audio-visual equipment.

[10]This represents the cost for the fully-integrated required point-of-sale (POS) system with our required suite of services.

[11]You do not pay an initial training fee but you will pay all personal expenses for the training for you and your employees, including transportation to Las Vegas, lodging, meals, wages and benefits for you and any of your employees during Pre-Opening Mock Operations.

[12]You must spend at least $30,000 on Shop Launch Marketing activities. The Shop Launch Marketing Plan typically covers a 6-month period. We will make the spend on your behalf. You must pay us $15,000 4 weeks before the Restaurant opens and another $15,000 within 10 weeks after the Restaurant opens. Some franchisees have chosen to spend significantly more than $30,000 towards their shop launch marketing and advertising activities.

[13]All restaurants must have at least 2 Pre-Opening Mock Operation and staff training events commonly called a friends and family night. For the friends and family night, we estimate food costs of $1,500 and approximately 200 salary hours for 3 days of employee pre-opening training.

[14]You must purchase insurance we specify. Please review Section 8.8 of the Franchise Agreement.

[15]This is an estimate of the range of initial start-up expenses for 3 months. This includes rent, utilities, wages, inventory purchases, office supplies, printed materials, phone, facsimile, pre-opening and regular salaries for managers, pre-opening and regular wages of hourly employees, debt service, real estate services, legal, internet expense, accounting expense, and other expenses during the initial phase of your operations. It is possible to significantly exceed costs in any of the areas listed above. This 3-month period is not intended, and should not be interpreted, to identify a point at which your restaurant will break even. We cannot guarantee when or if your restaurant will break even. Your costs depend on whether you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the nature of the local market for your products and services, the prevailing wage rate, competition, and your Restaurant's sales during the initial period. We relied on our affiliates' experience of operating restaurants to compile this Additional Funds estimate.

[16]You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing, your creditworthiness, collateral and lending policies of financial institutions from which you request a loan.

The outlined investment is for a traditional CAPRIOTTI'S Sandwich Shop. If you open a Restaurant in a non-traditional location, such as a regional shopping mall, enclosed shopping mall, lifestyle center, airport, university, sports arena, or any other type of location that operates on a delivery and/or pick-up only basis, the cost could be higher or lower depending upon the location, the required equipment, design, the use of union labor, and facilities fees paid to the location owner.

A lower cost Restaurant is one that will require fewer leasehold improvements, less seating, and fewer equipment purchases. Moderate and higher cost Restaurants may require extensive interior and exterior renovations, interior finishes, and additional equipment. To avoid excessive construction costs, we strongly recommend you choose contractors carefully by obtaining several competitive bids before construction begins. In compiling these figures, we have relied on our experience and that of our affiliates in operating CAPRIOTTI'S Restaurants. We cannot guarantee that you will not have additional expenses starting the business.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase the following goods or services: our then-current trade dress; point of sales system, including the computer hardware and software further described in Item 11; restaurant fixtures, furniture, and other equipment as listed in the Manual; and specified light fixtures. Neither we nor any individuals affiliated with us currently derive any income or revenue based on or as a result of our or their sales of these items to you. None of our officers currently owns an interest in any approved supplier.

Neither we nor any of our affiliates are approved suppliers or the only approved supplier for any item used in your Restaurant, but nothing in the Franchise Agreement or Area Development Agreement prohibits us from becoming an approved supplier in the future.

Certain suppliers may make payments to us because of their transactions with franchisees. We have the right to retain up to 100% of rebates. In 2019, we received $101,283 in rebates, which we put in the Marketing Fund, and $299,567 in rebates and contributions for the 2019 or future franchisee conventions and meetings or other system initiatives.

Collectively, the purchases and leases you must make from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent close to 100% of your overall purchases and leases to establish and then operate the Restaurant. The exact percentage of the items listed above must be determined for each specific Restaurant. Percentages for your Restaurant may be more or less than those shown.

You must participate in our approved guest satisfaction program and redeem all related coupons or offers at your expense.

To ensure you maintain the highest degree of quality and service, you must operate the Restaurant in strict conformity with the methods, standards, and specifications prescribed in the Manual or otherwise in writing. We issue specifications and standards to you and approved suppliers. We reserve the right to modify the System and specifications periodically in order to achieve our quality and uniformity goals. We select suppliers based upon a variety of criteria, including quality, price, customer service, ability to service the entire System, and maintenance of uniformity. We must approve all products or services used in the operation of the Restaurant.

We have and may continue to develop for use in the System certain products, including products which are prepared from highly-confidential recipes and which are our trade secrets. If these products become a part of the System, you must use only our confidential recipes and other proprietary products and must purchase all of your requirements for these products or services solely from us or authorized suppliers we designate.

You must obtain and maintain at your own expense any insurance coverage that we require. The Franchise Agreement outlines the types, amounts, terms, and conditions of insurance coverage required for your Restaurant, including standards for underwriters of policies providing required insurance coverage; our protection and rights under these policies as an additional named insured; required or impermissible insurance contract provisions; periodic verification of insurance coverage you must furnish to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; and similar matters relating to insured and uninsured claims. You must maintain, in the amounts we prescribe, the following types of insurance: Comprehensive General Liability, Liquor Liability, automobile liability for all owned, non-owned, and rented vehicles used in operating the Restaurant, Workers' Compensation and Employer's Liability, Umbrella Liability, Property, Employment Practices Liability, Cyber Liability, and Trade Name Restoration coverage. The cost of insurance coverage will vary depending on the insurance carrier's charges, terms of payments, and your history. The General Liability policy must name us as additional insured, and the Employer's Liability must name us as Alternate Employer. You must provide us with a new certificate or other proof of insurance within 10 days after renewing the insurance. Your obligations for insurance coverage are found in Section 8.8 of the Franchise Agreement.

You must maintain in sufficient supply and use only those products, materials, supplies, and methods of service that conform to our standards and specifications, must refrain from using nonconforming items or methods without our prior written consent, and must sell, distribute, or deliver only those products that we expressly approve for sale in writing. You must sell or offer for sale all approved items; must refrain from any deviation from our standards and specifications without our prior written consent; must discontinue selling and offering for sale any items, products, or services which we may, in our discretion, disapprove in writing at any time; and must use only products bearing the Marks which meet our specifications.

You must permit us or our agents to conduct unannounced inspections at any reasonable time and to remove from your Restaurant samples of items (without payment for these items) in amounts reasonably necessary for testing by us or an independent laboratory to determine whether these samples meet our then-current standards and specifications. In addition to any other remedies we may have under the Franchise Agreement, we may require you to bear the cost of this testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications.

We approve products for sale based on timelines of production and delivery (i.e., is the product generally available, are perishable items delivered appropriately, and the like), price, and availability of discounts for volume purchases. The time required for us to evaluate and approve new products is approximately 90 days.

We have the right to specify maximum, minimum, or other pricing requirements for products and services the Restaurant offers and sells, including requirements for promotions, special offers, and discounts in which some or all CAPRIOTTI'S Restaurants participate, and price advertising policies, in each case to the maximum extent the law allows.

You must refrain from installing or permitting installation on the Restaurant premises, without our prior written consent, any fixtures, furnishings, signs, equipment, or other improvements not previously approved based on our standards and specifications.

We may require you to purchase certain equipment, fixtures, furnishings, signs, supplies, and other products and materials required for the operation of the Restaurant solely from suppliers (including manufacturers, distributors, and other sources) who demonstrate, to our continuing satisfaction, the ability to meet our then-current standards and specifications for those items and whom we have first approved in writing. These items will include help-wanted or other visual aid signs and all building materials required for constructing the leased premises. If you desire to purchase any products from an unapproved supplier, you must submit to us a written request for this approval and have this supplier acknowledge in writing that you are a franchisee and that we are not liable for debts you incur. You must allow our representatives to inspect the supplier's facilities and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory designated by us for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test must be paid by either you or the supplier. We may also require that the supplier comply with any other reasonable requirements that we deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to reinspect the facilities and products of any approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria or for any other business reason we deem appropriate. If, in providing services to you, any third-party vendor might obtain access to confidential information as described in the Franchise Agreement, we may require, as a condition of the approval of the provider, the signing of covenants of non-disclosure and non-competition in a form satisfactory to us.

You must submit to us, for our prior written approval, samples of all advertising and promotional plans and materials that you desire to use and which we have not prepared or previously approved. You must display the Marks in the manner we require on all signs and other advertising and promotional materials used in the Restaurant.

You grant us and our agents the right to enter the Restaurant at any reasonable time to inspect, photograph, or videotape the Restaurant, equipment, and operations; must cooperate with our representatives in these inspections by rendering assistance as they may reasonably request; and, upon reasonable notice from us or our agents, and without limiting our other rights under the Franchise Agreement, must take the steps necessary to correct immediately any deficiencies detected during any inspection, including immediately desisting from the continued use of any equipment, advertising materials, products, or supplies that do not conform to our then-current specifications, standards, or requirements.

You must not engage in any trade practice or other activity which is harmful to our goodwill or reflects unfavorably on our reputation or the products sold from the Restaurant, which constitutes deceptive or unfair competition, or which otherwise is in violation of any applicable laws.

You may not maintain a World Wide Web site for your Restaurant.

You must obtain a telephone listing for use in your Restaurant. The telephone listing will belong to us; however, you must pay all telecommunications charges directly to the telecommunications company. We reserve the right to place protective codes restricting access to the telephone listing to protect the System should you no longer operate your Restaurant.

We may require you to upgrade and/or remodel your Restaurant periodically. You may not make any alterations to your Restaurant, or any replacements, relocations, or alterations of fixtures, equipment, or signs, that do not meet our then-current standards and specifications. However, once your Restaurant opens, we will not require you to spend more than $10,000 on remodeling or new equipment during the first 2 years of the franchise term or more than $50,000 during any 5-year period (provided, however, these limitations do not apply in connection with your acquisition of a successor franchise, a transfer, updates or changes to the Information System and Computer System, and required software upgrades, in all of which cases we may require you to bring the Restaurant into full compliance with our then-applicable specifications and standards for new CAPRIOTTI'S Restaurants before the Franchise Agreement expires, regardless of cost).

If you do not own your business premises, we must approve your lease. It is your responsibility to select your own location. We reserve the right to require you and your landlord to provide in the lease that we will have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or your Franchise Agreement terminates or is not renewed for any reason. You may not relocate the business premises without our prior written approval.

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms) for many of the items and services described earlier in this Item that you may obtain only from designated sources. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor. We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Franchise Agreement Section 3; Area Development Agreement Section 3	Items 8, 11
b. Pre-opening purchases/leases	Franchise Agreement Section 8	Item 8
c. Site development and other pre- opening requirements	Franchise Agreement Sections 3 and 8; Area Development Agreement Section 5	Items 7, 8, 11
d. Initial and on-going training	Franchise Agreement Section 8; Area Development Agreement Section 5.1	Items 6, 7,11
e. Opening	Franchise Agreement Section 8	Item 11
f. Fees	Franchise Agreement Sections 2, 3, 4, and 8; Renewal Rider to Franchise Agreement Section 4; Area Development Agreement Section 2	Items 5, 6, 11
g. Compliance with standards policies/operating manual	Franchise Agreement Section 8; Area Development Agreement Sections 5 and 6	Items 8, 11, 14
h. Trademarks and proprietary information	Franchise Agreement Section 5; Area Development Agreement Section 6	Items 13, 14
i. Restrictions on products/services offered	Franchise Agreement Section 5	Items 8, 13, 16
j. Warranty and customer service requirements	Franchise Agreement Section 5	Item 11
k. Territorial development and sales quotas	Area Development Agreement Sections 1, 3, 5	Item 11, 12
l. Ongoing product/service purchases	Franchise Agreement Sections 5 and 8	Item 8

Obligation	Section in agreement	Disclosure document item
m. Maintenance, appearance and remodeling requirements	Franchise Agreement Sections 5 and 8; Renewal Rider to Franchise Agreement Section 6(c)	Item 8, 16
n. Insurance	Franchise Agreement Section 8.8	Item 7, 8
o. Advertising	Franchise Agreement Sections 5.3 and 8.21	Items 8, 11
p. Indemnification	Franchise Agreement Section 29; Area Development Agreement Section 11.10	Item 6
q. Owner's participation/management/staffing	Franchise Agreement Section 8; Area Development Agreement Section 5.1(e)	Items 9, 11, 15
r. Records/reports	Franchise Agreement Sections 4.5 and 7-9	Item 6
s. Inspections/audits	Franchise Agreement Sections 7-9	Item 8
t. Transfer	Franchise Agreement Sections 12-14	Item 17
u. Renewal	Franchise Agreement Section 2; Renewal Rider to Franchise Agreement Section 3(a)	Item 17
v. Post-termination obligations	Franchise Agreement Section 11; Area Development Agreement Sections 7 and 9.2	Item 17
w. Non-competition covenants	Franchise Agreement Sections 6 and 8; Area Development Agreement Section 9.2; Franchise Agreement Amendment for Virtual Kitchen Operations Section 2	Item 17
x. Dispute resolution	Franchise Agreement Sections 26-28; Area Development Agreement Section 11	Item 17
y. Compliance with Customer Complaint Resolution Procedures	Franchise Agreement Section 8.3	Item 6

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

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

Pre-Opening Obligations

We will provide certain assistance and services to you. Neither the Franchise Agreement nor any other agreement requires us to provide any other assistance or services to you during the operation of the Restaurant. It is our intention to provide the following assistance and services before the Restaurant opens:

As explained in Section 3 of the Site Selection Addendum to the Franchise Agreement, we have 30 days after receipt of the information regarding Restaurant site selection that you provide to approve or disapprove your selection. You may consider our failure to disapprove a site, after having been provided with all the required information and the passage of 30 days, approval of the selection. If the parties cannot agree on a site, then we may allow you to move to a mutually-acceptable available territory where you may locate a suitable site. If you cannot find a site, we may terminate the Franchise Agreement.

1. We will provide you with: (a) the benefit of our knowledge and experience in the installation, commencement, and operation of the System; (b) the benefit of our knowledge and experience in the selection and installation of equipment and furnishings, appropriate decor and layout, the location and installation of signage, and the System; (c) advisory service regarding the operation of the Restaurant, including preparing, presenting, and handling products and services in accordance with the System and our Manual and training your employees in the Restaurant's proper operation; and (d) assistance in promoting the Restaurant through advertising and public relations as we deem appropriate in our sole discretion (Franchise Agreement Section 7).

2. We will provide an initial training program for your Managing Owner and 3 other persons you designate. We will make available any other training programs we deem appropriate (Franchise Agreement Sections 7.3 and 7.6).

3. We will provide up to 4 weeks of training in Las Vegas for your Managing Owner and at least 1 other person and 2 weeks of supervision and assistance to you and your employees at the Restaurant around its opening. (Franchise Agreement Section 7.6).

4. We will provide electronic access to a printable copy of the Manual throughout the franchise term, which will be updated periodically at no additional cost. If you require a paper replacement copy of the Manual, we will loan one to you at a cost of $1,000. You must return any hard copy version of the Manual to us upon termination or expiration of the Franchise Agreement. The Manual's table of contents is presented as Exhibit E (Franchise Agreement Section 7.5).

Time To Open

You must open your Restaurant within 12 months after you sign the Franchise Agreement. We estimate the typical length of time between the signing of the Franchise Agreement and the opening of your Restaurant to be 8 to 12 months. Factors affecting time to open include locating a satisfactory restaurant site, attendance at and satisfactory completion of our initial training program, arranging for financing, construction, complying with local ordinances, completing delivery and installation of equipment and signs, and procuring opening inventory (Franchise Agreement Section 10.1(j)).

Developers must open Restaurants according to the Development Schedule in the Area Development Agreement. If you fail to comply with the Development Schedule, your Area Development Agreement will be terminated.

Continuing Obligation

We will provide the following assistance to you during the Restaurant's operation:

1. Continuing advisory assistance to you in operating, advertising, and promoting the Restaurant as we deem advisable (Franchise Agreement Section 7.3).

2. Refresher training programs at your expense for you and, at your option, a designated employee (Franchise Agreement Section 7.3).

3. Advertising and promotional plans and materials for local advertising (Franchise Agreement Section 7).

4. Advice and written materials concerning techniques of managing and operating the Restaurant (Franchise Agreement Section 7).

5. Inspections of the Restaurant and evaluations of the products sold and services rendered in the Restaurant as we deem necessary (Franchise Agreement Section 7.4).

Advertising

You may develop advertising materials for your own use at your own cost. We must approve any advertising materials you develop in advance and in writing. There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area. At our option, we may assist you in promoting the Restaurant through advertising and public relations in our sole discretion. We make no representations, warranties and/or covenants, express or implied, as to the existence, nature and/or extent, if any, of any advertising and/or public relations efforts that may be commenced, participated in and/or allowed by us.

There is no advertising council composed of franchisees that advises us on advertising policy. The Franchise Agreement does not give us the power to form, change, or dissolve an advertising council.

Shop Launch Marketing Plan

You must spend at least $30,000 in marketing to promote the launch of your Restaurant. You will develop this Shop Launch Marketing Plan in collaboration with our marketing department. This plan typically covers marketing activities over a 6-month period. You must pay us the $30,000 in 2 equal installments: $15,000 is due no later than 4 weeks before the Restaurant opens; the remaining $15,000 is due no later than 10 weeks after the Restaurant opens. You must obtain our approval of the form, contents, and nature of your marketing activities. We will execute the Shop Launch Marketing Plan for you and pay the vendors on your behalf.

Beginning after the Restaurant has been in operation for 6 months, you must spend at least 1.5% of your monthly Gross Sales (although we recommend that you spend up to 4% of monthly Gross Sales) towards local marketing efforts. Upon request, you must give us documentation outlining your marketing activities and monthly spend.

Cooperative Advertising Associations

We have the right, in our discretion, to designate any geographical area as a region for purposes of establishing an advertising association (a "Cooperative"). A Cooperative may be composed of 2 or more CAPRIOTTI'S Sandwich Shop Restaurants operated by us and/or you or one or more other franchisees. If a Cooperative has been or is later established for the geographic area where your Restaurant operates, you must sign the documents we require to become a member of the Cooperative. We currently have 2 Cooperatives—1 in the Las Vegas area and another in the Mid-Atlantic region. We do not have any other Cooperatives, though we have the right to form others.

1. Each Cooperative must be organized and governed in a form and manner, and must commence operation on a date, which we approve in advance and in writing.

2. Each Cooperative must be organized for the purposes of, and all contributions to the Cooperative and any earnings on those contributions must be used exclusively to meet costs for, maintaining, directing, and preparing advertising and/or promotional activities for the particular region (including the cost of preparing and conducting television, radio, magazine, and newspaper advertising campaigns; direct-mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies; and providing promotional brochures and other marketing materials to the Restaurants). These monies may also be used to defray our reasonable administrative costs and overhead related to the administration or direction of the Cooperative or its advertising programs. The Cooperative operates solely as a conduit for the collection and expenditure of advertising contributions for the purposes stated in the Franchise Agreement.

3. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior review and approval.

4. You must pay your proportionate share of the advertising and promotional expenses incurred by the Cooperative and must submit reports we or the Cooperative requires.

5. We, in our sole discretion, may grant you an exemption for any length of time from the requirement of membership in a Cooperative, on written request from you stating reasons supporting the exemption. Our decision concerning the request for exemption will be final.

For all Cooperatives, member franchisees' required contributions will be determined by the governing body of the Cooperative. The maximum amount a Cooperative can charge its members is 2% of Gross Sales per month. We or someone we designate will be responsible for administration of the Cooperatives. The Cooperatives will prepare annual or periodic financial statements, which will be available for your review. We have the power to require Cooperatives to be formed (subject to the above), changed, dissolved, or merged. You may obtain an accounting of advertising expenses incurred by the Cooperative by sending a written request to us.

We assume no direct or indirect liability or obligation for the maintenance, direction, or administration of the Cooperative. We do not act as trustee or in any other fiduciary capacity concerning the Cooperative.

Marketing Fund

In 2010 we established the CAPRIOTTI'S SANDWICH SHOP Marketing Fund (the "Marketing Fund") to create, develop, and implement marketing, advertising, and related programs and materials to enhance the goodwill associated with the Marks, to promote the sale of authorized products and services, and to develop and maintain a favorable public image of CAPRIOTTI'S Restaurants. You must contribute up to 3% of your Gross Sales to the Marketing Fund. Marketing Fund contributions are payable when the Royalty Fee is collected. Marketing Fund fees will be in addition to fees payable for local advertising and fees payable for your Cooperative. All CAPRIOTTI'S SANDWICH SHOP Restaurants located in the U.S. owned by us or any of our affiliates (whether in traditional or non-traditional locations) will contribute to the Marketing Fund on the same basis as you contribute unless we permit a variance on a case-by-case basis. The Marketing Fund will not use funds designated for advertising to solicit the sale of franchises.

We will allocate your contribution to the Marketing Fund between creative and general advertising, as we determine necessary to enhance the effectiveness of advertising and promotional efforts. If any costs can be allocated to more than 1 of the above categories or if any costs appropriately charged to the Marketing Fund do not fall within a particular category, we may, in our sole discretion, allocate those costs to 1 or more categories.

The term "Creative" includes the costs associated with creating, developing, and distributing general advertising, marketing, promotions, public relations, and market research programs and related activities, including costs for preparing television, radio, newspaper, point-of-sale, and other media programs and materials and all related fees and commissions, including fees charged by national spokespersons and commissions charged for creative works. As part of the Creative portion of the Marketing Fund, we may furnish you with marketing, advertising, and promotional materials at cost, plus any related administrative, shipping, handling, and storage charges. The term "General Advertising" includes all costs associated with placing and purchasing media advertising (e.g., television, print media, and electronic media) and related activities and associated fees and commissions, including commissions charged by media buying companies, in any geographic area in which a Restaurant operates.

We may use funds from the Marketing Fund to pay for all costs and expenses associated with marketing, advertising, and related programs and materials, including the costs of preparing, producing, and distributing marketing, advertising, and related materials, employing advertising agencies and media buying agencies, supporting market research activities, administering the Marketing Fund, and all other related costs and expenses. We will be paid each year from the Marketing Fund for these costs and services (the "Annual Administrative Expense").

The Marketing Fund will be accounted for separately from our other funds and will not, except for the Annual Administrative Expense, be used to defray any of our general operating expenses. Except for the Annual Administrative Expense and the repayment of any advances or loans we may make to the Marketing Fund, neither we nor any of our affiliates will be entitled to derive any income from the Marketing Fund, including commissions or discounts for media purchases from the Marketing Fund. We will contribute any advertising agency commissions and discounts granted to us or any of our affiliates for media purchases from the Marketing Fund to the Marketing Fund or net them against the invoice for these purchases.

All disbursements from the Marketing Fund will be made first from income and then from contributions. We may compromise any claim for past due contributions to the Marketing Fund from any franchisee, provided any compromise of contributions to the Marketing Fund will be proportionate to any compromise at the same time of other amounts the franchisee owes us and our affiliates, and we have the right to charge a proportionate amount of the collection costs against the contributions. In any fiscal year, we may spend amounts that are more or less than the aggregate contributions of all CAPRIOTTI'S SANDWICH SHOP Restaurants to the Marketing Fund in that year, and we may fund any deficits with contributions from future years. The Marketing Fund may borrow from us (on commercially-reasonable terms and rates) or other lenders to cover deficits or cause the Marketing Fund to invest any surplus for future use.

We will prepare an annual financial statement of the revenues and expenses incurred by the Marketing Fund and furnish you a copy upon your written request. We will charge the costs of preparing these financial statements to the Marketing Fund.

We will have the right to terminate the Marketing Fund at any time after we expend all monies in the Marketing Fund for advertising and/or promotional purposes.

The majority of the advertisements financed using the Marketing Fund will be local in scope, although we may provide regional or national advertisements periodically. Marketing Fund monies were spent as follows during 2019: 24.6% on marketing and advertising; 3% on public relations activities; 66.7% on labor, equipment, and supplies; 3.4% on research and brand strategy; and 2.3% on the gift card program.

We assume no other direct or indirect liability or obligation with respect to the maintenance, direction, or administration of the Marketing Fund. We do not act as trustee or in any other fiduciary capacity with respect to the Marketing Fund.

Electronic Cash Register/Point of Sale System/Telecommunications

The Franchise Agreement obligates you to install an electronic information system equipped and configured to our specifications. Before opening, you must install and maintain a Windows-based computer at the Restaurant that is capable of running the software we require and that operates on an Operating System that we deem necessary, other computer-related accessories, peripherals, hardware and software we specify from time to time, and equipment. The computer must have at least a Broadband Internet connection that permits you to connect to the Internet and to transmit and receive e-mail. The computer must have dedicated access and power lines. You must also maintain a functioning e-mail address for your business. You also must purchase and maintain any phone system we specify. You must purchase the approved "Information System," currently NCR and CAPRIOTTI'S specific suite of services. We have unlimited, independent access to all information on the system. The estimated cost of this equipment is $12,000 to $17,000.

You must install and maintain the Information System, which includes between 2 and 4 point-of-sale terminals (depending on the size of your Restaurant) that are capable of running the NCR suite of services and the total Information System, which will include electronic cash registers, ordering stations, point of sale server(s) and receipt printer(s), menu-boards, loyalty programs, online ordering systems and services, gift-card programs, credit card processing systems and services, internet navigation software, email, telephone, audio, video, and surveillance systems, and training and operational support aids, which may include camera systems, virtual reality, and augmented reality hardware and software. The Information System is used to compile and manage sales information and other relevant operational data in the Restaurant. You must purchase this software and the related point-of-sale hardware from the Information System dealers and vendors we specify.

You must install and maintain systems that permit us to access and retrieve electronically any information stored in your computer systems (such as the NCR suite of services or other polling system), including information concerning your Restaurant's Gross Sales. There is no contractual limitation on the frequency or cost of these obligations.

You must maintain on-going maintenance and support contracts with the Information System vendor after the initial year of coverage and subscribe to our then-current required POS-related software services. You must subscribe to the current gift card program software and pay the related transaction fees. You must participate in our on-line ordering program and integrate with the POS system and pay all related start-up and monthly costs. Estimated costs for an annual NCR maintenance contract currently are

$720 to $1,400, depending on the equipment included in your specific system. Estimated monthly costs for NCR hosting services and for non-NCR online ordering and customer loyalty currently are $490.

You must remain PCI-DSS compliant at all times and contract with our approved Internet service provider to establish a fully-managed virtual private network and firewall. Our POS provider will provide the following services to ensure PCI-DSS compliance: managed firewall and support of network; filtering and content control; firewall logging and reporting; PCI compliance assistance from PCI experts; on-line self-assessment questionnaire submission; quarterly PCI vulnerability scanning; system log-in and file integrity monitoring; and PCI compliant multi-factor remote access.

We reserve the right and discretion to modify the equipment standards to require new Information System or different electronic data processing and communications equipment or facilities. You must install any other hardware or software for the Restaurant's operation that we may require in the future, at your cost, including point-of-sale software, accounting software, security and video surveillance systems and any enhancements, additions, substitutions, modifications, and upgrades. Specifically, we may require that you install and maintain systems that permit us to access and retrieve electronically any other information stored in your computer systems, including images and information stored in your security and video surveillance systems. There is no contractual limitation on the frequency or cost of these obligations. We cannot estimate the cost of maintaining, updating, or upgrading your POS System or its components because it will depend on the repair history, local costs of computer maintenance services in your area, and technological advances which we currently cannot predict. You may also have to license from us or others we designate any computer software we develop or acquire for use by CAPRIOTTI'S SANDWICH SHOP franchisees.

Table of Contents of the Manual

Attached as Exhibit E is the Table of Contents of the Manual as of the date of this Franchise Disclosure Document. The Manual contains 139 pages.

Training

Your Managing Owner and 1 additional employee must attend and complete to our satisfaction our full initial training program. Two additional employees must attend and complete to our satisfaction a two-week hourly team member training program. All franchisees must complete the training program which is approximately 4 weeks in length. We expect you to complete all pre-opening required training approximately 2 to 3 weeks before your Restaurant opens. We will conduct training at our designated headquarters and/or at a designated CAPRIOTTI'S SANDWICH SHOP training restaurant. We may substitute virtual learning and "e-learning" for any training that otherwise would occur in person (in which case you must have the support aids necessary to participate in such e-learning, including camera systems and virtual and augmented reality hardware and software).

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of On The Job Training	Column 3 Hours of Classroom Training*	Column4 Location
Product Recipes	50	0	Training Restaurant – Las Vegas (includes 12 hours e-learning)
Customer Service	20	0	Training Restaurant – Las Vegas (includes 2 hours e-learning)

Column 1 Subject	Column 2 Hours of On The Job Training	Column 3 Hours of Classroom Training*	Column4 Location
Restaurant Management	40	10	Training Restaurant – Las Vegas and Capriotti's Support Center
Prep and Cleaning in Restaurant	20	0	Training Restaurant – Las Vegas (includes 2 hours of e-learning)
Ordering / Inventory Training	12	12	Training Restaurant – Las Vegas; Capriotti's Support Center for Classroom
POS System	15	4	Training Restaurant Las Vegas; Capriotti's Support Center for hands-on POS Lab
Finances and Accounting	12	8	Training Restaurant Las Vegas; Capriotti's Support Center for Classroom
Hiring Employees	0	2	Capriotti's Support Center for Classroom
Managing Employees	10	3	Training Restaurant Las Vegas; Capriotti's Support Center for Classroom
Controlling Food Costs	12	2	Training Restaurant Las Vegas; Capriotti's Support Center for Classroom
Neighborhood Marketing	4	2	Training Restaurant Las Vegas; Capriotti's Support Center for Classroom
Ordering From Vendors	5	0	Training Restaurant Las Vegas
TOTAL HOURS	200	43	

2-Week Hourly Team Member Training

Column 1 Subject	Column 2 Hours of On The Job Training	Column4 Location
Product Recipes	30	Training Restaurant – Las Vegas (includes 5 hours e-learning)
Customer Service	20	Training Restaurant – Las Vegas (includes 1 hours e-learning)
Prep and Cleaning in Restaurant	20	Training Restaurant – Las Vegas (includes 1 hours of e-learning)
POS System	10	Training Restaurant – Las Vegas; Capriotti's Support Center for hands-on POS Lab
TOTAL HOURS	80	

* For purposes of these charts, web-based training is included as classroom training.

We may adjust the training schedule based upon the participant's progress. We conduct the restaurant and classroom training as needed. There are no regularly-scheduled training programs. Instructional materials include CAP University online, recipes/systems procedures binders, and Manual. Ron Martinez, who has held various positions within the organization for over 10 years, oversees all training. Given his long involvement with our organization, he has experience in all aspects of our training curriculum and in operating a CAPRIOTTI'S Restaurant. The rest of our training team and managers also lead all hands-on and instructor-led training; all of them have adequate training and appropriate knowledge to facilitate training in the areas they will teach based on their involvement with our system.

Successful completion of the brand standard e-learning, restaurant, and classroom training is mandatory for your Managing Owner and your Restaurant managers. The initial franchise fee covers the cost of initial training, before the Restaurant opens, for 4 people, including your Managing Owner and your Restaurant managers, but not including your travel, lodging, and related expenses.

Any Restaurant managers you appoint after your Restaurant opens must either be trained by you according to our specifications and guidelines or attend and successfully complete our next-scheduled training program at our then-current charge. If we determine they need remedial training, they will attend training at your expense. (See Item 6 for additional information about charges for training additional or subsequent trainees.)

You can request on-site training and/or assistance at any time. We will provide it at our option and at your cost, but the Franchise Agreement does not require us to provide it.

In addition, we have the right to require your managerial personnel to participate in, and complete successfully, an extensive onsite training program at the Restaurant for up to 6 weeks after the Restaurant has opened for business. We may charge you $10,000 for such training.

We may periodically conduct an annual conference, convention, or training events; if we do, we will determine its duration, curriculum, and location. You must attend up to 2 of these meetings each year for a total of up to 3-6 days (not including travel time). You are responsible for implementing the content of the meetings to your employees, regardless of your attendance.

You must pay all expenses incurred by your trainees or attendees for the initial training program and any other training, conferences, conventions, or other meetings your trainees attend, including their salaries, transportation costs, meals, lodging, and other per-diem expenses.

Site Selection

You should seek local broker assistance in locating acceptable sites. You, along with the assistance of our real estate department and proprietary site model, select the site for your Restaurant subject to our approval. Our review process may involve a physical site inspection. We will not unreasonably withhold our approval of a site but can reject one we consider inappropriate. Although we reserve the right to accept or reject a Restaurant's location, we will not select or designate a site for a Restaurant. Consequently, you must actively participate in the entire site selection process. This approval also applies to franchises developed under an Area Development Agreement. We will use our then-current standards for approving a potential site.

Factors we consider in evaluating the suitability of proposed Restaurant sites include (1) a site's visibility from adjacent traffic arteries, (2) ease of entry from and exit to adjacent streets, (3) traffic patterns on adjacent arteries, (4) the size, density, and income levels of the population in the surrounding area, (5) daytime population density in the surrounding area, (6) the rental market in the area, and (7) the projected cost of leasehold improvements. If we and you do not agree on a site, you must continue looking for a site that we will approve and pay attention to the deadlines in your Area Development Agreement and Franchise Agreement because you have certain opening deadlines. If you continually fail to find an acceptable site, the Area Development Agreement or, if applicable, the Franchise Agreement will be terminated. We do not sign the Franchisee Agreement until you find and secure an acceptable site.

As a multi-unit developer working under an Area Development Agreement, we will sign the Franchise Agreement only after you have signed you Restaurant's lease. In all cases, the lease must have our required form of Lease Rider attached to it. The Franchise Agreement requires you to open your Restaurant on or before the scheduled opening date we insert on the Franchise Agreement's signature page but contains no other time restrictions. We calculate the scheduled opening date by estimating the time it should take you to finish out your Restaurant, usually 20-24 weeks from the time we sign the Franchise Agreement.

Certain new markets may require professional demographic analysis. If we deem that your target market does require this analysis, you will bear the pro-rata cost associated for this service.

The length of time between execution of the Area Development Agreement and the opening of your first Restaurant is typically 10 to 12 months. Factors affecting this length of time include the selection, approval, and leasing of the Restaurant's site, the time required to obtain necessary permits, construction or remodeling of the facility, local ordinance and/or building code compliance, installation of equipment and signs, completion of our training program, delivery and stocking of inventory, and delaying events arising from factors out of your control.

ITEM 12
TERRITORY

<u>Single-Unit Franchisees</u>

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

You expressly acknowledge that all CAPRIOTTI'S SANDWICH SHOP restaurants (whether owned by us, you, or other franchisees) may solicit business from customers without regard to the customers' geographic location, provided they do not use Alternate Distribution Channels (defined below) to solicit or fill orders.

Without our written consent, you may not sell menu items through any distribution channel other than a dedicated CAPRIOTTI'S SANDWICH SHOP restaurant, including sales through other channels of distribution such as the Internet, catalog sales, telemarketing, grocery stores, or other direct marketing sales (together "Alternate Distribution Channels"). You may not use Alternate Distribution Channels to make sales, except as described in this section, and you will receive no compensation for our sales except as described in this section.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site or through any other Alternate Distribution Channel, and we receive orders for any System products or services calling for delivery or performance in your local area, then we, at our option, may offer the order to you at the price and order fulfillment procedures we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates, or a third party we designate (including another franchisee) may fulfill the order, and you will not receive any compensation.

If your existing Restaurant is satisfactorily meeting or exceeding our operational benchmarks and you demonstrate to our satisfaction sufficient capital and managerial resources to operate multiple units, we may approve you for operating an additional restaurant or allow you to enter into an Area

Development Agreement. You need not achieve any certain sales volume or market penetration to continue operation of your Restaurant.

You may operate the Restaurant only at an accepted site and may not relocate without our written approval, which we may grant or deny as we deem best. Whether or not we would allow relocation depends on the circumstances at the time and what is in the Restaurant's and our system's best interests. Factors include, for example, the new site's market area, its proximity to other CAPRIOTTI'S Restaurants, whether you are in compliance with your Franchise Agreement, and how long it will take you to open at the new site. We may condition our approval of your relocation request on (1) the new site and its lease being acceptable to us, (2) your paying us a reasonable relocation fee, (3) your reimbursing any costs we incur during the relocation process, (4) your confirming that your Franchise Agreement remains in effect and governs your operation of the Restaurant at the new site with no change in the term or, at our option, your signing our then-current form of franchise agreement to govern your operation of the Restaurant at the new site for a new franchise term, (5) your signing a general release, in a form satisfactory to us, of any and all claims against us and our owners, affiliates, officers, directors, employees, and agents, (6) your continuing to operate the Restaurant at the original premises until we authorize its closure, and (7) your taking, within the timeframe we specify and at your own expense, all action we require to de-brand and de-identify the Restaurant's former premises so that it no longer is associated in any manner (in our opinion) with the franchise system.

Area Development Agreement

The Designated Territory under an Area Development Agreement, which is used when you commit to develop 3 or more CAPRIOTTI'S Restaurants, will be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries, and other factors we deem appropriate. We define the specific nature of the Designated Territory in Exhibit A to the Area Development Agreement.

You do not receive an exclusive territory, as we exclude from the Designated Territory all non-traditional locations ("Non-Traditional Locations"), which include regional shopping malls, enclosed shopping malls, lifestyle centers, airports, railroad stations, bus stations, travel plazas, sports stadiums and arenas, hospitals and medical centers, colleges, universities, convention centers, casinos, resorts, any type of location known colloquially as "virtual kitchens," "ghost kitchens," "ghost operations," or locations that operate on a delivery and/or pick-up only basis, and military bases and facilities. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except for Non-Traditional Locations, we will not establish or license anyone other than you the right to establish any business in the Designated Territory before the expiration of the Development Schedule.

The options you receive under the Area Development Agreement are given to you strictly on the conditions described in the Area Development Agreement, including the condition that you comply strictly with the Development Schedule.

We may establish other franchises or units we own or other channels of distribution selling or leasing similar products or services under a different Mark in your Designated Territory. However, we have no specific plans to do this.

Continuation of your territorial exclusivity does not depend on the achievement of a certain sales volume, market penetration or other contingency.

ITEM 13
TRADEMARKS

Upon execution of the Franchise Agreement, we will grant you the non-exclusive right and privilege to use the Marks in your CAPRIOTTI'S SANDWICH SHOP Restaurant. You may not use any of our Marks as part of your firm or corporate name. You may not use the Marks for the sale of unauthorized products or services or in any manner not authorized in writing by us. Any right or privilege you may have to use our Marks will terminate in full when you are no longer in good standing or upon the expiration or termination of your Franchise Agreement. You do not have the right to use the Marks under the Area Development Agreement. All rights in and goodwill from the use of the Marks accrue to us.

(a) Registrations and Applications

The following service marks have been registered on the Principal Register of the United States Patent & Trademark Office ("USPTO"):

	Registration Number	Date of Registration
"The Bobbie" (word mark and design)	3,622,413 2,273,912	May 19, 2009 August 31, 1999
"Capriotti's"	3,015,434	November 15, 2005
"Capriotti's Sandwich Shop"	3,530,393	November 11, 2008
"Capriotti's Sandwich Shop" (with ("Est. 1976"))	3,571,960	February 10, 2009
"Capastrami"	3,718,476	December 1, 2009
"Slaw Be Joe"	3,718,480	December 1, 2009
"Cole Turkey"	3,718,481	December 1, 2009
"Cran-Slam Club"	3,718,482	December 1, 2009
"Extraordinary Food For Those Unwilling To Settle!"	3,863,639	October 19, 2010
"Experience Extraordinary"	4,894,681	February 2, 2016
"CAPAddicts"	4,901,241	February 16, 2016

(b) Renewals and Affidavits

We have filed all required affidavits and renewals for the registered Marks that have become due and intend to file all required affidavits and renewals when due for the Marks that remain important to our system.

(c) Determinations

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the Marks that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to you.

(d) Agreements

No agreement limits our right to use or license the use of the Marks in a manner material to the franchise.

(e) Protection of Rights

We have the right to control any administrative proceeding or litigation involving a Mark we license to you. You must notify us promptly of any use by any person or legal entity other than us or our franchisees of any of the Marks or any variation of the Marks. We will decide the actions to take against the use of any of the Marks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong action (which may include bringing litigation) against that use. Any actions that we take will be at our expense.

You must notify us promptly of any lawsuit or other proceeding brought against you involving any of the Marks, and you must deliver to us copies of any documents concerning the lawsuit or other proceeding that we request. We will decide whether to settle or defend any trademark litigation brought against you. We will do so at our expense, but you must cooperate with us. We do not have to protect your right to use the Marks. We must protect you against claims of infringement from your use of the Marks.

We reserve the right to acquire or develop additional Marks and to use the Marks ourselves, make those Marks available for use by you and other franchisees, or make those Marks available for use by other persons or entities.

We reserve the right to modify, eliminate, or provide a substitute for any Mark. If this happens, you will be responsible for your costs of compliance.

You may not directly or indirectly contest our rights in the Marks.

(f) Superior Prior Rights

We do not know of any superior prior rights that could materially affect your use of the Marks.

(g) Infringing Uses

We do not know of any current infringing uses of the Marks that could materially affect your use of the Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We hold no patents, and no patents are material to the franchise. We have no pending patent applications that are material to the franchise.

We and our affiliates claim copyrights in the Manual (containing our trade secrets and confidential information), Restaurant blueprints and other design features, signage, advertising and marketing materials, our system website, and similar items used in operating CAPRIOTTI'S Restaurants. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as we specify while operating your Restaurant (and must stop using them at our direction).

There currently are no effective adverse material determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your using them in any state. We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a copyright proceeding.

Under the Franchise Agreement, you must conduct your business in accordance with the Manual. You will receive electronic access to a printable copy of the Manual throughout the franchise term, which will be updated periodically at no charge to you. If you require a paper copy of the Manual, one can be loaned at a cost of $1,000. You must at all times treat the Manual and any other manual created for or approved for use in the Restaurant's operation and the information contained in the Manual as confidential and must use all reasonable efforts to maintain this information as secret and confidential. You must not at any time copy, duplicate, record, or otherwise reproduce these materials or otherwise make the same available to any unauthorized person.

The Manual will remain our sole property and must be kept in a secure place at the Restaurant. We may revise the contents of the Manual, and you expressly agree to comply with each new or changed standard. You must ensure that your copy of the Manual is kept current and up to date and, if there are any disputes as to the contents of the Manual, the terms of the master copy of the Manual we maintain at our headquarters will control.

Confidential Information

You must preserve in confidence all materials and information we furnish or disclose to you and must disclose this information or materials only to the employees or agents who must have access to it in order to perform their duties. You must not at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce these materials or information or otherwise make the same available to any unauthorized person. Confidential Information includes site selection models and analysis, store design information, Operations Manual and supplements, training materials, National Marketing Calendar (to include national, regional, or cooperative plans), and the Information System.

You must not, during the franchise term or afterwards, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operating the Restaurant which we may communicate to you or of which we may apprise you by virtue of your operation under the terms of the Franchise Agreement. You may divulge confidential information only to those of your employees who must have access to it in order to perform their duties in operating the Restaurant. Any information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you can demonstrate came to your attention before disclosure of it by us, or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain through publication or communication by others.

You must take reasonable steps to prevent improper disclosure of confidential information to others and use non-disclosure agreements with those having access to Confidential Information. We may pre-approve the forms of non-disclosure agreements you use solely to ensure that you adequately protect confidential information and the competitiveness of CAPRIOTTI'S Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with Restaurant employees or otherwise be responsible for your labor relations or employment practices.

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

If the franchisee executing the Franchise Agreement is an entity such as a corporation, limited liability company, or limited partnership, a personal guarantee in the form attached to the Franchise

Agreement must be signed by all stockholders, members, partners, or any other individual requested by us. If the franchisee executing the Franchise Agreement is an individual, a spouse or any other individual must sign the personal guarantee at our request.

You must designate one of your individual owners with at least a 20% ownership interest in you to serve as your "Managing Owner." We must approve the proposed Managing Owner or any change in the Managing Owner. The Managing Owner is responsible for managing the Restaurant. The Managing Owner must have sufficient authority to make business decisions for you and communicate directly with us regarding any Restaurant-related matters (excluding matters relating to labor relations and employment practices). The Managing Owner's decisions will be final and bind you.

The Managing Owner may be the manager of the Restaurant or may designate another person to serve as the manager, provided the Managing Owner ensures that the manager fulfills all of your obligations.

If you propose to change the Managing Owner, you must seek a new individual (the "Replacement Managing Owner") for that role and appoint the Replacement Managing Owner within 30 days after the former Managing Owner's last day. We must approve in writing the Replacement Managing Owner, who must hold the minimum ownership interest in you that we specify. The Replacement Managing Owner must attend and satisfactorily complete the training we specify. You must pay the Replacement Managing Owner's compensation and travel-related expenses during training.

Besides the Managing Owner, no manager or other employee of yours must have an equity interest in you or the Restaurant. During the franchise term, except as we otherwise approve in writing, your Managing Owner and managerial employees must devote their full-time energy and best efforts to manage and operate the Restaurant. At least 2 people (including your Managing Owner) must complete our initial training program. At least 2 additional people must complete our two-week hourly team member training program. We do not place any limitations on whom you can hire as a non-owner manager.

You must take reasonable steps to prevent improper disclosure of Confidential Information to others and use non-disclosure agreements with those having access to Confidential Information. We may pre-approve the forms of non-disclosure agreements you use solely to ensure that you adequately protect Confidential Information and the competitiveness of CAPRIOTTI'S Restaurants. Under no circumstances will we control the forms or terms of employment agreements you use with employees or otherwise be responsible for your labor relations or employment practices.

If you sign an Area Development Agreement, you also must appoint a Managing Owner. This Managing Owner will directly oversee the operation of all your Restaurants. You must replace any departing Managing Owner within 30 days.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct your business in accordance with the Manual to protect our reputation and goodwill and to maintain high standards of operation under the Marks. You must use the Restaurant premises solely for the Restaurant's operation, must keep the premises open and in normal operation for the minimum hours and days we specify in the Manual or as we may otherwise approve in writing (subject to local ordinances or lease restrictions, if any), and must refrain from using or permitting the use of the premises for any other purpose or activity at any time without first obtaining our written consent. You must not locate or permit to be located on the Restaurant's premises any pay telephones or any coin-operated machines for the vending of any merchandise or the playing of electronic or manual games or for any other similar purpose except as required in the Manual or we otherwise approve in writing. You must offer and sell all products and perform all services we periodically require for CAPRIOTTI'S Restaurants. You may not offer or sell any products or perform any services we have not authorized. We have the right to change the types of authorized goods and services you must offer and sell. There are no limits on our right to do so. To the extent allowed by applicable law, we may regulate the minimum, maximum, and other prices for products and services your Restaurant offers, including requirements for promotions, special offers, and discounts in which some or all CAPRIOTTI'S Restaurants participate.

You must not engage in any trade practice or other activity or sell any product or literature which is competitive, harmful to the goodwill of or reflects unfavorably on your reputation, us, the Restaurant, or the products sold there, constitutes deceptive or unfair competition, or otherwise is in violation of any applicable laws. We do not impose any other restrictions in the Franchise Agreement or otherwise as to the goods or services which you may offer or as to the customers to whom you may sell.

If you operate the Restaurant from a Virtual Kitchen, we may require you to comply with certain operating standards that differ from those that we have implemented for CAPRIOTTI'S Restaurants that are not operated at Virtual Kitchens. For example, we may require you to offer, prepare, and sell Non-Core Products (defined in Item 17.q) at the location, and those Non-Core Products may change rapidly in the foreseeable future; we may set certain minimum hours of operation; and we may require you to use vendors and pay for technologies and services that are not standard for CAPRIOTTI'S Restaurants that are not operated at Virtual Kitchens (subject in all cases to any restrictions imposed on you by the services agreement, occupancy agreement, or other agreement under which you have the right to possess and operate the Restaurant at the location).

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Franchise Agreement

Provision	Section in franchise or other agreement	Summary
a. Length of the term	Section 2 of Franchise Agreement and Section 3(a) of Renewal Rider to Franchise Agreement	The initial term is 10 years. If you have renewal franchise rights and are exercising them because your existing franchise will soon expire, the renewal franchise term is 10 years. While the Franchise Agreement's term is 10 years, the duration of the services agreement, occupancy agreement, or other agreement under which you have the right to possess and operate the Restaurant at a Virtual Kitchen is likely to be materially shorter.

Provision	Section in franchise or other agreement	Summary
b. Renewal or extension of the term	Section 2 of Franchise Agreement and Section 3(a) of Renewal Rider to Franchise Agreement	If you give timely notice, have complied with obligations during the Franchise Agreement's term, and (at our option) either remodel/upgrade or relocate Restaurant, you may acquire a successor franchise for a 10-year term. If you have renewal franchise rights and are exercising them for first time because your existing franchise soon will expire, you have no additional renewal franchise rights after the next term expires.
c. Requirements for you to renew or extend	Section 2 of Franchise Agreement and Section 3(a) of Renewal Rider to Franchise Agreement	Sign then-current franchise agreement and releases (if state law allows) and pay successor franchise fee. "Renewal" means signing our then-current franchise agreement for the 10-year successor franchise term, which could contain materially different terms (including higher fees), except that successor franchise fee is $10,000.
d. Termination by you	Section 10.4	You may terminate if we fail to cure a material breach within 30 days after receiving written notice from you unless the breach cannot reasonably be corrected within 30 days, in which case we will have a reasonable time period to correct the breach.
e. Termination by us without cause	Section 10	None. We may not terminate your Franchise Agreement without cause.
f. Termination by us with cause	Section 10 of Franchise Agreement and Section 4 of Franchise Agreement Amendment for Virtual Kitchen Operations	We can terminate the Franchise Agreement if you default without notice for non-curable defaults and with 5 days' notice for curable defaults. Under Franchise Agreement Amendment for Virtual Kitchen Operations, we may terminate the Franchise Agreement upon written notice to you if you breach any services agreement, occupancy agreement, or other agreement under which you have the right to possess and operate the Restaurant at its approved location and fail to cure the breach within any applicable cure period, or you lose the right (for whatever reason) to operate the Restaurant at the approved location.

Provision	Section in franchise or other agreement	Summary
g. “Cause” defined – curable defaults which can be cured	Section 10.2	We will terminate the Franchise Agreement for “cause” if you: fail to timely remodel your premises; fail to pay any monies owed to us, our affiliates the Marketing Fund, or your designated marketing Cooperative; transfer ownership by persons owning 5% or more of you; threaten public health or safety; make unauthorized use of the System or Marks; have continued law violations; engage in discrimination; or have other defaults not outlined above or designated as a noncurable default. You have 5 days to cure these defaults. You have 30 days to cure failure to pay vendors to our System or to use a vendor’s required payment method.
h. “Cause” defined—noncurable defaults	Section 10.1	We may terminate the Franchise Agreement for “cause” which is noncurable if: you declare bankruptcy or assign assets to creditors; you go into receivership; you dissolve; you have a judgment lien placed on your assets; you abandon the Restaurant; you, your Managing Owner, or an owner of 20% or more of the franchise engages in fraud or is convicted of a felony or other crime; you fail to make approved transfer within 90 days of death or incapacity; you have 3 or more defaults within any 24 months; you maintain false books or records; you impair the value of the Marks or System; you underpay royalties by more than 10%; you violate any employment laws; you lose your business licenses; you lose right to occupy premises of Restaurant; or you fail to begin operation of your Restaurant within 12 months of signing the Franchise Agreement.
i. Your obligations on termination/non-renewal	Section 11	Your obligations on termination or non-renewal include: cease operating; cease using the System; return property to us; cancel any assumed names; assign the lease; pay all sums owed; return all manuals, records, files, etc.; and the taking of an inventory. We may acquire your inventory and assets.
j. Assignment of contract by us	Section 12.1	No restriction on our right to assign; we may assign without your approval.
k. “Transfer” by you - definition	Section 12.2	Includes transfer of Franchise Agreement, Restaurant, or its profits, losses, or capital

Provision	Section in franchise or other agreement	Summary
		appreciation; all or substantially all operating assets; or ownership interest in you or controlling ownership interest in entity with ownership interest in you. Also includes mortgage, pledge, or similar interest in, and foreclosure on, Franchise Agreement, Restaurant, operating assets, or ownership interest and transfer of lease for Restaurant premises.
l. Our approval of transfer by you	Sections 12.2 through 12.5	We must approve all transfers; no transfer without our prior written consent.
m. Conditions for our approval of transfer	Sections 12.2 through 12.5	We will approve transfer of non-controlling ownership interest in you if transferee (and each owner) qualifies, is not (and has no affiliate) in a competitive business, and signs our then-current form of guaranty. We will not unreasonably withhold approval of transfer of franchise rights or controlling ownership interest if transferee (and each owner) qualifies; you have paid us and our affiliates all amounts due, have submitted all reports, and are not then in breach; transferee and its owners and affiliates are not in a competitive business; training completed; transfer fee paid; transferee may occupy Restaurant's site for expected franchise term; transferee (at our option) assumes your Franchise Agreement or signs our then-current franchise agreement and other documents (which may have materially different terms) for unexpired portion of your original franchise term; transferee agrees to upgrade and remodel; you (and transferring owners) sign general release (if state law allows); we determine that sale terms and financing will not adversely affect Restaurant's operation post-transfer; you subordinate amounts due to you; and you stop using Marks and our other intellectual property (also see (r) below).
n. Our right of first refusal to acquire your business	Section 14	We may match any offer for your Restaurant or ownership interest in you or entity that controls you.
o. Our option to purchase your business.	Section 11.11	Except in the case of a renewal, we do have an option to purchase your business.

Provision	Section in franchise or other agreement	Summary
p. Your death or disability	Section 13	The Restaurant or an owner's controlling ownership interest must be transferred by estate to approved third party within 90 days.
q. Non-competition covenants during the term of the franchise	Section 6 of Franchise Agreement and Section 2(a) of Franchise Agreement Amendment for Virtual Kitchen Operations	No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating; and no diverting business to competitive business. A "Competitive Business" means any business (a) offering for sale hot and cold submarine sandwiches and/or other deli-related menu items (other than soft drinks) or (b) granting franchises or licenses to others to operate such a business. Under Franchise Agreement Amendment for Virtual Kitchen Operations, restrictions also apply to offer, preparation, or sale at or from the Restaurant's location of any food products or beverages other than those food products and beverages that we expressly require or authorize you to offer, prepare, and sell, even if such food products and beverages are not associated directly with the "CAPRIOTTI'S" Mark or are not encompassed within the definition of the term "Competitive Business" above (such food products and beverages are referred to collectively as the "Non-Core Products").
r. Non-competition covenants after the franchise is terminated or expires	Sections 6 and 11.10 of Franchise Agreement and Section 2(b) of Franchise Agreement Amendment for Virtual Kitchen Operations	For 2 years after franchise term, no owning interest in or performing services for Competitive Business at Restaurant's site, within 5 miles of Restaurant's site, or within 3 mile of another CAPRIOTTI'S Restaurant then in operation or under construction. Under Franchise Agreement Amendment for Virtual Kitchen Operations, restrictions also apply for 1 year to offer, preparation, or sale of any Non-Core Products at or from the Restaurant's location or at another Virtual Kitchen physically located within 3 miles of the Restaurant's location.
s. Modification of the Agreement	Section 19	All modifications to the Franchise Agreement must be in writing.

Provision	Section in franchise or other agreement	Summary
t. Integration/merger clause	Section 19	Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 26	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Las Vegas, Nevada) (subject to state law).
v. Choice of forum	Section 27	Subject to arbitration requirements, litigation generally must be in courts closest to where we have our principal business address when the action is commenced (it currently is in Las Vegas, Nevada) (subject to state law).
w. Choice of law	Section 21	Except for federal law, Nevada law applies (subject to state law).

AREA DEVELOPMENT AGREEMENT

Provision	Section in the Area Development Agreement	Summary
a. Length of the term	Section 4	The rights granted under the Area Development Agreement expire on the opening date of the last Restaurant to be developed under the Area Development Agreement or the actual scheduled date of opening, whichever occurs first.
b. Renewal or extension of the term	Not applicable	Not applicable
c. Requirements for you to renew or extend	Not applicable	Not applicable
d. Termination by you	Not applicable	The Area Development Agreement does not contain a provision allowing you to terminate the Area Development Agreement for any reason.
e. Termination by us without cause	Not applicable	Not applicable

Provision	Section in the Area Development Agreement	Summary
f. Termination by us with cause	Sections 7.2 and 7.3	If you are in default of the Area Development Agreement, we will have cause to terminate the Area Development Agreement. A default in any Franchise Agreement with us is a default of your Area Development Agreement.
g. "Cause" defined – curable defaults which can be cured	Not applicable	The Area Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined—noncurable defaults	Sections 7.2 and 7.3	The Area Development Agreement will terminate automatically if: you are adjudicated a bankrupt or are otherwise involved in a bankruptcy proceeding; a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed); execution is levied against your premises or property; a mortgage or lien foreclosure is instituted against you and is not dismissed or in the process of being dismissed within 30 days; you no longer employ a Managing Owner approved by us; you have failed to exercise options and enter into Franchise Agreements with us under your Development Schedule; you fail to comply with any other term or condition of the Area Development Agreement; you make or attempt to make an unapproved transfer or assignment of the Area Development Agreement; you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us.
i. Your obligations on termination/non-renewal	Section 7.4	You will lose your options to establish an individual Restaurant for which a Franchise Agreement has not been signed. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Area Development Agreement, but are not in default under any 1 or all of your Franchise Agreements, you may continue to operate the existing Restaurants under the terms of their separate Franchise Agreements.
j. Assignment of contract by us	Section 8	There is no restriction on our right to assign.
k. "Transfer" by you - definition	Section 8	A "transfer" includes transfer of Agreement and ownership interest.

Provision	Section in the Area Development Agreement	Summary
l. Company's approval of transfer	Section 8	You have no right to engage in any transfer.
m. Conditions for Company's approval of transfer	Section 8	You have no right to engage in any transfer.
n. Company's right to acquire your business	Sections 8.2, 8.3 and 8.4	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Company's option to purchase your business.	Not applicable	Not applicable
p. Your death or disability	Not applicable	Not applicable
q. Non-competition covenants during the term of the franchise	Section 9.2	No owning interest in, performing services for, or loaning money or guaranteeing loan to competitive business, wherever located or operating. A "Competitive Business" means any business (a) offering for sale hot and cold submarine sandwiches and/or other deli-related menu items (other than soft drinks) or (b) granting franchises or licenses to others to operate such a business.
r. Non-competition covenants after the franchise is terminated or expires	Section 9.2	For 2 years after term of Area Development Agreement, no owning interest in or performing services for Competitive Business within Designated Territory or within 3 miles of another CAPRIOTTI'S Restaurant then in operation or under construction.
s. Modification of the Agreement	Not Applicable	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/merger clause	Not Applicable	Only terms of Franchise Agreement and other documents you sign with us are binding (subject to state and federal law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 11.8	We and you must arbitrate all disputes within 10 miles of where we have our principal business address when the arbitration demand is filed (it currently is in Las Vegas, Nevada) (subject to state law).

Provision	Section in the Area Development Agreement	Summary
v. Choice of forum	Section 11.3	Subject to arbitration requirements, litigation generally must be in courts closest to where we have our principal business address when the action is commenced (it currently is in Las Vegas, Nevada) (subject to state law).
w. Choice of law	Section 11.2	Except for federal law, Nevada law applies (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

This historical financial performance representation discloses the average, median, and high/low annual gross sales of all franchised (a total of 76 in 2019) and affiliate-owned (a total of 11 in 2019) CAPRIOTTI'S Restaurants in the United States that were open and operating during all of 2019. It also discloses the average, median, and high/low annual gross sales during 2019 of (i) the franchised (a total of 51 in 2019) and affiliate-owned (a total of 11 in 2019) CAPRIOTTI'S Restaurants that operate in "mature markets" (defined in the tables), (ii) the franchised (a total of 63 in 2019) and affiliate-owned (a total of 4 in 2019) CAPRIOTTI'S Restaurants that had been open for more than 2 full years as of December 31, 2019, and (iii) the franchised (a total of 38 in 2019) and affiliate-owned (a total of 4 in 2019) CAPRIOTTI'S Restaurants that had been open for more than 10 years as of December 31, 2019. This financial performance representation does not include the results of 17 CAPRIOTTI'S Restaurants: 8 franchised Restaurants that opened during 2019 (and therefore were not open for the full calendar year); 2 franchised Restaurants that closed during 2019; and 7 franchised Restaurants and 2 affiliate-owned Restaurants that operate at non-traditional locations on a more limited basis.

This financial performance representation also contains (i) actual partial operating financial statements for 2019 for each of 7 affiliate-owned and operated CAPRIOTTI'S Restaurants and (ii) an actual average and median partial operating financial statement for 2019 for each of those 7 affiliate-owned and operated CAPRIOTTI'S Restaurants. Excluded are 3 CAPRIOTTI'S Restaurants in Nevada that we reacquired in 2019 and did not operate for all of 2019 and 1 CAPRIOTTI'S Restaurant that we operate remotely in Northern Virginia.

We obtained the gross sales information for franchised Restaurants from sales reports submitted by franchisees. We have not independently audited that information. The franchised Restaurants whose average, median, and high/low gross sales are reported below are substantially similar to the CAPRIOTTI'S Restaurant franchises we currently offer in terms of products and services. "Gross Sales" is defined in our Franchise Agreement as the total of all revenue derived from operating the Restaurant, whether from sales for cash or credit, and irrespective of collection, including sales of merchandise, products, and services, but excluding sales tax, proceeds from the sale of equipment not in the ordinary course of business, franchisor pre-approved promotional discounts (provided physical evidence of the promotion/coupon is retained), and food purchased by employees for their own consumption as outlined in the Manual.

The actual average, median, and high/low annual gross sales volumes reported below do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross sales figures to obtain your net income or profit. You should independently investigate the costs and expenses you will incur in operating your CAPRIOTTI'S Restaurant. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

Our franchise program for CAPRIOTTI'S Restaurants is structured to provide to franchisees, in our capacity as franchisor, some of the services that our affiliates provide to the affiliate-owned CAPRIOTTI'S Restaurants identified below. However, we do not provide certain services to franchisees that the business owner normally provides, such as financing, accounting, legal, personnel, and management services. The availability, cost, and quality of these services to a franchisee likely will affect operations. All of the CAPRIOTTI'S Restaurants whose information is included below are substantially similar to one another in terms of products and services offered.

<u>Franchised Restaurants</u>

	2019 Results for All Franchised Restaurants Open During all of 2019****	2019 Results for All Franchised Restaurants Open in Mature Markets as of December 31, 2019***	2019 Results for All Franchised Restaurants Open more than 2 years as of December 31, 2019	2019 Results for All Franchised Restaurants Open more than 10 years as of December 31, 2019
Number of Restaurants in Range	76	51	63	38
Average Unit Volume	740,959	795,124	757,540	810,054
Highest Sales	1,567,086	1,567,086	1,567,086	1,567,086
Lowest Sales	384,773	418,882	343,227	513,561
Number & Percentage of Restaurants Exceeding Average	29 / 38%	19 / 37%	25 / 40%	13 / 34%
Median Unit Volume	725,010	736,999	686,046	770,645

	2019 Results for All Franchised Restaurants Open During all of 2019****	2019 Results for All Franchised Restaurants Open in Mature Markets as of December 31, 2019***	2019 Results for All Franchised Restaurants Open more than 2 years as of December 31, 2019	2019 Results for All Franchised Restaurants Open more than 10 years as of December 31, 2019
Average Unit Volume of Top 25th Percentile*	1,104,529	1,187,103	1,131,305	1,248,481
Highest Sales	1,567,086	1,567,086	1,567,086	1,567,086
Lowest Sales	826,463	876,684	826,463	584,415
Number & Percentage of Restaurants in Top 25th Percentile Exceeding Average	9 / 47%	6 / 32%	9 / 60%	4 / 40%
Median Unit Volume of Restaurants in Top 25th Percentile	1,147,770	950,512	1,248,845	1,154,993
Average Unit Volume of Bottom 25th Percentile**	486,771	573,243	494,467	581,304
Highest Sales	564,206	673,111	564,206	652,894
Lowest Sales	343,227	418,882	343,227	513,561
Number & Percentage of Restaurants in Bottom 25th Percentile Exceeding Average	12 / 63%	9 / 47%	10 / 67%	5 / 50%
Median Unit Volume of Restaurants in Bottom 25th Percentile	538,798	573,050	538,798	564,206

*This includes the top 25% performing Restaurants of the number of Restaurants in the range.

**This includes the bottom 25% performing Restaurants of the number of Restaurants in the range.

***Mature markets in this table are the States of Delaware, Nevada, and Pennsylvania. There were 51 franchised Restaurants in those states that were operational during the entire 2019 calendar year. The first CAPRIOTTI'S Restaurant opened in one of these states opened in June 1976. The most recent CAPRIOTTI'S Restaurant opened in one of these states in November 2017.

****This excludes non-traditional Restaurants.

Affiliate-Owned Restaurants

	2019 Results for All Affiliate-Owned Restaurants Open During all of 2019	2019 Results for All Affiliate-Owned Restaurants Open in Mature Markets as of December 31, 2019***	2019 Results for All Affiliate-Owned Restaurants Open more than 2 years as of December 31, 2019	2019 Results for All Affiliate-Owned Restaurants Open more than 10 years as of December 31, 2019
Number of Restaurants in Range	11	11	11	4
Average Unit Volume	820,576	820,576	820,576	738,283
Number & Percentage of Restaurants Exceeding Average	6 / 55%	6 / 55%	6 / 55%	2 / 50%
Median Unit Volume	853,869	853,869	853,869	792,066
Highest Sales	1,091,185	1,091,185	1,091,185	853,869
Lowest Sales	853,869	853,869	853,869	730,262

* Mature market in this table is the State of Nevada. There were 11 affiliated Restaurants in Nevada that were operational during the entire 2019 calendar year. The first CAPRIOTTI'S Restaurant opened in Nevada in April 1993. The most recent CAPRIOTTI'S Restaurant opened in Nevada in April 2016.

[Next chart begins on next page]

See Note 1	Las Vegas Sahara	Las Vegas Silverado	Henderson Horizon	Henderson Boulder Hwy	NLV Craig & Mitchell	LV Downtown Summerlin	NLV Aliante Pkwy and Nature Park	Average of 7 Affiliate-Owned Restaurants Operated for a Full Year in 2019	Percentage of Total Sales	Number & Percentage of 7 Affiliate-Owned Restaurants Exceeding the Average	Median
Total Sales	792,628	765,155	611,656	603,285	998,163	1,044,898	1,132,345	849,733	100.00%	4 / 57%	792,628
Total Prime Cost[6]	431,946	405,602	338,303	339,363	516,513	533,701	584,250	449,954	52.95%	4 / 57%	431,946
Total Cost of Goods Sold[2]	233,967	226,897	179,362	184,155	293,536	303,329	337,831	251,297	29.57%	4 / 57%	233,967
Store Level Salary[3]	37,634	58,543	44,269	53,485	54,399	40,953	20,692	44,282	5.21%	3 / 43%	44,269
Store Level Bonus-Salary[4]	1,494	5,587	2,907	2,881	10,707	6,367	3,920	4,838	0.57%	1 / 14%	3,920
Total Payroll & Related[5]	197,979	178,704	158,941	155,208	222,977	230,372	246,419	198,657	23.38%	3 / 43%	197,979
Total Operating Expense[7]	134,307	110,523	72,517	77,023	116,933	139,995	148,208	114,215	13.44%	5 / 71%	116,933
Total Non-Controllable Expense[12]	128,152	109,768	88,835	106,361	137,200	217,393	212,468	142,882	16.81%	2 / 29%	128,152
Total Rent[8]	45,388	38,989	30,064	47,544	41,937	113,851	93,056	58,690	6.91%	3 / 43%	45,388
Royalty Fee[9]	47,558	45,909	36,700	36,197	57,763	55,444	67,941	49,645	5.84%	4 / 57%	47,558
National Marketing Fees[10]	7,716	7,263	5,900	5,831	9,637	9,232	10,847	8,061	0.95%	5 / 71%	7,716
Local Marketing Cooperative Fees[11]	5,238	4,943	4,013	3,963	6,548	6,276	7,381	5,480	0.64%	4 / 57%	5,238
EBITDA[13]	100,222	162,062	112,015	92,515	227,517	162,501	187,419	149,179	17.56%	4 / 57%	162,062

Notes:

1. The Restaurants in this category represent all of the affiliate-owned Restaurants in Clark County, Nevada. Of these 7 affiliate-owned Restaurants, all have incorporated the operational and service elements of CAPS 2.0. [However, none of these Restaurants has incorporated the current trade dress of new Restaurants now being opened.]

   We included 11 Restaurants in the "Affiliate-Owned Restaurants" table displaying 2019 sales results for Restaurants open during all of 2019 that our affiliates owned and operated during all or part of the year. However, we are including in the table above only 7 of the affiliate-owned Restaurants that operated during all of 2019. The table above excludes 1 Restaurant in Virginia that operates a considerable distance from our corporate headquarters, 3 Restaurants in the Reno, Nevada area that we reacquired in 2019, and 1 Restaurant that we opened in Las Vegas in 2019. Operating remotely is a difficult endeavor, and the resulting operating expenses are not indicative of the expenses likely to be incurred by an operator based in the Restaurant's market. We or our affiliate is in the process of divesting the remaining older Virginia Restaurant based outside our core Nevada market.

2. Total Cost of Goods Sold: This includes the total cost of all food, beverages, and paper goods used in the Restaurants. The average Cost of Goods Sold in markets for the affiliate-owned Restaurants from the table above for 2019 was $251,297 or 29.57% of total sales. A franchisee in a new market with less than 3 open Restaurants could expect that its Cost of Goods Sold will be higher, likely ranging between 1% and 2% of total sales. Some proprietary items might not be stocked by our local distributor, causing an increase in freight costs. If compared to the average above, a 2% increase would increase the average Cost of Goods Sold to $267,665 or 31.5% of total sales.

3. Store Level Salary: This is the General Manager's salary. Each affiliate-owned Restaurant has one General Manager.

4. Store Level Bonus–Salary: Each General Manager has the opportunity to earn a bonus based on his or her management of Cost of Goods Sold and Labor.

5. Total Payroll & Related: This includes all salary and hourly wages, bonuses, taxes, and benefits paid at each affiliate-owned Restaurant.

6. Total Prime Cost: This is the sum of Cost of Goods Sold plus Total Payroll & Related.

7. Total Operating Expense: This includes comps, promos, cleaning supplies, linen, uniforms, equipment (purchases and rentals), repairs and maintenance, pest control, marketing and advertising, delivery expense, music, technology, telephone, permits, licenses, security, office supplies, postage, bank charges, credit card fees, and professional services.

8. Total Rent: This includes base rent, common area maintenance, property tax, insurance, and (at some of our locations) a fee to be included on monument or pylon signs.

9. Royalty Fee: Two affiliate-owned Restaurants pay a Management Fee equal to a 6% Royalty Fee. In this example, we take into account the payment of Royalty Fees for all 7 locations. Our accounting system breaks up the 12 months into 13 separate 4-week accounting periods. This table represents the Royalty Fee of 6% as would be paid by a multi-unit developer under the

terms of an Area Development Agreement (rather than the 7% Royalty Fee payable by a franchisee who operates a single Restaurant).

10. Marketing Fee–Nat'l: Each affiliate-owned Restaurant contributes to the National Marking Fund. While we have the right to collect 3% towards the National Marketing Fund, in the past we have only collected 1%. Our accounting system breaks up the 12 months into 13 separate 4-week accounting periods. The 0.97% represents the 1% National Marketing Fund contribution over those 13 separate 4-week accounting periods.

11. Marketing Fees–COOP: Eight affiliate-owned Restaurants contribute to the Las Vegas Cooperative, which is the only market in which there currently is a CAPRIOTTI'S Restaurant advertising cooperative. Our affiliates currently operate 8 of the 36 Restaurants in that market.

12. Total Non-Controllable Expense: This includes total rent, in some instances personal property tax, electricity, gas, sewer, trash removal, water, TV, Management Fee (Royalty Fee), Marketing Fees – National Fund & Local Cooperative, and accounting fees.

13. EBIDTA: This calculation uses the following formula (Total Sales minus Total Prime Cost minus Total Operating Expense minus Total Non-Controllable Expense = EBITDA).

Some CAPRIOTTI'S Restaurants have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you upon reasonable request. This financial performance representation was prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ashley Morris, Chief Executive Officer, 6056 S. Durango Drive, Las Vegas, Nevada 89113, 702-736-3878, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

All year-end numbers appearing in the tables below are as of December 31 in each year. The "Company-Owned" outlets referenced in tables 1, 4, and 5 below are owned by one or more of our affiliates.

Table No. 1

Systemwide Outlet Summary for years 2017 to 2019

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2017	84	83	-1
	2018	83	85	+2
	2019	85	89	+4
Company- Owned	2017	16	11	-5
	2018	11	9	-2
	2019	9	14	+5
Total Outlets	2017	100	94	-6
	2018	94	94	0
	2019	94	103	+9

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2017 to 2019

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2017	0
	2018	0
	2019	1
Delaware	2017	0
	2018	1
	2019	0
Nebraska	2017	1
	2018	1
	2019	0
Nevada	2017	1
	2018	1
	2019	2

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Pennsylvania	2017	0
	2018	0
	2019	1
Totals	2017	2
	2018	3
	2019	4

Table No. 3

Status of Franchised Outlets
For years 2017 to 2019

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Re-acquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Arizona	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	1	0	0	0	1	3
California	2017	9	0	0	0	0	4	5
	2018	5	0	0	0	0	0	5
	2019	5	1	0	0	0	0	6
Delaware	2017	14	2	0	0	0	0	16
	2018	16	0	0	0	0	1	15
	2019	15	0	0	0	0	0	15
Florida	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
Georgia	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Idaho	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Illinois	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Indiana	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
	2019	2	1	0	0	0	0	3

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Re-acquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Iowa	2017	3	0	0	0	0	1	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Maryland	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
Massachusetts	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	0	1
Michigan	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	2	0
	2019	0	0	0	0	0	0	0
Minnesota	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Nebraska	2017	2	0	0	0	0	1	1
	2018	1	0	1	0	0	0	0
	2019	0	0	0	0	0	0	0
Nevada	2017	30	4	0	0	0	0	34
	2018	34	2	0	0	0	0	36
	2019	36	0	0	0	3	0	33
Oklahoma	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
Pennsylvania	2017	7	0	0	0	0	0	7
	2018	7	0	0	0	0	1	6
	2019	6	0	0	0	0	0	6
Rhode Island	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
South Dakota	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Tennessee	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Utah	2017	1	1	0	0	0	0	2
	2018	2	3	0	0	0	0	5
	2019	5	3	0	0	0	0	8

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Re-acquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Washington	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Wisconsin	2017	2	0	0	0	0	1	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
Totals	2017	84	7	0	0	0	8	83
	2018	83	11	1	0	0	8	85
	2019	85	8	0	0	3	1	89

Table No. 4

Status of Company-Owned Outlets
For years 2017 to 2019

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at end of the Year
Arizona	2017	2	0	0	0	0	2
	2018	2	0	0	1	0	1
	2019	1	0	0	0	1	0
California	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Delaware	2017	2	0	0	0	2	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Nevada	2017	8	0	0	0	0	8
	2018	8	0	0	0	1	7
	2019	7	3	3	0	0	13
Utah	2017	1	0	0	0	1	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at end of the Year
Virginia	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
Washing-ton, D.C.	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Totals	2017	16	0	0	2	3	11
	2018	11	0	0	1	1	9
	2019	9	3	3	0	1	14

Table No. 5

Projected Openings As Of December 31, 2019

Column 1 State	Column 2 Franchise Agreements Signed But Restaurants Not Open	Column 3 Projected New Franchised Restaurants in 2019	Column 4 Projected New Company-Owned Restaurants in 2019
Arkansas	1	1	0
California	1	3	0
Delaware	1	1	0
Florida	1	3	0
Idaho	0	1	0
Illinois	1	2	0
Indiana	0	1	0
Iowa	1	1	0
Kansas	1	1	0
Michigan	1	1	0
Nevada	1	1	2
New York	1	1	0
North Carolina	1	2	0
Ohio	1	2	0
Pennsylvania	2	2	0
Rhode Island	0	1	0
South Dakota	0	1	0
Texas	1	2	0
Virginia	0	2	0
Totals	15	29	2

A complete list of Restaurants as of the date of this Franchise Disclosure Document is attached as Exhibit F. Also in Exhibit F, you will find the name, city, state and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had a Franchise Agreement terminated, canceled, or not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with our System.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit G are our audited financial statements for the fiscal years ended December 29, 2019, December 30, 2018, and December 31, 2017, our unaudited balance sheet as of May 17, 2020, and our unaudited income statement for the fiscal period ended May 17, 2020.

ITEM 22
CONTRACTS

The contracts following this Item 22 are listed in the order in which they appear. These are the only contracts which we will enter into with you in this state.

1. The Franchise Agreement with Site Selection Addendum
2. Area Development Agreement
3. State Riders to Franchise Agreement and Area Development Agreement
4. Mutual Release
5. ACH Transfer Agreement
6. Renewal Rider to Franchise Agreement
7. Franchise Agreement Amendment for Virtual Kitchen Operations

ITEM 23
RECEIPTS

You will find 2 copies of a detachable receipt as the final pages of this Franchise Disclosure Document. Please sign both acknowledging receipt of this Franchise Disclosure Document and return 1 copy to us for our files.

EXHIBIT A

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of the Department
of Business Oversight:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 (Phone)

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT B

FRANCHISE AGREEMENT WITH EXHIBITS

CAPRIOTTI’S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT -- SUMMARY PAGES

Effective Date	______________________________
Franchisor	Capriotti’s Sandwich Shop, Inc., a Nevada corporation
Address for Notice:	6056 S. Durango Drive Las Vegas, NV 89113
Telephone Number:	(866) 959-3737
Facsimile Number:	(702) 736-9878
Email:	info@capriottis.com
Franchisee:	
Type of Entity:	☐ Individual ☐ General Partnership ☐ Corporation ☐ LLC ☐ Limited Partnership
Address for Notice:	______________________________ ______________________________ ______________________________ ______________________________
Telephone:	______________________________
Facsimile Number:	______________________________
Mobile Telephone:	______________________________
Email:	______________________________
Franchisee’s Principals:	The following is a list of all shareholders, partners, members or other investors owning a direct or indirect interest in Franchisee and a description of the nature of their interest.

NAME	OWNERSHIP INTEREST IN FRANCHISEE	NATURE OF INTEREST

Franchisee’s Managing Owner is ______________________. His or her contact information for notice is ____.

The following is a list of all Franchisee’s Principals, as defined and designated according to Section 17 of the Franchise Agreement, each of whom shall (unless executing the Franchisee Guaranty Agreement) execute the Restrictive Covenant as to Franchisee or Shareholder/Member/Partner of Franchisee substantially of the form set forth at Exhibit C to the Franchise Agreement.

____
____

(Franchise ID)

Location:	______________________________
Opening Date:	______________________________
Initial Franchise Fee:	______________________________
Development Fee:	______________________________
Royalty Fee:	______________________________
% of Gross Sales	______________________________

By signing below each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and conditions of the CAPRIOTTI'S Franchise Agreement attached to these Summary Pages, effective on the Effective Date set forth above.

FRANCHISOR:	FRANCHISEE:
CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation	
By: ______________________________	By: ______________________________
Name: Ashley I. Morris	Name: ____________________
Title: CEO	Title: ____________________

FRANCHISE AGREEMENT

by and between

CAPRIOTTI'S SANDWICH SHOP, INC.

and

____

for a

CAPRIOTTI'S SANDWICH SHOP

____

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Page

FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement") made this date ___________, by and between **CAPRIOTTI'S SANDWICH SHOP, INC.**, a Nevada corporation, having its principal place of business at **6056 SOUTH DURANGO DRIVE, SUITE 100, LAS VEGAS, NEVADA 89113** ("Franchisor"), and ________________________, a ____________ corporation, having its principal place of business at ____________________________________ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor is the owner of the trademarks, service marks, and logo "CAPRIOTTI'S," which mark is registered with the USPTO under Registration Number 3,571,960, and any other trademarks Franchisor may develop, as well as the trade names "CAPRIOTTI'S" and "CAPRIOTTI'S SANDWICH SHOP" (collectively, the "Marks") and trade secrets, recipes and know-how for use in connection with the unique process and system for the preparation and sale of all of its food products (the "System"), together with all of the goodwill connected therewith; and

WHEREAS, Franchisee hereby acknowledges the requirement of appropriate safeguards for the maintenance and future promotion of the System by reason of its high standards of quality and service, and the fact that Franchisor has created over a period of years a superior reputation, name, identification and consumer demand for its products; and

WHEREAS, Franchisee hereby acknowledges and agrees to the exclusive right of Franchisor in and to the System as it is presently developed, or as the same may be improved upon during the term of this Agreement, including trade secrets, recipes, designs, trademarks, trade names, logos, signs and slogans presently in use and/or developed after the date of this Agreement, all of which may be used by Franchisee only based on the terms of this Agreement; and

WHEREAS, Franchisee desires, upon the terms and conditions of this Agreement, to obtain and enter into the business of operating a restaurant utilizing the System at and from the location agreed upon in this Agreement, under the name "CAPRIOTTI'S SANDWICH SHOP," subject to the training and supervision of Franchisor and in accordance with the standards of Franchisor presently in existence and/or as changed or modified at any time after the date of this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF the foregoing, the mutual agreements contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties hereby agree as follows:

1. **Grant of Franchise**. Franchisor hereby grants Franchisee during the term of this Agreement a non-assignable, non-exclusive right to use the Marks as designated and authorized by Franchisor, and the System, in the operation of a sandwich and specialty shop (the "Franchised Restaurant"). The Franchised Restaurant shall be limited to the designated location being specifically set forth in Section 3 of this Agreement or on the Site Selection Addendum (Exhibit A). Franchisee is hereby also granted the right to use the system of operation and method of doing business conceived and designated by Franchisor, and to buy supplies and products and to sell those items and products specified by Franchisor according to the procedures, system and methods defined in this Agreement and the CAPRIOTTI'S SANDWICH SHOP Confidential Operations Manual (the "Manual").

2. **Term**. This Agreement shall be effective for a period of ten (10) years from the date of this Agreement (the "Initial Term"). Franchisee agrees to operate the Franchised Restaurant in

compliance with this Agreement for the entire Initial Term unless this Agreement is properly terminated under Section 10.

When this Agreement expires (unless it is terminated sooner), Franchisee will have the right to acquire a successor franchise to continue operating the Franchised Restaurant as a CAPRIOTTI'S Restaurant for ten (10) years under Franchisor's then current form of franchise agreement, but only if Franchisee has:

i. requested in writing a business review at least six (6) months, but not more than nine (9) months, before the end of this Agreement's term;

ii. substantially complied with all of Franchisee's obligations under this Agreement and all other agreements with Franchisor or its affiliates related to the Franchised Restaurant, as noted in the business review Franchisor conducts; and

iii. at Franchisor's option, either (a) remodeled and upgraded the Franchised Restaurant and otherwise brought the Franchised Restaurant into full compliance with then applicable specifications and standards for new CAPRIOTTI'S Restaurants before this Agreement expires (regardless of cost), or (ii) agreed to relocate the Franchised Restaurant to a substitute site Franchisor has accepted and constructs and develops a new CAPRIOTTI'S Restaurant at that site.

To acquire a successor franchise, Franchisee and its owners must (1) sign Franchisor's then current form of franchise agreement (and related documents), which may contain terms and conditions differing materially from any and all of those in this Agreement, including higher Royalty Fees and Marketing Fund contributions, and will be modified to reflect that it is for a successor franchise; (ii) pay Franchisor a successor franchise fee equal to Ten Thousand Dollars ($10,000); and (iii) sign a general release in the form Franchisor specifies as to any and all claims against Franchisor, its affiliates, and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns. If Franchisee fails to sign and return the documents referenced above, together with the successor franchise fee, within thirty (30) days after Franchisor delivers them to Franchisee, that will be deemed Franchisee's election not to acquire a successor franchise. If Franchisee (and each of its owners) is not, both on the date Franchisee gives Franchisor written notice of Franchisee's election to acquire a successor franchise (at or after the business review) and on the date on which this Agreement expires, in substantial compliance with this Agreement and all other agreements with Franchisor or its affiliates related to the Franchised Restaurant, Franchisee acknowledges that Franchisor need not grant Franchisee a successor franchise, whether or not Franchisor had, or chose to exercise, the right to terminate this Agreement during the Initial Term.

3. **Location and Territory**.

3.1 The street address of the location of the Franchised Restaurant approved by this Agreement is as referenced on the Franchise Agreement Summary Pages or the location designated in the Site Selection Addendum signed by the parties subsequent to the execution of this Agreement (the "Approved Location"). The Franchisee shall operate the Franchised Restaurant under the terms of this Agreement at the Approved Location and at no other location without prior written consent of Franchisor. Franchisee may not relocate the Franchised Restaurant to a new site without Franchisor's prior written consent, which Franchisor may grant or deny as it deems best. Franchisor may condition relocation approval on (a) the new site and its lease being acceptable to Franchisor, (b) Franchisee paying Franchisor a reasonable relocation fee, (c) Franchisee reimbursing any costs Franchisor incurs during the relocation process, (d) Franchisee confirming that this Agreement remains in effect and governs the Franchised

Restaurant's operation at the new site with no change in the franchise term or, at Franchisor's option, Franchisee signing Franchisor's then current form of franchise agreement to govern the Franchised Restaurant's operation at the new site for a new franchise term, (e) Franchisee signing a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its owners, affiliates, officers, directors, employees, and agents, (f) Franchisee continuing to operate the Franchised Restaurant at its original site until Franchisor authorizes its closure, and (g) Franchisee taking, within the timeframe Franchisor specifies and at Franchisee's own expense, all action Franchisor requires to de-brand and de-identify the Franchised Restaurant's former premises so that it no longer is associated in any manner (in Franchisor's opinion) with the System.

3.2 Franchisee shall have no protected territory and Franchisee acknowledges Franchisor and Franchisor's other franchisees are free to compete with Franchisee and there are no restrictions on Franchisor's ability to locate additional franchises anywhere it desires, regardless of how close to the Franchised Restaurant.

3.3 Franchisor encourages Franchisee to make food deliveries from the Franchised Restaurant located at the Approved Location provided Franchisee complies with the procedures established by Franchisor for delivery, including delivery territories, if any, and ordering procedures.

4. **Franchise Fee and Royalties**. In consideration of the rights granted within this Agreement, Franchisee shall provide to Franchisor the following:

4.1 A one-time nonrefundable franchisee fee of ______________________ dollars (**$__________**) (the "Initial Franchise Fee") to be paid simultaneously with the execution of this Agreement. If this is a renewal franchise agreement, the renewal fee specified in Franchisee's expired Franchise Agreement shall be paid in lieu of the Initial Franchise Fee;

4.2 A royalty equal to ___ percent (__%) of Franchisee's total Gross Sales ("Royalty Fee"). The payment shall be due on the fifth (5th) day after the end of each calendar month following the opening of the Franchised Restaurant ("Due Date"). Upon thirty (30) days written notice, Franchisor can commence calculating the Royalty Fee bi-weekly as of the fifteenth (15th) and the last day of each calendar month. In the event Franchisee's restaurant is closed without Franchisor's approval for one (1) or more days ("Unauthorized Closure"), in addition to the Royalty Fee due from operations, Franchisee shall remit a Royalty Fee equal to the product of the average Royalty Fee for the sixty (60) days immediately preceding the date the Unapproved Closure occurred multiplied by the number of days the Unauthorized Closure occurred. In this event, the aforementioned Due Date shall be on the fifth (5th) day after the end of each reporting period.

On each Due Date, Franchisor will transfer from Franchisee's bank operating account ("Account") the amount reported to Franchisor in Franchisee's sales report or determined by Franchisor by the records obtained by Franchisor through Franchisee's point of sale system and Aloha (or other) software. Franchisor shall have the right to obtain directly from Franchisee's point of sale system and Aloha (or other) software all information contained within this Agreement and compile a Royalty Fee report by accessing this information ("POS Data"). All POS Data must be submitted and/or accessible by the Due Date. If Franchisee has not reported Gross Sales to Franchisor for any fiscal period and Franchisor is not using POS Data to determine the amount due, Franchisor will transfer from the Account an amount calculated in accordance with its estimate of the Gross Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Gross Sales, or underpaid the Royalty Fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor may initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that this credit is due.

In connection with payment of the Royalty Fee by electronic funds transfer, Franchisee shall: (1) comply with procedures specified by Franchisor in the Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee and other amounts payable under this Agreement, including any interest charges; and (4) make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof.

Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as described within this Agreement. Franchisee shall not be entitled to set off, deduct or otherwise withhold any Royalty Fees, advertising contributions, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligations or for any other reason. For purposes of this payment, “Gross Sales” shall mean the total of all revenue derived by Franchisee from operation of the Franchised Restaurant whether from sales for cash or credit, and irrespective of the collection thereof, including sales of both merchandise, products and services, exclusive of the following: sales tax if paid to the appropriate government authorities; proceeds from the sale of equipment not in the ordinary course of business; and Franchisor pre-approved in writing promotional discounts provided physical evidence of the promotion (coupon) is retained and food purchased by employees for their own consumption as outlined in the Manual.

Royalty Fees received by Franchisor based on this Section shall not be deemed trust funds nor shall Franchisor be required to segregate these funds in any way. Royalty Fees shall be deemed general funds of Franchisor for all purposes and shall be non-refundable to Franchisee;

4.3 Franchisee agrees to furnish Franchisor with monthly financial statements in the required format by the twenty (25th) of each month;

4.4 Franchisee agrees to furnish Franchisor with yearly tax returns for the Franchised Restaurant the earlier of the twenty fifth (25th) of April, or thirty (30) days after the filing of said return with the applicable state and federal tax authorities;

4.5 Franchisee agrees to use Franchisor's chart of accounts in operating the Franchised Restaurant to facilitate consistent reporting to and the maintenance of uniform records for Franchisor.

4.6 If Franchisee fails to timely deliver any financial report required under this Agreement twice in any twenty-four (24) month period, Franchisor shall have the right to retain a bookkeeper to correct and maintain Franchisee’s business records until Franchisor is confident Franchisee’s financial reports accurately reflect the condition of the business. Franchisee shall reimburse Franchisor for these bookkeeping services at the rate of the greater of one hundred dollars ($100.00) an hour or the actual out of pocket costs incurred by Franchisor. Franchisee agrees to fully cooperate with Franchisor and agrees to provide all requested information to Franchisor’s bookkeeper.

Late payment of any fee due under this Section 4 will result in a non-refundable charge of two hundred fifty dollars ($250.00) per incident.

5. **Trademarks, Trade Names, and Trade Secrets**. Franchisee acknowledges that Franchisee is required, if possible, to prevent those persons or parties associated with or employed by it from the unauthorized use of Franchisor's Marks and also to maintain and control the quality of products sold through the use of those Marks.

Franchisee therefore covenants and agrees to perform and abide by the following provisions:

5.1 Franchisee shall not use the Marks or any stylistic or colorable variation thereof as: (i) part of a trademark, service mark or trade name of any corporation, partnership, proprietorship or other business entity in which Franchisee owns or holds any interest; or as (ii) the trademark, trade name or assumed name of any business entity except in connection with the terms of this Agreement and the Franchised Restaurant. Specifically, and without limitation, Franchisee may not use the name "CAPRIOTTI'S" in the name of any corporation, partnership, proprietorship or other business entity in which Franchisee owns or holds any interest.

5.2 Franchisee shall not use any of the Marks in connection with any advertising, promotion, sale or distribution of any item or other product not included on Franchisor's approved list or for any service not offered by Franchisor without Franchisor's prior written consent.

5.3 Franchisee shall not use or allow the use of Franchisor's Marks in or on any promotional material, advertisement, display, business forms or other printed material without affixing the Marks to these materials in the manner required by Franchisor. All advertising and promotions must conform to the standards and requirements specified by Franchisor. Franchisee must submit to Franchisor, in the manner Franchisor specifies, for prior written approval, samples of all advertising and promotional plans and materials to be used by Franchisee in the Franchised Restaurant and none of these materials may be used without the express prior written consent of Franchisor.

5.4 Franchisee shall use the Marks in the precise form prescribed by Franchisor and shall observe all directions from Franchisor regarding the presentation of the Marks and the manner of their display and use. All paper goods, advertising and promotional materials that have not been furnished by Franchisor shall be submitted by Franchisee to Franchisor for approval before use by Franchisee in the Franchised Restaurant. Franchisor's approval shall not be unreasonably withheld or delayed for more than thirty (30) days after receipt of the proposed advertising material. If Franchisor fails to respond within thirty (30) days, the approval request shall be deemed denied.

5.5 Franchisee shall use the Marks only on any goods and/or for any services which are in compliance with the directions and specifications periodically issued by Franchisor and with other quality control measures now in effect or which Franchisor may adopt in the future to promote and defend the goodwill associated with the Marks. Franchisee is prohibited from using the Marks on any goods and/or for any services not in compliance with these directions and specifications issued by Franchisor.

5.6 Franchisee shall promptly discontinue use of the Marks of Franchisor, and shall take appropriate action to remove said Marks from the premises upon which its business is located upon the expiration, termination or revocation of this Agreement.

5.7 Franchisee understands and agrees that Franchisor has disclosed or will later disclose to Franchisee certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Franchised Restaurant and as approved by Franchisor, Franchisee shall not, during the Initial Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the recipes, food products, advertising, marketing, designs or methods of operation of the Franchised Restaurant or the System. Franchisee shall disclose to its employees only the confidential, proprietary or trade secret information as is necessary to operate its restaurant hereunder and then only while this Agreement is in effect. Any and all information, knowledge or know-how, including, without limitation, drawings, materials, equipment, marketing, recipes and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement. Franchisee hereby acknowledges and agrees that all Franchisor's recipes and food preparation techniques are and shall remain trade secrets. Additionally, Franchisee agrees not to make any unauthorized postings of trade secrets on any Internet websites or electronic bulletin boards.

5.8 Franchisee and its shareholders agree that, in the event any trade secrets are disclosed in violation of this Agreement, then, Franchisee and its shareholders shall be liable for damages with respect to loss of potential franchise fees, loss of royalties, attorneys' fees related to the breach of its promise, costs and any other damages or remedies deemed appropriate by a court of competent jurisdiction.

5.9 Franchisee acknowledges Franchisor reserves the right to change, revise or substitute different Marks for use in identifying the System, the Franchised Restaurant and the products sold or offered for sale through the Franchised Restaurant, if Franchisor, in its sole discretion, determines that change, revision or substitution of different Marks will be beneficial to the System. In these circumstances, the use of the substitute Marks shall be governed by the terms of this Agreement. Franchisee shall comply with each change, revision or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor's directions regarding any of these Marks within thirty (30) days after receipt of notice from Franchisor or, if this modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any of these modifications or discontinuances. Franchisee shall also use these additional or substitute Marks as Franchisor shall direct.

5.10 Unless otherwise approved in writing by Franchisor, Franchisee shall not establish a separate Website. However, Franchisor shall have the right to require that Franchisee have one (1) or more references or webpage(s), as designated and approved in advance by Franchisor, within Franchisor's principal Website, which is currently www.capriottis.com ("Franchisor's Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, LinkedIn, and on-line blogs and forums ("Networking Media Sites"). Franchisor shall have the right to require that Franchisee not have any Website other than the webpage(s), if any, made available on Franchisor's Website. However, if Franchisor approves a separate Website for Franchisee (which Franchisor is not obligated to approve and which approval, if granted, may later be revoked by Franchisor), then each of the following provisions shall apply:

(a) Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be subject to Franchisor's prior review and approval;

(b) Any expenditures by Franchisee in connection with any Website shall not count towards fulfilling Franchisee's advertising obligations;

(c) Before establishing any Website, Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner Franchisor may reasonably require;

(d) If approved, Franchisee shall not subsequently modify such Website without Franchisor's prior written approval as to such proposed modification;

(e) Franchisee shall comply with the standards and specifications for Websites that Franchisor may periodically describe in the Manual or otherwise in writing;

(f) If required by Franchisor, Franchisee shall establish such hyperlinks to Franchisor's Website and other Websites as Franchisor may request in writing; and

(g) Franchisee shall not (unless such activities are protected under applicable law) make any posting or other contribution to a Networking Media Site relating to Franchisor, the System, the Marks or the Franchised Restaurant that (i) is derogatory, disparaging or critical of Franchisor, (ii) is offensive, inflammatory or indecent, (iii) harms the goodwill and public image of the System and/or the Marks or (iv) violates Franchisor's policies relating to the use of Networking Media Sites.

Franchisee shall, to the extent allowed by applicable law, take such steps as are necessary to ensure that its employees do not violate Franchisor's policies relating to the use of Networking Media Sites, including, but not limited to, prohibiting employees from posting any information relating to Franchisor, the System, the Marks or the Franchised Restaurants on any Networking Media Site that is inconsistent with such policies.

5.11 Franchisee shall not, without Franchisor's prior written approval (which Franchisor may grant or deny as it deems best), use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (i) the content of such e-mail advertisements or solicitations; and (ii) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

6. **Restrictive Covenant**. Franchisee acknowledges that Franchisor has granted Franchisee the rights under this Agreement in consideration of and reliance upon Franchisee's and its owners' agreement to deal exclusively with Franchisor with respect to the products and services CAPRIOTTI'S Restaurants offer. Franchisee therefore agrees that, during this Agreement's term, neither Franchisee, its owners, nor any members of Franchisee's or its owners' Immediate Families (defined below) will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities that are publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, employee, or agent of any Competitive Business, wherever located or operating; or

(d) divert or attempt to divert any actual or potential business of the Franchised Restaurant to a Competitive Business.

The term "Immediate Family" includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. The term "Competitive Business," as used in this Agreement, means any business (a) offering for sale hot and cold submarine sandwiches and/or other deli-related menu items (other than soft drinks) or (b) granting franchises or licenses to others to operate the type of business described in clause (a), other than a CAPRIOTTI'S Restaurant operated under a franchise agreement with Franchisor. Franchisee agrees to obtain similar reasonable covenants from its senior personnel, including the Franchised Restaurant's manager, officers, and directors. Franchisor has the right to pre-approve the forms of agreements Franchisee uses solely to ensure that Franchisee adequately protects trade secrets and confidential information and the competitiveness of CAPRIOTTI'S Restaurants. Under no circumstances will Franchisor control the forms or terms of employment agreements Franchisee uses with Franchised Restaurant employees or otherwise be responsible for Franchisee's labor relations or employment practices.

Upon Franchisor's termination of this Agreement for any reason, Franchisee's termination of this Agreement without cause, or expiration of this Agreement (without the grant of a renewal franchise), Franchisee and its owners agree that neither they nor any member of their Immediate Families will have any direct or indirect, controlling or non-controlling interest as an owner, whether of record, beneficial, or otherwise, or perform services as a director, officer, manager, employee, consultant, representative, or agent, in any Competitive Business located or operating: (i) at the Franchised Restaurant's site; or (ii) within five (5) miles of the Franchised Restaurant's site; or (iii) within three (3) miles of another CAPRIOTTI'S Restaurant in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section, provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding.

Franchisee, each owner, and their Immediate Families will each be bound by these competitive restrictions for two (2) years beginning on the effective date of this Agreement's termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for the non-compliant party will not start to run until the date on which that party begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that person resumes compliance. These restrictions also apply after transfers and other events, as provided below. Franchisee (and its owners) expressly acknowledges that it (and they) possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, Franchisor's enforcing the covenants made in this Section will not deprive Franchisee (and its owners) of personal goodwill or the ability to earn a living.

7. **Obligations of Franchisor**. Franchisor agrees:

7.1 To make available to Franchisee the benefit of its knowledge and experience in the installation, commencement and operation of the System.

7.2 To make available to the Franchised Restaurant the benefit of its knowledge and experience in: (i) selection and installation of equipment and furnishings; (ii) appropriate décor and restaurant layout; (iii) purchase, location and installation of signs identified with the operation of the Franchised Restaurant; and (iv) the System. Franchisee shall pay Franchisor a one-time nonrefundable Development Services Fee ("Development Services Fee") in the amount of SIX THOUSAND Dollars ($6,000.00) to be paid simultaneously with the execution of this Agreement for Franchisor's assistance with these matters.

7.3 To render advisory service regarding the operation of the Franchised Restaurant, including handling products and services in accordance with the System and Manual, and guidance on the operation of the Franchised Restaurant.

7.4 To provide quality control by conducting random, unannounced inspections of the Franchised Restaurant to ensure quality of products and services.

7.5 To provide electronic access to the Manual after this Agreement has been signed. If a paper copy is required, one (1) will be loaned to Franchisee for a non-refundable fee of one thousand dollars ($1,000.00) and must be returned upon termination of the franchise relationship.

7.6 To provide up to four (4) weeks of training in Las Vegas and two (2) weeks of supervision and assistance to Franchisee and its employees at the Franchised Restaurant around the opening of the Franchised Restaurant ("Pre-Opening Event").

7.7 To assist in the set-up of the accounting system to be utilized by the Franchised Restaurant, as Franchisee is required to use Franchisor's chart of accounts.

7.8 To review monthly reports and other information of the Franchised Restaurant as may be required by Franchisor.

7.9 To render advisory services regarding advertising, promotional plans, and materials for local advertising.

7.10 To provide a list of approved supplies and approved suppliers to Franchisee.

In the event Franchisor is required to expend more than two (2) weeks of effort in assisting Franchisee in opening the Franchised Restaurant (other than training and pre-opening events), Franchisor reserves the right to invoice Franchisee for the additional time at Franchisor's then-current rate for additional training as set forth in the Operations Manual. All obligations of Franchisor under this Agreement are owed solely to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of these obligations, either directly or by subrogation.

If Franchisee fails to pay any sum due Franchisor on the date payment is due, or is otherwise in default under any agreement between Franchisee and Franchisor, Franchisor may, at its sole discretion, withhold any supervisory assistance or other services listed in this Section 7.

8. **Obligations of Franchisee**. Franchisee agrees:

8.1 To specifically follow the requirements and procedures of the System as set forth in the Manual presently in effect and as may periodically be amended in Franchisor's sole discretion.

8.2 To hire a manager with full power and authority to control the daily operations of Franchisee's Franchised Restaurant (if the manager is not Franchisee's Managing Owner (defined in Section 8.21 below)). The manager, as with all Franchised Restaurant employees, shall be subject to the control of Franchisee. Franchisee understands that such a manager ensures an appropriate set-up and institutes proper and adequate general business practices, product preparations, service by employees, purchase of supplies and other appropriate standards or procedures to facilitate and assist in the effective operation of the franchise.

8.3 To employ the methods of operation specified by Franchisor, the Manual and the System to ensure the highest quality food products and services are provided to the consuming public. Franchisee understands there must be strict adherence, without variation, to the aforesaid method of preparation and presentation of the products sold by Franchisee and to all other requisites and directions set forth by the System now in effect and as modified by Franchisor periodically. Franchisee agrees to comply with all standards, procedures, and requirements for responding to customer complaints, including reimbursing Franchisor promptly if Franchisor resolves a customer complaint because Franchisee fails to do so as or when required.

8.4 To comply with all requests of Franchisor with respect to the appearance and use of the Marks licensed under this Agreement, including any requests to change the form or style or discontinue using any of said Marks.

8.5 To take necessary measures to obtain all appropriate licenses, permits and approvals to do business at the Approved Location before opening the Franchised Restaurant and shall present evidence of the same to Franchisor upon obtaining these documents.

8.6 To spend at least thirty-thousand dollars ($30,000.00) towards the Shop Launch Marketing Plan. Franchisee will pay to Franchisor fifteen-thousand dollars ($15,000.00) no later than four (4) weeks before the Franchised Restaurant opens. A second payment of fifteen-thousand dollars ($15,000.00) will be paid to Franchisor no later than ten (10) weeks after the Franchised Restaurant opens. The Shop Launch Marketing Plan will be created by the CAPRIOTTI'S marketing department in collaboration with the Franchisee, and Franchisor will implement the Shop Launch Marketing Plan on the Franchisee's behalf. This plan covers marketing activities over the first six (6) months of operation. The Shop Launch Marketing Plan for non-traditional locations will be prescribed on a case by case basis as applicable for the particular location.

8.7 After the Franchised Restaurant has been in operation for six (6) months and for the remaining portion of this Agreement's term, Franchisor requires that the Franchisee spend at least one and one half percent (1.5%) of the Franchised Restaurant's total Gross Sales each month towards local marketing efforts in the area around the Franchised Restaurant (although Franchisor recommends that the Franchisee spend up to four percent (4%) of the Franchised Restaurant's monthly Gross Sales for such purpose). Upon request, Franchisee agrees to supply Franchisor with documented proof of its spend towards local marketing efforts.

8.8 To obtain required insurance coverage before opening the Franchised Restaurant or upon signing the lease, whichever occurs first, from an insurer company with an A.M. Best's Review rating of not less than A-VII, and otherwise acceptable to Franchisor, to insure the premises and cover business operations and product liability with the following minimum limits: Comprehensive General Liability–bodily injury and property damage of $1,000,000 per occurrence and $2,000,000 aggregate; Liquor Liability of $1,000,000 aggregate (if applicable); automobile liability for all owned, non-owned, and rented vehicles used in operating the Franchised Restaurant of $1,000,000 Combined Single Limit Liability (not included with the General Liability); Workers' Compensation and Employer's Liability of $1,000,000 by accident, $1,000,000 by disease policy limit, and $1,000,000 by disease each accident; Umbrella Liability of $1,000,000 in excess of all other liability policies; and Property Insurance for 100% of the replacement cost of all furniture, fixtures, equipment, inventory, building (if applicable), and tenant build out in the Franchised Restaurant. Furthermore, Franchisee must carry Employment Practices Liability of at least $1,000,000 aggregate, including third party coverage and Wage & Hour Defense cost of $100,000 naming Franchisor as Co-defendant; Cyber Liability of $1,000,000 for all data breaches, identity thefts, phishing attacks, and social engineering and data response/crisis management expenses; and Trade Name Restoration coverage of $500,000 per location to pay for Franchisee's lost profit from an actual or alleged contamination claim anywhere in the brand. Franchisor may at its option modify the types and amounts of required coverage upon written notice to Franchisee. Franchisee must comply with the modified requirements. The General Liability policy must name Franchisor as additional insured, and the Employer's Liability must name Franchisor as Alternate Employer. The policies must contain a Waiver of Subrogation in Franchisor's favor, provide for statutory notice of cancellation to Franchisor, and be primary and non-contributory to any insurance Franchisor maintains. Franchisee must deliver a certificate of insurance, reflecting all required insurance coverage, to Franchisor upon signing its lease and 10 days before each renewal. If Franchisee fails to provide Franchisor a certificate, Franchisor reserves the right, but has no obligation, to place coverage on Franchisee's behalf for which Franchisee must reimburse Franchisor, including any administration fee that might apply, immediately upon notification from Franchisor.

8.9 To require all employees with permitted access to Franchisor's trade secrets or other confidential or proprietary information as is necessary in order to operate the Franchised Restaurant (as provided in Section 5.7 above) to sign a non-disclosure Agreement. Franchisor has the right to pre-approve the forms of non-disclosure agreements Franchisee uses solely to ensure that Franchisee adequately protects trade secrets and other confidential and proprietary information and the competitiveness of CAPRIOTTI'S Restaurants. Under no circumstances will Franchisor control the forms or terms of employment agreements Franchisee uses with Franchised Restaurant employees or otherwise be responsible for Franchisee's labor relations or employment practices. Franchisee must keep copies of non-disclosure agreements and send them to Franchisor upon request solely for Franchisor to confirm Franchisee's compliance with its confidentiality obligations.

8.10 To ensure that the highest degree of quality and service is maintained. Franchisee must operate the Franchised Restaurant in strict conformity with these methods, standards and specifications as Franchisor may prescribe in the Manual or otherwise in writing. Franchisor must approve any and all products and services used in the operation of the Franchised Restaurant and suppliers from which products and services are purchased. Franchisee must use only approved suppliers as Franchisee's exclusive suppliers and service providers as required by Franchisor in the Manual, which may include, but not be limited to, food suppliers and merchant card processors. For instance, Franchisee must use the then-current merchant card service supplier. **FRANCHISOR MAY, BUT IS NOT REQUIRED TO, NEGOTIATE PURCHASE ARRANGEMENTS WITH SUPPLIERS**. If Franchisee proposes to purchase any products, equipment, forms, paper or other products used in the Franchised Restaurant (that Franchisee is not required to purchase from Franchisor) from a manufacturer, distributor, vendor or other supplier that Franchisor has not previously approved, Franchisee shall submit to Franchisor a written request for the approval or shall request the supplier to do so itself. None of these suppliers may be used by Franchisee without first obtaining Franchisor's prior written approval.

Franchisor has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that the information, specifications and samples as Franchisor reasonably designates be delivered to Franchisor and/or to an independent, certified laboratory designated by Franchisor for testing before granting approval. A charge not to exceed the actual cost of the inspection(s) and the actual cost of the test(s) shall be paid by Franchisee. Costs shall include all costs incurred by Franchisor, including, but not limited to, Franchisor's oversight and administrative charges. Franchisor has the right to establish, periodically, the criteria used in evaluating alternative suppliers, which criteria may include, but not be limited to, price, quality, purchasing requirements and the economic impact on franchisees as a group from allowing Franchisee to purchase from alternative suppliers. Franchisor reserves the right, at Franchisor's option, to re-inspect the facilities and products of any of these approved suppliers and to revoke its approval upon a supplier's failure to continue to meet any of the foregoing criteria. Franchisor and its affiliates have the right (without liability) to consult with Franchisee's suppliers about the status of Franchisee's account with them and to advise Franchisee's suppliers and others with whom Franchisee, Franchisor, Franchisor's affiliates, and other franchisees deal that Franchisee is in default under any agreement with Franchisor or its affiliates (but only if Franchisor has notified Franchisee of such default).

8.11 To maintain in sufficient supply and use at all times only those products, materials, supplies and methods of service as conform to Franchisor's standards and specifications and must refrain from using nonconforming items or methods without Franchisor's prior written consent. Franchisee also must sell, distribute or deliver only those products that meet Franchisor's standards of quality and quantity and that have been expressly approved for sale in writing by Franchisor; must sell or offer for sale all approved items; must refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; must discontinue selling and offering for sale any items, products or services which Franchisor may, in its discretion, disapprove in writing at any time; and must use only products bearing the approved Marks which meet the specifications of Franchisor.

8.12 To permit Franchisor or its agents to conduct unannounced inspections at any reasonable time. Franchisee must permit Franchisor or its agents, at any reasonable time, to remove from the Franchised Restaurant samples of items without payment for these items, in amounts reasonably necessary for testing by Franchisor or an independent laboratory, to determine whether these samples meet Franchisor's then-current standards and specifications. In addition to any other remedies Franchisor may have under the Franchise Agreement, Franchisor may require Franchisee to bear the cost of this testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications. Franchisee grants Franchisor and its agents the right to enter the Franchised Restaurant at any reasonable time to inspect, photograph or video the Franchised Restaurant, equipment and operations in the Franchised Restaurant. Franchisee must cooperate with Franchisor's representatives in these inspections by rendering assistance as they may reasonably request. Upon reasonable notice from Franchisor or its agents and without limiting Franchisor's other rights under the Franchise Agreement, Franchisee must take the steps necessary to correct immediately any deficiencies detected during any inspection, including, without limitation, immediately desisting from the continued use of any equipment, advertising materials, products or supplies that do not conform to Franchisor's then-current specifications, standards or requirements.

8.13 To allow Franchisor the ability to specify maximum, minimum, or other pricing requirements for products and services the Franchised Restaurant offers and sells, including requirements for promotions, special offers, and discounts in which some or all CAPRIOTTI'S Restaurants participate, and price advertising policies, in each case to the maximum extent the law allows.

8.14 To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, signs and equipment that Franchisor may reasonably direct in the Manual or otherwise in writing, including any that Franchisor may require in the future, such as security and video surveillance systems and any enhancements, additions, substitutions, modifications and upgrades. Specifically, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any other information stored in Franchisee's computer systems, including images and information stored in Franchisee's security and video surveillance systems, at the times and in the manner that Franchisor may specify periodically. Franchisee must refrain from installing or permitting to be installed on or about the Franchised Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, signs, equipment or other improvements not previously approved as meeting Franchisor's standards and specifications.

8.15 To submit to Franchisor, in the manner Franchisor directs, for its prior written approval samples of all advertising and promotional plans and materials that Franchisee desires to use and which have not been prepared or previously approved by Franchisor. Franchisee must display the Marks in the manner required by Franchisor on all signs and other advertising and promotional materials used in the Franchised Restaurant. All advertising and promotions by Franchisee in any manner or medium must be conducted in a dignified manner and must conform to the standards and requirements specified by Franchisor. In Franchisor's discretion, Franchisor may, periodically, but shall not be required to, provide Franchisee with advertising assistance. If Franchisee elects to do more advertising than the advertising provided by Franchisor, if any, Franchisee shall be responsible for all costs of this advertising and promotion. All of these advertisements, if any, must be approved by Franchisor in writing before use.

8.16 To not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisor or the System and the products sold from the Franchised Restaurant which constitutes deceptive practices, unfair competition or otherwise violates any applicable laws.

8.17 It is Franchisee's responsibility to select Franchisee's own location which must be approved by Franchisor. Franchisor must approve the lease if Franchisee does not own the premises, which approval shall not be unreasonably withheld. Before executing the lease, Franchisee shall remit to Franchisor a copy of the proposed lease agreement with all amendments and addendum. The same procedure shall be followed before executing any amendments or extensions of the lease agreement. Franchisor will review and approve the lease to ensure it meets Franchisor's specifications, including the incorporation of Franchisor's standard lease rider included in Exhibit 1 of Exhibit A. The terms of the lease rider are hereby incorporated by reference. Franchisor's review is not a replacement for a review by Franchisee's own attorney.

Even if Franchisor gives Franchisee information regarding a potential site or site criteria, Franchisee acknowledges that Franchisor has made, and will make, no representations or warranties of any kind, express or implied, about the site's suitability for a CAPRIOTTI'S Restaurant or any other purpose. Franchisor's acceptance of a site indicates only that it believes the site meets or has the potential to meet, or that Franchisor has waived, its then current criteria for site suitability. Applying criteria appearing effective with other sites might not accurately reflect the potential of all sites, and demographic or other factors included in or excluded from Franchisor's criteria could change, altering a site's potential. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if a particular site fails to meet Franchisee's expectations.

Franchisee acknowledges that any guidance or assistance Franchisor provides with respect to the leasing process is not a guarantee or warranty, express or implied, of the Franchised

Restaurant's success or profitability or of the suitability of the lease or sublease for Franchisee's business purposes.

8.18 To acquire and subscribe to NCR and a CAPRIOTTI'S-specific suite of services at Franchisee's expense and utilize the Aloha software package and Point of Sale System or another system ("Information System") approved by Franchisor in Franchisee's Franchised Restaurant. Franchisee agrees that Franchisor shall have the free and unfettered right to retrieve any data and information from Franchisee's computers and Information System as Franchisor, in its sole discretion, deems appropriate, including electronically polling the daily sales and other data of the Franchised Restaurant ("Data Mining"). Franchisee agrees that the Data Mining to be conducted by Franchisor is necessary for the successful operation of the System and Franchisee consents to the installation of any and all software and/or hardware as may be necessary to facilitate the Data Mining.

Franchisor shall have the right to specify or require that certain brands, types and/or models of communications, computer systems and hardware be used by Franchisee, including without limitation: (i) back office and point-of-sale systems; menu-boards; loyalty programs; online ordering systems and services; gift-card programs; credit card processing systems and services; internet navigation software; email, telephone, audio, video, and surveillance systems; and training and operational support aids, which may include camera systems, virtual reality, and augmented reality hardware and software, for use at the Franchised Restaurant; (ii) printers and other peripheral hardware or devices; (iii) archival back-up systems; (iv) Internet access mode and speed; and (v) physical, electronic and other security systems (collectively, the "Computer System").

Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (i) computer software programs that Franchisee must use in connection with the Computer System (the "Required Software"), which Franchisee shall install at its expense; (ii) updates, supplements, modifications or enhancements to the Required Software, which Franchisee shall install at its expense; (iii) the tangible media upon which Franchisee shall record data; and (iv) the database file structure of the Computer System.

Franchisee shall purchase from Franchisor or its affiliate the Computer System and, if applicable, the Required Software. Franchisor shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that Franchisor deems necessary or desirable. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with Franchisor's standards and specifications. Franchise agrees, at its own expense, to keep the Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions and/or replacements to the Computer System or Required Software as Franchisor directs from time to time in writing. Franchisor may require Franchisee to purchase from Franchisor or an affiliate an annual support package at Franchisor's or the affiliate's then-current prices for such support services. Franchisee agrees that its compliance with this Section shall be at Franchisee's sole cost and expense.

Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose.

8.19 That Franchisee will, within nine (9) months from the date of written notice from Franchisor, remodel or re-equip the Franchised Restaurant in accordance with the specifications provided by Franchisor. This remodeling and re-equipping may include replacing worn out, obsolete or dated equipment, fixtures, furnishings and signs; structural modifications; redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at those times as Franchisor, in Franchisor's sole discretion, deems necessary and reasonable; provided, that Franchisor may not require any remodeling requiring an expenditure in excess of ten thousand dollars ($10,000.00) during the first two (2) years of the Term or fifty thousand dollars ($50,000.00) in any five (5) year period, provided, however, that these limitations do not apply in connection with Franchisee's acquisition of a successor franchise, a Transfer, updates or changes to the Information System and Computer System, and Required Software upgrades. As provided in Section 2 above, Franchisor may require Franchisee, as a condition of acquiring a successor franchise, to remodel and upgrade the Franchised Restaurant and otherwise bring the Franchised Restaurant into full compliance with then applicable specifications and standards for new CAPRIOTTI'S Restaurants before this Agreement expires (regardless of cost). FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT.

8.20 That if the Franchised Restaurant has not previously opened for business, Franchisor will provide a training program to Franchisee before such opening. At least two people must complete the full Capriotti's training program (including Franchisee's Managing Owner) without charge. In addition, two additional employees must complete an hourly-team-member training program before the Franchised Restaurant opens for business. If Franchisee would like additional employees to attend the training program at the same time as Franchisee's Managing Owner, Franchisor in its discretion may agree to provide this additional training at the fee determined by Franchisor. The training program is a blended learning training program including internet-based, classroom and on-site training at an approved training restaurant. Each training program may include instruction on sales techniques, products orientation, accounting procedures, ordering and inventory controls, food preparation and operations management. The training shall be provided at Franchisor's headquarters or designated location(s) and shall also include uncompensated on-the-job training at an approved training restaurant. Franchisor may substitute virtual learning and "e-learning" for any training that otherwise would occur in person. Franchisee must obtain, at Franchisee's expense, access to a computer and high-speed Internet connection to access the online training portal. The training may be presented in installments and Franchisee's Managing Owner and other personnel will be required to attend all installments. Franchisor shall bear the direct training costs and expenses of the training (for instructors, manuals, classrooms) and Franchisee shall bear and pay all indirect training costs and expenses, such as any salary expenses of its employees and all expenses of travel, lodging, meals and other living expenses that Franchisee's Managing Owner and other personnel incur in attending the training program, which shall be borne and paid by Franchisee. Failure by Franchisee's Managing Owner and/or Franchisee's other required attendees to successfully graduate from training shall be grounds for termination of this Agreement. Cheating will also be grounds for immediate termination.

Franchisor has the right to charge the Franchisee for additional or supplemental support or refresher training outside of the standard pre-opening event and Capriotti's training program, as outlined in the Manual.

In addition, Franchisor has the right to require Franchisee's Managing Owner and other managerial personnel to participate in and successfully complete an extensive onsite training program at the Franchised Restaurant for up to six (6) weeks after the Franchised Restaurant has opened for business.

Franchisor may charge Franchisee Ten Thousand dollars ($10,000), Franchisee must pay this amount on demand.

8.21 To designate an owner holding at least twenty percent (20%) of its ownership interests to serve as its managing owner (the "Managing Owner"). At all times during the Initial Term, the Managing Owner must meet the following qualifications and any other standards Franchisor sets forth from time to time in the Manual or otherwise communicates to Franchisee:

i. Franchisor must approve the proposed Managing Owner in writing before the Effective Date. Franchisor has the right to approve or disapprove, as its deems best, any proposed change in the individual designated as the Managing Owner.

ii. The Managing Owner is responsible for managing the Franchised Restaurant. The Managing Owner must have sufficient authority to make business decisions for Franchisee that are essential to the Franchised Restaurant's effective and efficient operation. The Managing Owner must communicate directly with Franchisor regarding any Franchised Restaurant-related matters (excluding matters relating to labor relations and employment practices). The Managing Owner's decisions will be final and will bind Franchisee, Franchisor may rely solely on the Managing Owner's decisions without discussing the matter with another party, and Franchisor will not be liable for actions it takes based on the Managing Owner's decisions or actions.

iii. The Managing Owner may be the manager of the Franchised Restaurant or may designate another person to serve as the manager, provided the Managing Owner ensures that the manager fulfills all obligations under this Agreement. The Managing Owner remains fully responsible for the manager's performance.

If Franchisee wants or needs to change the individual designated as the Managing Owner, Franchisee must find a new individual (the "Replacement Managing Owner") for that role in order to protect Franchisor's brand. Franchisee must appoint the Replacement Managing Owner within thirty (30) days after the former Managing Owner no longer occupies that position. Franchisor must approve in writing the Replacement Managing Owner, who must hold the minimum ownership interest in Franchisee that Franchisor specifies. The Replacement Managing Owner must attend and satisfactorily complete the training Franchisor specifies. Franchisee is responsible for the Replacement Managing Owner's compensation and travel-related expenses during training.

8.22 To attend and participate in the Annual Franchise Convention and Regional Meetings. Attendance at such convention and meetings shall be at Franchisee's sole expense; provided, however, that attendance will not be required at more than two (2) such programs in a calendar year and shall not collectively exceed six (6) business days in duration in any calendar year (not including travel time).

8.23 That each month during the Initial Term, Franchisee shall make the following contributions and expenditures for marketing and advertising:

(a) <u>Marketing Fund</u>

(i) Franchisee shall contribute to the National Marketing Fund ("Marketing Fund") an amount that Franchisor designates periodically which amount shall not exceed three percent (3%) of the Gross Sales of the Franchised Restaurant for the period. Franchisor shall establish and maintain a bank account for the purpose of administering the Marketing Fund, as described in this Agreement. Franchisee shall make contributions to the Marketing Fund as set out in this Section 8.23. Franchisor has the sole discretion to settle or forgive any accrued and unpaid Marketing Fund contributions owed by any franchisee.

(ii) Franchisee agrees and acknowledges that contributions to the Marketing Fund are intended to increase recognition of the Marks and to further the public image and acceptance of the System and that Franchisor does not undertake any obligation to ensure that expenditures from the Marketing Fund are proportionate or equivalent to contributions to the Marketing Fund by Franchised Restaurants operating in the geographic area or that Franchisee or the Franchised Restaurant will benefit directly or in proportion to its contribution to the Marketing Fund. Neither Franchisor nor any of Franchisor's respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund, including the handling of contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct.

(iii) Franchisor shall make contributions to the Marketing Fund for each CAPRIOTTI'S Restaurant that Franchisor or its affiliate owns.

(iv) While Franchisee is in compliance with Section 8.23, Franchisee will be furnished with advertising materials which were produced with expenditures from the Marketing Fund for distribution to franchisees of the System on the same terms and conditions as the materials are furnished to other franchisees.

(v) Franchisee shall make its contribution to the Marketing Fund on the date and in the manner designated by Franchisor, including bank drafting. Contributions to the Marketing Fund may be used to defray expenses of Franchisor only to the extent of the administrative costs and overhead that Franchisor may reasonably incur in administering the Marketing Fund.

(vi) The Marketing Fund, all contributions to it and any earnings on those contributions shall be used exclusively to meet all costs of maintaining, administering or directing and preparing promotional and/or advertising activities. Franchisor has the sole discretion over how and where the Marketing Fund contributions are spent to promote, enhance or further the growth of the System, including, without limitation, promotional marketing and advertising expenses, hiring marketing, public relations and advertising agencies and in-house personnel to assist in developing the System’s materials, branding and average unit volumes, expenses associated with listings in telephone books, subsidies of premiere/marquis restaurants designed to garner media attention and promote the brand name, travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials, production of circulars, media, advertisements, coupons and promotional materials (including point of purchase materials) and for any other use Franchisor determines. Additionally, Franchisor can use the Marketing Fund to pay for expenses incurred in developing and maintaining the non-franchise sales portion of Franchisor’s website. All sums paid by Franchisee into the Marketing Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor’s expenses, except for the reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and promotion and advertising programs for franchisees and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional and marketing programs. The Marketing Fund and its earnings shall not otherwise inure to the benefit of Franchisor.

(vii) It is anticipated that all contributions to and earnings from the Marketing Fund shall be expended for promotional and/or advertising purposes during the taxable year in which the contributions and earnings are received. If, however, Franchisor determines that funds should be retained and accumulated for major advertising purchases or any other reason, then funds may be held beyond the year of receipt. Generally, if excess amounts remain in the Marketing Fund at the end of the taxable year, all expenditures for the following taxable year(s) shall be made first out of accumulated earnings from the previous year, next out of earnings in the current year and finally from contributions.

(viii) The Marketing Fund is not and shall not be an asset of Franchisor or its designate. A statement of the operation of the Marketing Fund as shown on the books of the Marketing Fund shall be prepared annually and shall be made available to Franchisee. Upon request, Franchisor shall make available for inspection by Franchisee the books and records of the Marketing Fund. At Franchisor’s option, Franchisor can create a separate entity to be the recipient of Franchisee’s Marketing Fund contributions and Franchisee agrees, upon Franchisor’s request, to tender Marketing Fund payments to said entity.

(ix) The Marketing Fund is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Marketing Fund monies or any aspect of the operation of the Marketing Fund.

(b) Regional Cooperative Advertising. Franchisee agrees that Franchisor shall have the right, in Franchisor's sole discretion, to periodically designate a geographical area in which the Franchised Restaurant is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of the Cooperative. If a Cooperative is established at any later time during the Initial Term, Franchisee shall become a member of the Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Franchised Restaurant be required to contribute to more than one (1) Cooperative. The following provisions shall apply to each Cooperative:

(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing;

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members;

(iii) Franchisor-owned and affiliate-owned restaurants shall make contributions to each Cooperative of which it is a member on the same basis as required of comparable franchisees within the System;

(iv) No advertising programs or materials may be used by the Cooperative or furnished to its members and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All of these programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in this Agreement governing advertising approval;

(v) Each cooperative shall have the right to require its members to make contributions to the Cooperative in amounts determined by the governing body of the Cooperative provided the maximum contribution shall be two percent (2%) of Gross Sales. Franchisor reserves the right to impose a flat-fee contribution, in lieu of a percentage of Gross Sales, which flat fee will not exceed two percent (2%) of Gross Sales;

(vi) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit statements and reports as may be designed by the Cooperative. The Cooperative shall submit to Franchisor statements and reports as Franchisor may designate;

(vii) Franchisor, in Franchisor's sole discretion, may, upon written request of a franchisee stating reasons supporting the request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. This exemption may be for any length of time and may apply to one (1) or more Franchised Restaurants owned by the franchisee. If an exemption is granted, a franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in Franchisor's sole discretion, may also exempt one (1) or more Franchised Restaurants owned or controlled by Franchisor from the requirement of membership in a Cooperative for those periods as Franchisor deems appropriate; and

(viii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of the Cooperative.

9. **Examination of Financial and Business Records**. Franchisor shall have the right, upon twenty-four (24) hours' notice:

9.1 to examine all financial and business records of Franchisee, including, but not limited to, invoices, deposits, withdrawals, bank statements, proofs of purchases and sales, cash register tapes and any other documents, data and/or records relating to the financial affairs or business operations of Franchisee (but excluding aspects relating to labor relations and employment practices); and

9.2 to have an independent audit made of the books of the Franchised Restaurant.

(a) If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to the late fee and interest on this amount from the date this amount was due until paid, at the rate which is five percent (5%) above the Prime Rate published in the *Wall Street Journal* on the date payment was due, or the maximum rate permitted by law, whichever is less, calculated on a daily basis.

(b) If an inspection discloses an understatement in any payment of three percent (3%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging, wage expenses and reasonable accounting and legal costs).

(c) Franchisor has the right to terminate this Agreement upon discovery of three (3) of these discrepancies in a twenty-four (24) month period.

(d) If an inspection discloses an understatement in any payment of ten percent (10%) or more, it shall constitute grounds for immediate termination of this Agreement, described in Section 10 hereof. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

10. **Termination**.

10.1 **Termination Without Right to Cure**. Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted in this Agreement, without affording Franchisee any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by Franchisee or five (5) days after dispatch of this notice by Franchisor, in accordance with Section 31, upon the occurrence of any of the following events:

(a) Franchisee (i) abandons the Franchised Restaurant, meaning Franchisee has deserted, walked away from, or closed the Franchised Restaurant under circumstances leading Franchisor to conclude that Franchisee has no intent to return to the Franchised Restaurant, regardless of how many days have passed since the apparent abandonment, or (ii) fails actively and continuously to operate the Franchised Restaurant (a failure to operate the Franchised Restaurant for five (5) or more consecutive days will be deemed a default under this clause (ii), except where closure is due to fire, riot, flood, terrorist acts, or natural disaster and Franchisee notifies Franchisor within four (4) days after the particular occurrence to obtain Franchisor's written approval to remain closed for an agreed-upon amount of time as is necessary under the circumstances before Franchisor will require Franchisee to re-open);

(b) Franchisee, its Managing Owner, or any person or entity owning twenty percent (20%) or more of Franchisee is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense, or is the subject of adverse publicity or media attention, that is reasonably likely to have an adverse effect on the System, the Marks or the reputation or goodwill associated therewith; provided, that if the act or conviction involves an owner of Franchisee, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and within fifteen (15) days of the date of the notice, either the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or Franchisee obtains Franchisor's consent for the owner to maintain his or Franchisee's ownership interest;

(c) An approved transfer is not effected within ninety (90) days of the death or incapacity of Franchisee or the death, incapacity or dissolution of any owner of an interest in Franchisee;

(d) Franchisee is given three (3) or more notices of being in default under any of the terms or requirements of this Agreement within any twenty-four (24) month period, whether or not the defaults are timely cured after notice;

(e) Franchisee knowingly or intentionally maintains false books or records or submits any false records, statement or report to Franchisor;

(f) Franchisee, by act or omission, materially impairs the value of, or the goodwill associated with any of the Marks or the System;

(g) Franchisee, whether knowingly or unknowingly, underpays the required royalties by ten percent (10%) or more in a payment period;

(h) Franchisee violates any employment laws, including taking, withholding, misdirecting or appropriating for Franchisee's own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits;

(i) Franchisee loses or is denied any federal, state or local license Franchisee must possess to operate the Franchised Restaurant;

(j) Franchisee fails to open Franchisee's Franchised Restaurant within twelve (12) months after the effective date of this Agreement; provided, Franchisor has not agreed in writing to an extension, which extensions shall be granted by Franchisor in Franchisor's complete discretion;

(k) Franchisee (i) loses the right to occupy the Franchised Restaurant's premises due to its lease default (even if Franchisee has not yet vacated the Franchised Restaurant's premises) or (ii) Franchisee loses the right to occupy the Franchised Restaurant's premises (but not due to its lease default), or the Franchised Restaurant is damaged to such an extent that Franchisee cannot operate the Franchised Restaurant at its existing location over a thirty (30) day period, and Franchisee fails both to relocate the Franchised Restaurant to a substitute site Franchisor accepts and to begin operating the Franchised Restaurant at that substitute site within one hundred twenty (120) days from the first date on which Franchisee could not operate the Franchised Restaurant at its existing location; or

(l) (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) a proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Franchised Restaurant becomes subject to an attachment, garnishment, levy or seizure by any creditor or any other person claiming against or in the rights of Franchisee; (x) any execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Franchised Restaurant shall be sold after levy thereupon by any sheriff, marshal or constable.

10.2 **Termination with Right to Cure**. Except for those defaults provided for under Section 10.1, Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy and procedure statement or other written document provided by Franchisor or to carry out the terms of this Agreement in good faith. For these defaults, Franchisor will provide Franchisee with written notice and five (5) days to cure or, if a default cannot reasonably be cured within five (5) days, to initiate within that time substantial and continuing action to cure the default and to provide Franchisor with evidence of these actions. If the defaults specified in these notices are not cured within the five (5) day period, or if substantial and continuing action to cure has not been initiated, Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. These defaults shall include, without limitation, the occurrence of any of the following events:

(a) Franchisee fails to construct, remodel or to commence operating the Franchised Restaurant in accordance with this Agreement;

(b) Franchisee fails, refuses or neglects to promptly pay any monies owing to Franchisor, its affiliates, the Marketing Fund, or Franchisee's designated marketing Cooperative when due or to submit the financial or other information required under this Agreement;

(c) Any person or entity owning five percent (5%) or more of Franchisee makes a transfer of this interest in violation of this Agreement; provided, however, that Franchisee's right to cure this default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either: (i) obtain Franchisor's approval thereof; or (ii) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred;

(d) A threat or danger to public health or safety results from the construction, maintenance or operation of the Franchised Restaurant;

(e) Franchisee misuses or makes any unauthorized use of the System or the Marks;

(f) Franchisee, by act or omission in connection with the operation of the Franchised Restaurant, permits a continued violation of any law, ordinance, rule or regulation of a governmental body;

(g) Franchisee is found liable by any judicial, administrative or arbitral body for violation of any federal, state or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation or found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age or sexual orientation;

(h) Franchisee fails to pay any vendors to the System (other than Franchisor and its affiliates) any amounts due for Franchisee's purchases from them, or to use a vendor's required method of payment, and does not correct the failure within thirty (30) days after delivery of written notice of that failure to Franchisee, unless, in the event of non-payment, (i) Franchisee is in good faith contesting its liability for those amounts, (ii) Franchisee notifies Franchisor in writing of the reason for the non-payment, and (iii) Franchisor agrees that Franchisee has a legitimate reason for the non-payment; or

(i) Any other event of default not specifically enumerated above or in Section 10.1.

10.3 **Relief in Equity**. Franchisee agrees that neither termination of this Agreement, nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence based on this Agreement or the obligations of Franchisee and the other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any of these breaches or defaults, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default, to close the Franchised Restaurant, to remove the Marks from the business premises or to compel compliance with such provisions of this Agreement.

10.4 **Termination by Franchisee**. Franchisee may terminate this Agreement if Franchisor commits a material breach of any of its obligations under this Agreement and fails to correct that breach within thirty (30) days after Franchisee delivers written notice to Franchisor of the breach; provided, however, if Franchisor cannot reasonably correct the breach within these thirty (30) days but gives Franchisee, within the thirty (30) days, evidence of Franchisor's effort to correct the breach within a reasonable time period, then the cure period will run through the end of that reasonable time period. Franchisee's termination of this Agreement other than according to this Section 10.4 will be deemed a termination without cause and Franchisee's breach of this Agreement.

11. **Rights Upon Termination or Expiration**. Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Franchised Restaurant franchised under this Agreement:

11.1 Franchisee shall immediately cease to operate the Franchised Restaurant, and will not directly or indirectly, represent to the public or hold itself out as a CAPRIOTTI'S SANDWICH SHOP franchisee with respect to such business.

11.2 Franchisee shall immediately and permanently cease to use, in any manner all confidential information, methods, procedures and techniques used by or associated with the System, the Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the System.

11.3 Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor and shall cease to use, and shall either destroy or convey to Franchisor, all signs, advertising materials, displays, stationary, forms and any other materials that bear or display the Marks.

11.4 Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the Mark "CAPRIOTTI'S" or any other Marks of Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination or expiration of this Agreement.

11.5 Franchisee shall, if Franchisor so requests, assign to Franchisor any interest which Franchisee has in any lease for the Approved Location. In the event Franchisor does not elect to exercise its option to acquire any lease for the Approved Location, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination or expiration of this Agreement, make such modifications and alterations to the Approved Location as may be necessary to distinguish the appearance of the Approved Location from that of other Franchised Restaurants and shall make such specific additional changes to it as Franchisor may reasonably request.

11.6 Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated.

11.7 Franchisee shall pay to Franchisor all damages, costs and expenses including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement.

11.8 Franchisee shall immediately deliver to Franchisor all manuals, policy and procedure statements, instructions and other materials related to operating the Franchised Restaurant, including brochures, charts and any other materials provided by Franchisor and all copies thereof and shall neither retain nor convey to another any copy or record of any of the foregoing.

11.9 Franchisor shall have the option, to be exercised within forty five (45) days of termination, to assume Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, white and yellow pages telephone directory listings and advertisements (whether in print or part of an Internet directory) and e-mail addresses and/or Internet domain names which contain the Marks and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination or expiration of this Agreement and the expiration of the option granted in this Agreement. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense.

11.10 Franchisee shall comply with the covenants contained in this Agreement, including the covenants not to compete and the covenants not to use or disclose trade secrets or confidential information.

11.11 Except in the case of a renewal, upon termination or expiration of this Agreement for any reason, Franchisor shall have the option to purchase the Franchised Restaurant, or any portion of the assets of the Franchised Restaurant (including any furniture, fixtures, equipment and improvements), which may include, at Franchisor's option, all of Franchisee's leasehold interest in and to the real estate upon which the Franchised Restaurant is located, but not including any other interest in real property. The purchase price for the assets to be transferred will be determined as follows: Franchisor and Franchisee shall each deliver to each other their respective determinations of the value of the equipment and non-perishable inventory and then an appraiser shall be mutually selected by the parties to determine which value most closely approximates the fair market value. The valuation selected by the appraiser shall constitute the purchase price under this Section. The purchase price shall not include any value for tenant improvements, franchise agreement or goodwill. In the event the parties cannot mutually agree on an appraiser within ten (10) days of Franchisor delivering Franchisor's valuation to Franchisee, each party shall select an appraiser who each shall mutually agree upon an appraiser to act as the appraiser, which shall occur within ten (10) days of Franchisor delivering Franchisor's valuation to Franchisee. The purchase price determined in this Agreement shall be adjusted by setting off and reducing the purchase price by an amount then owing by Franchisee to Franchisor or its affiliates, including any amounts paid by Franchisor to cure Franchisee's defaults with third parties such as landlords (the decision to cure amounts to be the sole decisions of Franchisor). The following additional terms shall apply to Franchisor's exercise of this option:

(a) Franchisor's option will be exercisable by providing Franchisee with written notice of Franchisor's intention to exercise the option no later than thirty (30) days following the effective date of termination, in the case of termination (unless Franchisee terminates without notice or Franchisee terminates for cause, in which case Franchisor shall have thirty (30) days after receipt of actual notice of the termination or such additional time as is reasonably necessary given the circumstances), or at least thirty (30) days before the expiration of the Initial Term, in circumstances where no renewal is granted;

(b) Franchisor and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by Franchisor, in the real property records, and Franchisor and Franchisee further agree to sign such additional documentation as may be necessary to effectuate such recording; and

(c) The closing on the purchase will take place no later than sixty (60) days after delivery to Franchisee of Franchisor's valuation of Franchisee's business. Franchisor has the unrestricted right to assign this option to purchase at any time to a third party, who then will have the rights described in this Section. Franchisor will pay in full the purchase price at the closing or, at Franchisor's option, in twenty-four (24) equal monthly installments, with interest at the rate equal to the prime lending rate as of the closing at Franchisor's primary bank. Franchisee must sign all documents of transfer reasonably necessary for purchase of the Franchised Restaurant by Franchisor or the third-party assignee, which documents shall include all customary representations and warranties from Franchisee as to ownership and condition of, and title to, the assets of the Franchised Restaurant being transferred. All assets must be transferred free and clear of all liens and encumbrances, with all sales and transfer taxes paid by Franchisee.

11.12 Franchisee agrees that it shall be obligated to operate the Franchised Restaurant according to this Agreement's terms, during the period in which Franchisor or the third party assignee is deciding whether to exercise its option to purchase and until the closing takes place and that a condition to closing is that the Franchised Restaurant has remained open during that time period. Franchisor or the third-party assignee may decide not to exercise its option to purchase at any time before closing if it determines that any of the conditions noted above have not been or cannot be satisfied. In the event that Franchisor or a third party assignee does not exercise its right to repurchase the Franchised Restaurant as described above, Franchisee shall be free, after such termination or expiration, to keep or sell to any third party all of the physical assets of Franchisee's Franchised Restaurant; provided, however, that all Marks are removed in a manner approved in writing by Franchisor, all amounts owing to Franchisor have been paid in full and operation of the restaurant post-sale will not violate the restrictive covenant provisions in Section 6 above.

12. **Transfer Process**.

12.1 **Transfer by Franchisor**. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Franchisor assigns this Agreement to a third party who expressly assumes this Agreement's obligations, Franchisor no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, Franchisee agrees that Franchisor may sell its assets (including this Agreement), the Marks, or the System to a third party; offer its ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

12.2 **Transfer by Franchisee and Definition of Transfer**. Franchisee acknowledges that the rights and duties this Agreement creates are personal to Franchisee and its owners and Franchisor has granted Franchisee the rights under this Agreement in reliance upon Franchisor's perceptions of Franchisee's (or its owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither: (i) this Agreement or any interest in this Agreement; (ii) the Franchised Restaurant or any right to receive all or a portion of the profits, losses, or capital appreciation relating to the Franchised Restaurant; (iii) all or substantially all of the Franchised Restaurant's operating assets; (iv) any ownership interest in Franchisee (if Franchisee is an entity); nor (v) a controlling ownership interest in an entity with an ownership interest in Franchisee, may be transferred without Franchisor's prior written approval. A transfer of the Franchised Restaurant's ownership, possession, or control, all or substantially all of its operating assets, or the lease for the premises of the Franchised Restaurant may be made only with the concurrent transfer (to the same proposed transferee) of the franchise rights (with the transferee assuming this Agreement or signing Franchisor's then current form of franchise agreement and related documents, as Franchisor may require). Franchisee may not transfer the lease or any of such other assets separate and apart from the franchise rights. Any transfer without Franchisor's prior written approval is a breach of this Agreement and has no effect, meaning Franchisee (and its owners) will continue to be obligated to Franchisor for all Franchisee's obligations under this Agreement.

In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including the following events:

(a) transfer of record or beneficial ownership of stock or any other ownership interest or the right to receive (directly or indirectly) all or a portion of the profits, losses, or any capital appreciation relating to the Franchised Restaurant;

(b) a merger, consolidation, or exchange of ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or a redemption of ownership interests;

(c) any sale or exchange of voting interests or securities convertible to voting interests, or any management or other agreement granting the right (directly or indirectly) to exercise or control the exercise of any owner's voting rights or to control Franchisee's (or an entity with an ownership interest in Franchisee) or the Franchised Restaurant's operations or affairs;

(d) transfer in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(e) transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(f) the grant of a mortgage, charge, pledge, collateral assignment, lien or security, or other interest in this Agreement, the Franchised Restaurant, or an ownership interest in Franchisee (or in an entity with an ownership interest in Franchisee); (b) foreclosure upon or attachment or seizure of the Franchised Restaurant, any of its operating assets, or any interest in Franchisee (or an entity with an ownership interest in

Franchisee); or (c) Franchisee's transfer, surrender, or loss of the Franchised Restaurant's possession, control, or management.

In the case of the lease of the premises for the Franchised Restaurant, a prohibited disposition by Franchisee (or its affiliate) of the lease is deemed to include and encompass any act of the Franchisee (or its affiliate) as a result of which Franchisee (or its affiliate) relinquishes the right to possess the premises, including a proposed lease assignment, sublet of the premises, sale or other conveyance of possessory rights to the premises (whether or not with a formal lease assignment or sublet), or negotiated termination of the lease with the landlord or other event that enables another party to take over possession of the premises other than for the operation of a CAPRIOTTI'S Restaurant. For the avoidance of doubt, Franchisor and Franchisee agree that their intent is to prohibit any action by Franchisee as a result of which the premises of the Franchised Restaurant no longer is used for the operation of a CAPRIOTTI'S Restaurant by a party acceptable to Franchisor under a binding franchise agreement with Franchisor.

Franchisee acknowledges that its violation of the provisions above regarding a lease disposition would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available because of the uniqueness and distinctiveness of the particular location for a CAPRIOTTI'S Restaurant in the market area, the potential exclusion of the CAPRIOTTI'S Restaurant brand from that market area, and the adverse impact on the goodwill of the CAPRIOTTI'S brand resulting from the cessation of operation of the Franchised Restaurant at the premises. Accordingly, Franchisee hereby acknowledges Franchisor's right to seek an injunction, waives bond, and agrees not to contest any application by Franchisor for such an injunction to prohibit any actual or threatened conduct by Franchisee in violation of the lease disposition restrictions. Further, Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of Franchisee's lease disposition covenants.

12.3 **Conditions for Approval of Transfer**. If Franchisee (and its owners) is in full compliance with this Agreement, then, subject to this Section 12.3's other provisions:

(a) Franchisor will approve the transfer of a non-controlling ownership interest in Franchisee if the proposed transferee and its owners are of good moral character, have no interest in and do not perform services for (and have no affiliates with an interest in or performing services for) a Competitive Business, otherwise meet Franchisor's then applicable standards for non-controlling owners of CAPRIOTTI'S Restaurant franchisees, and sign Franchisor's then current form of Franchise Guaranty Agreement. References to a "controlling ownership interest" in Franchisee or one of its owners (if an entity) mean the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Franchisee or one of its owners, whether a "controlling ownership interest" is involved must be determined both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

(b) If the proposed transfer is of the franchise rights granted by this Agreement or a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchisee, or is one of a series of transfers (regardless of the timeframe over which these transfers take place) in the aggregate transferring the franchise rights granted by this Agreement or a controlling ownership interest in

Franchisee or in an entity owning a controlling ownership interest in Franchisee, then Franchisor will not unreasonably withhold its approval if all of the following mandatory conditions are met (provided, however, there may be no such transfer until after the Franchised Restaurant has opened for business):

(i) (a) the transferee has the necessary business experience, aptitude, and financial resources to operate the Franchised Restaurant, (b) the transferee otherwise is qualified under Franchisor's then-existing standards for the approval of new franchisees or of existing franchisees interested in acquiring additional franchises (including the transferee and its affiliates are in substantial operational compliance, at the time of the application, under all other franchise agreements for CAPRIOTTI'S restaurants to which they then are parties with Franchisor), and (c) the transferee and its owners are not restricted by another agreement (whether or not with Franchisor) from purchasing the Franchised Restaurant or the ownership interest in Franchisee or the entity that owns a controlling ownership interest in Franchisee;

(ii) Franchisee has paid all amounts owed to Franchisor and its affiliates, has submitted all required reports and statements, and is not in breach of any provision of this Agreement or another agreement with Franchisor or its affiliates relating to the Franchised Restaurant;

(iii) neither the transferee nor any of its direct or indirect owners (if the transferee is an entity) or affiliates operates, has an ownership interest in, or performs services for a Competitive Business;

(iv) the transferee (or its owner) and its management personnel (including managing owner), if different from Franchisee’s management personnel, satisfactorily complete Franchisor’s then current initial training program;

(v) the transferee has the right to occupy the Franchised Restaurant’s site for the expected franchise term;

(vi) the transferee and each of its owners (if the transfer is of the franchise rights granted by this Agreement), or Franchisee and its owners (if the transfer is of a controlling ownership interest in Franchisee or in an entity owning a controlling ownership interest in Franchise), if Franchisor so requires, signs Franchisor’s then current form of franchise agreement and related documents (including a Franchise Guaranty Agreement), any and all of the provisions of which, including the Royalty Fee and Marketing Fund contributions, may differ materially from any and all of those contained in this Agreement, provided, however, the term of the new franchise agreement signed will equal this Agreement’s unexpired term. However, if the transferee has the right to maintain possession of the Franchised

Restaurant for no less than an additional ten (10) years following the transfer's proposed effective date, Franchisor may (but has no obligation to) grant the transferee a full ten (10) year term under the new franchise agreement signed if the transferee commits to repair and/or replace operating assets and upgrade the Franchised Restaurant in accordance with Franchisor's then current requirements and specifications for new CAPRIOTTI'S Restaurants within the timeframe Franchisor specifies following the transfer's effective date;

(vii) Franchisee or the transferee pays Franchisor a transfer fee equal to the greater of Ten Thousand Dollars ($10,000) or five percent (5%) of the sales price (but not to exceed Twenty Thousand Dollars ($20,000));

(viii) the transferee agrees to repair and/or replace operating assets and upgrade the Franchised Restaurant in accordance with Franchisor's then current requirements and specifications for a new CAPRIOTTI'S Restaurants within the timeframe Franchisor specifies following the transfer's effective date;

(ix) Franchisee (and its transferring owners) signs a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and their respective owners, officers, directors, employees, representatives, agents, successors, and assigns;

(x) Franchisor has determined that the purchase price, payment terms, and required financing will not adversely affect the transferee's operation of the Franchised Restaurant;

(xi) if Franchisee or its owners finance any part of the purchase price, they agree that the transferee's obligations under promissory notes, agreements, or security interests reserved in the operating assets or ownership interests in Franchisee are subordinate to the transferee's (and its owners') obligation to pay Royalty Fees, Marketing Fund contributions, and other amounts due to Franchisor and its affiliates and otherwise to comply with this Agreement;

(xii) Franchisee and its transferring owners (and members of their Immediate Families) agree, for two (2) years beginning on the transfer's effective date, not to engage in any activity proscribed in Section 6 above; and

(xiii) Franchisee and its transferring owners will not directly or indirectly at any time afterward or in any manner: (i) identify themselves in any business as a current or former CAPRIOTTI'S Restaurant or as one of Franchisor's franchisees; (ii) use any Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any

Mark, or other indicia of a CAPRIOTTI'S Restaurant for any purpose; or (iii) utilize for any purpose any trade dress, trade name, trademark, service mark, or other commercial symbol suggesting or indicating a connection or association with Franchisor.

Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential transferees and to analyze and critique the terms of their purchase contracts with Franchisee and that Franchisor's contact with potential transferees to protect Franchisor's business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms, to communicate candidly and truthfully with the transferee regarding Franchisee's operation of the Franchised Restaurant, and to withhold consent, as long as its decision is not unreasonable, even if the conditions in clauses (i) through (xiii) above are satisfied. Franchisee waives any claim that Franchisor's decision to withhold approval of a proposed transfer in order to protect its business interests—if that decision was reasonable despite satisfaction of the conditions in clauses (i) through (xiii) above—constitutes tortious interference with contractual or business relationships. Franchisor may review all information regarding the Franchised Restaurant that Franchisee gives the proposed transferee, correct any information Franchisor believes is inaccurate, and give the proposed transferee copies of any reports Franchisee has given Franchisor or Franchisor has made regarding the Franchised Restaurant.

Notwithstanding anything to the contrary in this Section 12 or elsewhere in this Agreement, Franchisor need not consider a proposed transfer of a controlling or non-controlling ownership interest in Franchisee, or a proposed transfer of this Agreement, until Franchisee (or an owner) and the proposed transferee first send Franchisor a copy of a bona fide offer to purchase or otherwise acquire the particular interest from Franchisee (or its owner). For an offer to be considered "bona fide," it must include a copy of all proposed agreements between Franchisee (or its owner) and the proposed transferee related to the sale, assignment, or transfer.

12.4 **Transfer to an Entity**. Notwithstanding Sections 12.2 and 12.3 above, if Franchisee is in full compliance with this Agreement, Franchisee may transfer this Agreement, together with all assets associated with the Franchised Restaurant, to a corporation or limited liability company conducting no business other than the Franchised Restaurant and, if applicable, other CAPRIOTTI'S Restaurants and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all Franchised Restaurant assets are owned, and the Franchised Restaurant is operated, only by that single entity. The entity must expressly assume all of Franchisee's obligations under this Agreement, but Franchisee will remain personally liable under this Agreement as if the transfer to the entity did not occur. Transfers of ownership interests in that entity are subject to the restrictions in Sections 12.2 and 12.3.

12.5 **Effect of Consent to Transfer**. Franchisor's consent to any transfer is not a representation of the fairness of any contract terms between Franchisee (or the owner) and the transferee, a guarantee of the Franchised Restaurant's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or its owners) or of Franchisor's right to demand full compliance with this Agreement.

13. **Transfers to Franchisee's Family Upon Death**. Upon the death or permanent disability of Franchisee (or an individual with a controlling ownership interest in Franchisee), the personal

representative of such person shall transfer Franchisee's interest in this Agreement or such interest in Franchisee to an approved third party. Such disposition of this Agreement or such controlling ownership interest (including transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed ninety (90) days from the date of death or permanent disability (unless extended by probate proceedings) and shall be subject to all terms and conditions applicable to transfers as provided in this Agreement; provided, however, that for purposes of this Section, there shall be no transfer fee charged by Franchisor. Failure to transfer the interest within said period of time shall constitute a breach of this Agreement. The term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner of a controlling ownership interest in Franchisee) from supervising the management and operation of the Franchised Restaurant for a period of ninety (90) days from the onset of such disability, impairment or condition. In any event, the Franchised Restaurant must at all times be managed, at the expense of Franchisee, by a designated manager (including a Managing Owner) who has completed all of Franchisor's training requirements.

14. **Franchisor's Right of First Refusal**. If Franchisee, any of its owners, or the owner of a controlling ownership interest in an entity with an ownership interest in Franchisee at any time determines to sell or transfer for consideration the franchise rights granted by this Agreement and the Franchised Restaurant (or all or substantially all of its operating assets), a controlling ownership interest in Franchisee, or a controlling ownership interest in an entity with a controlling ownership interest in Franchisee (except to or among Franchisee's current owners or in a transfer pursuant to Section 13, which are not subject to this Section 14), Franchisee agrees to obtain from a responsible and fully-disclosed buyer, and send Franchisor, a true and complete copy of a bona fide, executed written offer (which, as noted in Section 12.3 above, may be required to include a copy of all proposed agreements related to the sale or transfer) relating exclusively to the rights granted by this Agreement and the Franchised Restaurant, the controlling ownership interest in Franchisee, or the controlling ownership interest in the entity with a controlling ownership interest in Franchisee. The offer must include details of the proposed sale's payment terms and the financing sources and terms of the proposed purchase price and provide for an earnest money deposit of at least five percent (5%) of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be a fixed dollar amount, without any contingent payments of purchase price (such as earn-out payments), and the proposed transaction must relate exclusively to an interest in the rights granted by this Agreement and the Franchised Restaurant (or all or substantially all of its operating assets), a controlling ownership interest in Franchisee, or a controlling ownership interest in the entity with a controlling ownership interest in Franchisee. It may not relate to any other interests or assets. Franchisor may require Franchisee (or its owners) to send Franchisor copies of any materials or information Franchisee sends to the proposed buyer or transferee regarding the possible transaction.

Franchisor may, by written notice delivered to Franchisee within thirty (30) days after Franchisor receives both an exact copy of the offer and all other information Franchisor requests, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (i) Franchisor may substitute cash for any form of payment proposed in the offer; (ii) Franchisor's credit will be deemed equal to the credit of any proposed buyer; (iii) the closing will be not less than thirty (30) days after Franchisor notifies Franchisee of Franchisor's election to purchase or, if later, the closing date proposed in the offer; (iv) Franchisee and its owners must sign the general release described in Section 12.3 above; and (v) Franchisor must receive, and Franchisee and its owners agree to make, all customary representations, warranties, and indemnities given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests; Franchisee's and its owners' authorization to sell, as applicable, any ownership interests or assets without violating any law, contract, or requirement of notice or consent; liens and encumbrances on ownership interests and assets; validity of contracts and liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased; and indemnities for all actions, events, and conditions that existed or occurred in connection with the Franchised Restaurant before the closing of Franchisor's purchase.

Once Franchisee or its owners submit the offer and related information to Franchisor triggering the start of the thirty (30) day decision-period referenced above, the offer is irrevocable for that thirty (30) day period. This means Franchisor has the full thirty (30) days to decide whether to exercise the right of first refusal and may choose to do so even if Franchisee or its owners change its or their mind during that period and prefer after all not to sell the particular interest that is the subject of the offer. Franchisee and its owners may not withdraw or revoke the offer for any reason during the thirty (30) days, and Franchisor may exercise the right to purchase the particular interest in accordance with this Section's terms.

If Franchisor exercises its right of first refusal and closes the transaction, Franchisee and its transferring owners agree that, for two (2) years beginning on the closing date, they (and members of their Immediate Families) will be bound by the non-competition covenants contained in Section 6.

If Franchisor does not exercise its right of first refusal, Franchisee or its owners may complete the sale to the proposed buyer on the original offer's terms, but only if Franchisor approves the transfer in accordance with, and Franchisee (and its owners) and the transferee comply with the conditions in, Sections 12.2 and 12.3 above. This means that, even if Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Sections 12.2 and 12.3 above, Franchisee (or its owners) may not move forward with the transfer at all. If Franchisee or its owners do not complete the sale to the proposed buyer within sixty (60) days after Franchisor notifies Franchisee that Franchisor does not intend to exercise its right of first refusal, or if there is a material change in the sale's terms (which Franchisee agrees to tell Franchisor promptly), Franchisor will have an additional right of first refusal during the thirty (30) days following either expiration of the sixty (60) day period or Franchisor's receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option. Franchisor has the unrestricted right to assign this right of first refusal to a third party (including an affiliate), who then will have the rights described in this Section.

15. **Assumption of Management**. Franchisor has the right (but not the obligation), under the circumstances described below, to enter the Franchised Restaurant and assume the Franchised Restaurant's management, or to appoint a third party to assume its management, for any time period it deems appropriate. If Franchisor, or a third party, assumes the Franchised Restaurant's management, Franchisee must pay Franchisor (in addition to the Royalty Fee and Marketing Fund contributions) three percent (3%) of the Franchised Restaurant's Gross Sales, plus Franchisor's (or the third party's) direct out-of-pocket costs and expenses, during this time. If Franchisor (or a third party) assumes the Franchised Restaurant's management, Franchisee acknowledges that Franchisor (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses or obligations the Franchised Restaurant incurs, or to any of Franchisee's creditors for any supplies or services the Franchised Restaurant purchases, while Franchisor (or the third party) manages it.

Franchisor (or the third party) may assume the Franchised Restaurant's management, at Franchisee's expense, under the following circumstances:

15.1 if Franchisee abandons the Franchised Restaurant; or

15.2 if Franchisee fails to comply with any provisions of this Agreement and does not cure the default or breach within the time period Franchisor specifies in its notice to Franchisee.

The exercise of Franchisor's rights under Subsections 15.1 or 15.2 will not affect Franchisor's right to terminate this Agreement.

16. **Determination of Fair Market Value**. For the purpose of exercising certain rights to purchase described in this Agreement, fair market value shall be mutually determined by the corporate accountant for Franchisor and the corporate accountant for Franchisee. In the event of a disagreement, the aforesaid accountants shall appoint an independent accountant that has not provided services to either Franchisee or Franchisor for three (3) years before such appointment whose determination shall be binding. In the further event that within thirty (30) days after attempting to choose an independent accountant, the two parties' accountants are unable to agree on a third independent accountant, then each party's accountant shall identify an independent accounting firm, and a firm will be randomly selected from those identified by flipping a coin. The selected accounting firm shall evaluate fair market value, and its determination shall be binding.

17. **Franchisee Information**. Franchisee shall furnish to Franchisor the names, addresses and telephone numbers of all shareholders, members, partners, executive officers, members of the Board of Directors and managers (including the Managing Owner), as the case may be, to be included in the Franchise Agreement Summary Pages before opening the Franchised Restaurant. In the event that Franchisee is an entity, before or simultaneous with the date of execution of this Agreement, Franchisee shall provide Franchisor with appropriate minutes and/or resolutions of Franchisee setting forth authority of Franchisee to enter into this Agreement and the acceptance of all of the terms and conditions set forth in this Agreement.

18. **Damages for Breach**. In the event Franchisee breaches any of the obligations set forth in this Agreement or permits any default to continue after due notice, it shall be liable for all damages resulting therefrom, as well as Franchisor's reasonable attorneys' fees, costs of litigation and any other damages or remedies determined as appropriate by an arbitrator or, where applicable, court of competent jurisdiction. These damages are to be deemed cumulative and in addition to any other rights or remedies to which Franchisor may be entitled. **EXCEPT FOR CLAIMS FRANCHISOR HAS FOR VIOLATIONS OF ITS INTELLECTUAL PROPERTY RIGHTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE EACH SHALL BE LIMITED SOLELY TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THE NON-BREACHING PARTY.**

19. **Entire Agreement**. This Agreement shall supersede all prior agreements, representations, warranties and understandings between the parties, except that nothing in this Agreement is intended to disclaim any representations made in the Franchise Disclosure Document. Any modification or waiver of any other of the provisions of this Agreement shall be effective only if made in writing and signed with the same formality as this Agreement. The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee.

20. **Severability**. In the event any one (1) or more of the sections or clauses contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as though such invalid, illegal or unenforceable provision had never been contained in this Agreement and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties if permitted by applicable law.

21. **Governing Law**. This Agreement is a Nevada contract and is to be interpreted and construed in accordance with the laws of the State of Nevada, without regard to its conflict of laws rules, except that any Nevada law regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

22. **Survival**. This Agreement shall survive the death of the parties and the death of the heirs, executors and/or assigns, personal representatives and successors-in-interests of the parties.

23. **Legal Counsel**. Each party acknowledges that it has either received independent legal advice before signing this Agreement or has been advised of its rights to have the same and has elected not to retain an attorney. Each of the parties further declares that it has signed this Agreement freely and voluntarily.

24. **Cooperation**. The parties agree to sign any and all documents, papers or other writings that are necessary to give full force and effect to this Agreement.

25. **Effect of Waiver**. The failure of either party to insist upon strict performance of any other provisions of this Agreement shall not be construed as a waiver of any subsequent default of the same or similar nature.

26. **Arbitration of Disputes**. The parties agree that, if any disputes cannot be resolved directly between Franchisee and Franchisor, any action arising out of or relating to this Agreement, the making, performance or interpretation of this Agreement, or the relationship between the parties shall be resolved, except as elsewhere expressly provided in this Agreement, by binding arbitration, on demand of either party, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including, without limitation, the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws. All proceedings during the arbitration that require the parties' physical presence will be conducted at a suitable location that is within ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. Judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual basis, and may not be conducted on a class-wide, joint, or consolidated basis. The Federal Arbitration Act shall apply to all arbitration questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. Unless the parties agree in writing at the time an arbitration proceeding is commenced to the identity of a single arbitrator, each party shall select one (1) arbitrator and the two (2) arbitrators selected shall select a third arbitrator. The third arbitrator selected shall serve as the sole arbitrator in the matter and shall have at least ten (10) years of experience in practicing franchise law as being their primary area of practice and their decision shall be binding. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court. Franchisee knowingly and voluntarily waives any right to litigate any dispute relating to this Agreement (except as otherwise provided in this Agreement). Franchisee further knowingly and voluntarily waives any right to arbitrate any dispute relating to this Agreement outside of ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed.

With understanding of the provisions of the above paragraph, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction to restrain any conduct by Franchisee in the development or operation of the Franchised Restaurant that could materially damage the goodwill associated with the Marks, provided that if Franchisee counters by initiating AAA arbitration in the required forum, Franchisor agrees to arbitrate the entire dispute from that point on, except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Franchisee agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks or use of Franchisor's trade secrets, including, but not limited to, recipes and/or food preparation techniques.

FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS) IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY AND THE RIGHT TO PARTICIPATE IN ANY CLASS ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND/OR FRANCHISEE. FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS) ACKNOWLEDGE THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.

27. **Consent to Jurisdiction**. Subject to the arbitration obligations in Section 26, Franchisee and its owners agree that all judicial actions brought by Franchisor against Franchisee or its owners, or by Franchisee or its owners against Franchisor, its affiliates, or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction located closest to where Franchisor has its principal business address when the action is commenced. Franchisee and each of its owners irrevocably submit to the jurisdiction of such courts and waive any objection they might have to either jurisdiction or venue. Despite the foregoing, Franchisor may bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Franchisee resides or the Franchised Restaurant is located.

28. **Limitations on Recovery**. Franchisee agrees that the only person or entity from which it may seek damages or any remedy for any dispute arising under this Agreement, including the breach of this Agreement, is the Franchisor, its successors or assigns. Franchisee agrees that it will not name Franchisor's shareholders, directors, officers, employees or agents in any arbitration or legal action. Franchisee acknowledges that Franchisor has relied on Franchisee's agreement to the provisions of this Section 28 in signing this Agreement.

29. **Indemnification**. As used in this Section, the phrase "Losses and Expenses" shall include, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

29.1 Franchisor shall not be liable by reason of any act or omission of Franchisee in its conduct of the operation of its Franchised Restaurant or for any claim, cause of action or judgment arising therefrom against Franchisee or Franchisor. Franchisee agrees to hold harmless, defend and indemnify Franchisor and its officers, directors, agents and employees ("Indemnitees") from and against any and all losses, expenses, judgments, claims, attorneys' fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with, the Franchised Restaurant or Franchisee's activities under this Agreement, other than a claim resulting directly from Franchisor's gross negligence.

Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties or any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license or lease of property or property rights provided by this Agreement.

29.2 Franchisee shall promptly notify Franchisor of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 29.1. If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such undertaking by Franchisor shall, in any manner or form, diminish Franchisee's obligation to indemnify Franchisor and to hold Franchisor harmless.

29.3 With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient, if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

(a) any of the acts or circumstances enumerated in Section 29.1 have occurred; or

(b) any act, error or omission of Franchisee may result directly or indirectly in damage, injury or harm to any person or any property.

29.4 All losses and expenses incurred under this Section 29 shall be chargeable to and paid by Franchisee based on its obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

29.5 Under no circumstances shall the Indemnities be required or obligated to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against Franchisee. Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from Franchisee.

29.6 The Indemnitees assume no liability whatsoever for any acts, errors or omissions of any persons with whom Franchisee may contract, regardless of the purpose. Franchisee shall hold harmless and indemnify the Indemnitees and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom Franchisee may contract.

30. **Set-off Rights**. At all times, Franchisor may set off any amounts Franchisee or its owners owe Franchisor or its affiliates against any amounts that Franchisor or its affiliates owe Franchisee or its owners, whether in connection with this Agreement or otherwise. Franchisor and its affiliates have no obligation to pay Franchisee or its owners any monies until Franchisor's and its affiliates' set-off rights have been fully quantified.

31. **Notices**. All acceptances, approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section 31. All such acceptances, approvals, requests, notices, and reports will be deemed delivered at the time delivered by hand; or one (1) business day after deposit with a nationally-recognized commercial courier service for next business day delivery; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified as follows: Franchisor will address notices to Franchisee at the location of the Franchised Restaurant that Franchisee is operating, or to the address at the start of this Agreement (until Franchisee designates a different address), or to the Managing Owner's address, at Franchisor's option. All notices to Franchisor shall be addressed to Capriotti's Sandwich Shop, Inc., 6056 S. Durango Drive, Suite 100, Las Vegas, NV 89113. Payments and certain information and reports Franchisee must send Franchisor under this Agreement will be deemed delivered on any of the applicable dates described above or, if earlier, when Franchisor actually receives them electronically (all payments, information, and reports must be received on or before their due dates in the form and manner specified in this Agreement). Notices will be addressed to the addresses above unless and until a different address has been designated by written notice to the other party.

32. **Franchisee Representations**.

32.1 **FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESSPERSON OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, GUARANTEE OR REPRESENTATION OTHER THAN THOSE DESCRIBED IN THE FRANCHISE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE APPROVED LOCATION OF THE FRANCHISED RESTAURANT. FRANCHISOR HAS NOT REPRESENTED THAT: (I) FRANCHISEE WILL EARN, CAN EARN OR IS LIKELY TO EARN A GROSS OR NET PROFIT; (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET; OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE FRANCHISED RESTAURANT.**

32.2 **FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, THE ATTACHMENTS TO IT AND THE AGREEMENTS RELATED TO IT, IF ANY, AT LEAST FIFTEEN (15) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS SIGNED.**

32.3 **FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE FRANCHISE AGREEMENTS BASED ON WHICH SUCH FRANCHISES WERE**

GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATION ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES.

32.4 **FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE FRANCHISED RESTAURANT INVOLVE SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY FRANCHISEE. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE FRANCHISED RESTAURANT IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) FRANCHISOR DOES NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL, DIRECTLY OR INDIRECTLY, THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE SYSTEM OR THE OPERATION OF THE FRANCHISED RESTAURANT, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE MANUAL.**

32.5 **FRANCHISEE ACKNOWLEDGES THAT THE PRESIDENT OF THE UNITED STATES OF AMERICA HAS ISSUED EXECUTIVE ORDER 13224 (THE "EXECUTIVE ORDER") PROHIBITING TRANSACTIONS WITH TERRORISTS AND TERRORIST ORGANIZATIONS AND THAT THE GOVERNMENT OF THE UNITED STATES HAS ADOPTED AND MAY IN THE FUTURE ADOPT OTHER ANTI-TERRORISM MEASURES (THE "ANTI-TERRORISM MEASURES"). FRANCHISOR THEREFORE REQUIRES CERTAIN REPRESENTATIONS AND WARRANTIES THAT THE PARTIES WITH WHOM IT DEALS ARE NOT DIRECTLY OR INDIRECTLY INVOLVED IN TERRORISM. THEREFORE, FRANCHISEE HEREBY REPRESENTS AND WARRANTS THAT NEITHER FRANCHISEE NOR ANY OF ITS EMPLOYEES, AGENTS, REPRESENTATIVES OR, AS APPLICABLE, ITS PRINCIPALS, MEMBERS, OFFICERS OR DIRECTORS, NOR ANY OTHER PERSON OR ENTITY ASSOCIATED WITH FRANCHISEE (EACH, INDIVIDUALLY, A "FRANCHISEE PARTY" AND COLLECTIVELY, THE "FRANCHISEE PARTIES") IS:**

(a) **A PERSON OR ENTITY LISTED IN THE ANNEX TO THE EXECUTIVE ORDER;**

(b) **A PERSON OR ENTITY OTHERWISE DETERMINED ACCORDING TO THE EXECUTIVE ORDER TO HAVE COMMITTED ACTS OF TERRORISM OR TO POSE A SIGNIFICANT RISK OF COMMITTING ACTS OF TERRORISM (SUCH A PERSON OR ENTITY AND THOSE PERSONS AND ENTITIES LISTED IN THE ANNEX TO THE EXECUTIVE ORDER ARE REFERRED TO IN THIS AGREEMENT AS "TERRORISTS");**

(c) **A PERSON OR ENTITY WHO ASSISTS, SPONSORS OR WHO SUPPORTS TERRORISTS OR ACTS OF TERRORISM ("SPONSORS OF TERRORISM"); OR**

(d) **OWNED OR CONTROLLED BY TERRORISTS OR SPONSORS OF TERRORISM.**

FURTHERMORE, FRANCHISEE REPRESENTS AND WARRANTS THAT NEITHER FRANCHISEE NOR ANY FRANCHISEE PARTY WILL, DURING THE TERM OF THIS AGREEMENT, BECOME A PERSON OR ENTITY DESCRIBED IN CLAUSES (a)–(d) ABOVE.

32.6 **FRANCHISEE UNDERSTANDS FRANCHISOR RETAINS THE ABSOLUTE RIGHT TO ENTER INTO AGREEMENTS WITH OTHER FRANCHISEES THAT MAY CONTAIN DIFFERENT TERMS THAN THOSE CONTAINED HEREIN OR TO FORGIVE, ABATE OR REDUCE FRANCHISE FEES AND MARKETING FUND OR LOCAL ADVERTISING COOPERATIVE CONTRIBUTIONS IN SUCH MANNER AS FRANCHISOR DEEMS IN FRANCHISOR'S BUSINESS JUDGMENT TO BE THE PROPER WAY TO PROCEED.**

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.:

By: ___________________________________

Name: Ashley Morris

Title: CEO

Date: __________________________________

FRANCHISEE:

By: ___________________________________

Name: _________________________________

Title: __________________________________

Date: __________________________________

EXHIBIT A – to the Franchise Agreement

SITE SELECTION ADDENDUM

CAPRIOTTI'S SANDWICH SHOP, INC. ("Franchisor") and ___________________ ("Franchisee") have this day entered into a CAPRIOTTI'S Franchise Agreement ("Franchise Agreement") and desire to supplement its terms as set out below in this Site Selection Addendum ("Addendum"). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site**: Within ninety (90) days after the Effective Date of the Franchise Agreement (as defined in this Agreement), Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a "Franchised Restaurant") at a site approved by Franchisor as provided for in this Agreement. Failure by Franchisor to acquire or lease a site for the Franchised Restaurant within the time required in Section 1 hereof shall constitute a default under Section 10.1 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum according to the terms of Section 10.1 of the Franchise Agreement.

2. **Site Selection Assistance**: Franchisor shall provide Franchisee with leasing guidelines ("Leasing Guidelines") to assist Franchisee in its site selection. Franchisee must follow the Leasing Guidelines.

3. **Site Selection Package Submission and Approval**: Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the Franchised Restaurant. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said thirty (30) days such site shall be deemed approved by Franchisor.

4. **Lease Responsibilities**: Within thirty (30) days of site approval by Franchisor, Franchisee shall sign a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of Franchisor's standard Franchised Restaurant Lease Rider attached as Exhibit 1 to this Addendum. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Franchised Restaurant Lease Rider.

5. **Site Evaluation Services**: Franchisor shall have the right, but not the obligation, to perform any on-site evaluation, as Franchisor may deem advisable. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Franchised Restaurant to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including the cost of travel, lodging and meals.

6. **Approved Location**: After the location for the Franchised Restaurant is approved by Franchisor according to Sections 1 and 3 of this Agreement, and leased or acquired by Franchisee according to Section 4 hereof, the location shall constitute the Approved Location described in Section

INITIALS: ______: ______

3.1 of the Franchise Agreement. The Approved Location shall be specified on a separate piece of paper and be attached as Exhibit 2, which shall become a part of the Franchise Agreement.

This Site Selection Addendum shall be considered an integral part of the Franchise Agreement between the parties and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to duly sign and deliver this Addendum on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________

Exhibit 1 – to the Site Selection Addendum

CAPRIOTTI'S SANDWICH SHOP, INC.

RIDER

TO THAT CERTAIN LEASE

DATED ___________, 20___

(THE "FORM LEASE")

BETWEEN

_____________________ A(N) _____________________
AS LANDLORD

AND

_____________________ A(N) _____________________
AS TENANT

FOR THE PREMISES ("PREMISES") KNOWN AS: _____________________

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Permitted Use**. The Premises are leased to Tenant for the operation of a franchised restaurant which sells submarine sandwiches and associated food products. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant's services and products will be offered or sold.

2. **Signage**. Despite anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other proprietary marks and identification on both the exterior and within the interior of the Premises as approved by CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation and franchisor of the Capriotti's concept ("Franchisor").

3. **Assignment and Subletting**. Landlord's consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant's assets or business permitted by Franchisor under its Franchise Agreement with Tenant or an assignment or sublet to the Franchisor, any parent, subsidiary or permitted affiliated corporation of Tenant or Franchisor, or another CAPRIOTTI'S SANDWICH SHOP franchisee. Landlord shall approve as an assignee or sublessee any tenant who has become a transferee of the Franchise Agreement as a result of a permitted merger, reorganization or sale of all or substantially all of Tenant's assets. Tenant shall also have the right, without the consent of Landlord, to assign this Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the

INITIALS: ______: ______

partnership and such company or partnership operates a CAPRIOTTI'S SANDWICH SHOP under a Franchise Agreement with Franchisor.

4. **Notices; Opportunity to Cure**. Copies of any demand letters, default notices or other similar notices of non-compliance ("Notice") sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Ashley Morris
CAPRIOTTI'S SANDWICH SHOP, INC.
6056 S. Durango Drive, Suite 100
Las Vegas, NV 89113

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon written notice from Landlord to Franchisor (at the address set forth in this Agreement) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept the performance of Franchisor within said period of time as performance by Tenant according to the terms of the Form Lease.

5. **Option to Lease**. Landlord hereby agrees that, in the event of (a) the termination or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, Franchisor shall have the option to lease the Premises according to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give written notice to Franchisor (at the address set forth in this Agreement) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within 30 days after (1) termination or expiration of the Franchise Agreement; (2) Franchisor's receipt of notice from Landlord that the Form Lease has been terminated; or (3) receipt of notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a CAPRIOTTI'S SANDWICH SHOP franchised location; at which point, the new franchisee shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Lease) as are contained in the Lease, and Franchisor shall be released from any and all liability under the lease; and

INITIALS: ______: ______

(d) Nothing contained in this Agreement shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

Landlord acknowledges that it may not, without Franchisor's approval, allow Tenant to effect any disposition of the Premises as a result of which Tenant relinquishes the right to possess the Premises, including a proposed lease assignment, sublet of the Premises, sale or other conveyance of possessory rights to the Premises (whether or not with a formal lease assignment or sublet), or negotiated termination of the lease with Landlord or other event that enables another party to take over possession of the premises other than for the operation of a CAPRIOTTI'S SANDWICH SHOP location.

6. **De-identification**. Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a CAPRIOTTI'S SANDWICH SHOP Franchised Restaurant operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing the provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, Franchisor may cause all required de -identification to be completed at Tenant's sole cost and expense.

7. **Assignment of Interest**. This Rider is binding and shall inure to the benefit of Landlord, Tenant and Franchisor, their assigns and successors-in-interest. The Franchisor is an intended beneficiary of this Rider with the full right to enforce its terms against both Tenant and Landlord.

LANDLORD:	**TENANT:**
By: ________________________	By: ________________________
Its: ________________________	Its: ________________________
Date: ________________________	Date: ________________________

Agreed to:

FRANCHISOR:

CAPRIOTTI'S SANDWICH SHOP, INC.

By: ________________________
Name: ________________________
Title: ________________________
Date: ________________________

Exhibit 2 – to the Site Selection Addendum

APPROVED LOCATION

The Approved Location will be at:

____
____
____

AGREED TO BY:

FRANCHISEE:	FRANCHISOR:
______________________________	**CAPRIOTTI'S SANDWICH SHOP, INC.**
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

EXHIBIT B – to the Franchise Agreement

FRANCHISE GUARANTY AGREEMENT

THIS FRANCHISE GUARANTY AGREEMENT is given this date _______________, by each of the undersigned parties.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by CAPRIOTTI'S SANDWICH SHOP, INC. ("Franchisor"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that ______________________________ ("Franchisee") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities, including, but not limited to, the non-competition, confidentiality, and transfer requirements, and (iii) the enforcement and other provisions in the Agreement, including the arbitration provision.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any legal or equitable remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will continue and be irrevocable during the term of the Agreement (including extensions) and afterward, for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned will be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, all presentments, demands, and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he or she may be entitled.

Franchisor has no present or future duty to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation and to discover from Franchisor or require Franchisor to disclose to the undersigned any financial or other information concerning Franchisee, any other guarantor, or any collateral securing any of Franchisee's obligations to Franchisor.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor is entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned must reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs even if Franchisor does not commence a judicial or arbitration proceeding.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

____
[Signature of Guarantor]

____
[Print Name and Date]

____
[Signature of Guarantor]

____
[Print Name and Date]

____
[Signature of Guarantor]

____
[Print Name and Date]

EXHIBIT C – to the Franchise Agreement

SPOUSAL CONSENT

NOTE: THE SPOUSE OF EACH OWNER OF FRANCHISEE MUST SIGN THIS SPOUSAL CONSENT.

The individual(s) listed below represents to Capriotti's Sandwich Shop, Inc. ("Company") that each is the spouse of the individual(s) who is an owner of the franchisee entity ("Franchisee") that has signed a Franchise Agreement with the Company dated ___________, 20__.

In consideration of the Company's grant to Franchisee of the rights under the Franchise Agreement, each of the individual spouses listed below agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves and their heirs, legal representatives, and assigns, that they and each of them:

1. must be firmly bound by all of the terms, provisions, and conditions in the Franchise Agreement;

2. unconditionally guarantee the full and timely performance by Franchisee of all of Franchisee's obligations under the Franchise Agreement, including, without limitation, any of Franchisee's indebtedness arising under or by virtue of the Franchise Agreement; and

3. agree to be bound by the confidentiality and non-competition covenants in the Franchise Agreement.

____

____

EXHIBIT C

AREA DEVELOPMENT AGREEMENT WITH EXHIBITS

AREA DEVELOPMENT AGREEMENT

by and between

CAPRIOTTI'S SANDWICH SHOP, INC.

and

____

To develop

CAPRIOTTI'S SANDWICH SHOP RESTAURANTS

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CAPRIOTTI'S SANDWICH SHOP, INC.

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("this Agreement") made this _____ day of ______________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation, having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _______________________, a ____________ corporation, having its principal place of business at __________________________________ ("Developer").

WITNESSETH:

WHEREAS, Franchisor is the owner of the trademarks, service marks, and logo "CAPRIOTTI'S", which mark is registered with the USPTO under Registration Number 3,571,960, and any other trademarks Franchisor may develop, as well as the trade names "CAPRIOTTI'S" and "CAPRIOTTI'S SANDWICH SHOP" (collectively, the "Marks") and trade secrets, recipes and know-how for use in connection with the unique process and system for the preparation and sale of all of its food products (the "System"), together with all of the goodwill connected therewith; and

WHEREAS, Developer hereby acknowledges the requirement of appropriate safeguards for the maintenance and future promotion of the System by reason of its high standards of quality and service and the fact that Franchisor has created over a period of years a superior reputation, name, identification and consumer demand for its products; and

WHEREAS, Developer hereby acknowledges and agrees to the exclusive right of Franchisor in and to the System as it is presently developed, or as the same may be improved upon during the term of this Agreement, including, trade secrets, recipes, designs, trademarks, trade names, logos, signs and slogans presently in use and/or developed after the date of this Agreement; and

WHEREAS, Developer desires, upon the terms and conditions of this Agreement, to obtain and enter into the business of operating restaurants utilizing the System ("Franchised Restaurants") under the name "CAPRIOTTI'S SANDWICH SHOP," subject to the training and supervision of Franchisor, and in accordance with the standards of Franchisor presently in existence and/or as changed or modified at any time after the date of this Agreement; and

WHEREAS, Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and customer service and the necessity of operating the Franchised Restaurants in conformity with Franchisor's standards and specifications; and

WHEREAS, Franchisor expressly disclaims the making of and Developer acknowledges that it has not received or relied upon any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Developer acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document and that it has no knowledge of any representations by Franchisor, its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms herein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

1. GRANT

1.1 Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain licenses to establish and operate _________________ (_______) CAPRIOTTI'S SANDWICH SHOP restaurants according to the system and offering carry-out, catering, delivery services and on-premises dining within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Designated Territory").

1.2 Notwithstanding the foregoing, Developer shall have no right to establish or operate CAPRIOTTI'S SANDWICH SHOP restaurants from non-traditional locations ("Non-Traditional Locations") within the Designated Territory. Non-Traditional Locations shall include, without limitation, regional shopping malls, enclosed shopping malls, lifestyle centers, airports, railroad stations, bus stations, travel plazas, sports stadiums and arenas, hospitals and medical centers, colleges, universities, convention centers, casinos, resorts, any type of location known colloquially as “virtual kitchens,” “ghost kitchens,” “ghost operations,” or locations that operate on a delivery and/or pick up only basis, and military bases and facilities.

1.3 Developer shall be bound by the development schedule set forth in Exhibit B. Time is of the essence of this Agreement. Each Franchised Restaurant shall be established and operated pursuant to a separate Franchise Agreement ("Franchise Agreement") to be entered into by Developer and Franchisor. Each Franchise Agreement shall be in the form of Franchisor's then-current form of Franchise Agreement.

1.4 Except as otherwise provided in this Agreement, for so long as this Agreement is in force and effect and Developer is not in default under any terms hereof, Franchisor shall not establish, nor license anyone other than Developer the right to establish, any CAPRIOTTI'S SANDWICH SHOP restaurant in the Designated Territory prior to the expiration of the Development Schedule ("Development Schedule") set forth in Exhibit B. However, Franchisor, and any parent, subsidiary or affiliate of Franchisor reserves the following rights:

(a) To establish, and to license third parties to establish, CAPRIOTTI'S SANDWICH SHOP restaurants outside of the Designated Territory as Franchisor, in its sole and exclusive discretion, deems appropriate;

(b) To establish, and to license third parties to establish, CAPRIOTTI'S SANDWICH SHOP restaurants or any other business at Non-Traditional Locations within the Designated Territory;

(c) To offer and sell at wholesale, retail or through any other distribution system both within and outside of the Designated Territory, products and services which comprise, or may in the future comprise, a part of the System, which products may be resold at retail or through any other distribution channel including, but not limited to, supermarkets and other retail facilities, to the general public by such entities;

(d) To sell at both wholesale and retail within and outside the Designated Territory all products and services which do not comprise a part of the System; and

(e) To establish food service units within and outside the Designated Territory operating under a format and trademarks and service marks distinct from the CAPRIOTTI'S SANDWICH SHOP System.

2. DEVELOPMENT FEE

As consideration for the rights and options granted herein, Developer shall pay to Franchisor an initial individual franchise fee in the amount of THIRTY THOUSAND Dollars ($30,000.00) for each Franchised Restaurant Developer agrees to develop, own and operate pursuant to this Agreement. Simultaneously with the execution of this Agreement, Developer shall execute a Franchise Agreement for the first CAPRIOTTI'S SANDWICH SHOP restaurant to be developed pursuant to this Agreement. The Development Fee due from Developer when Developer signs this Agreement totals ________________________ Dollars ($_______). The Development Fee consists of the following amounts: (i) the initial franchise fee of THIRTY THOUSAND Dollars ($30,000.00) due under the Franchise Agreement Developer signs simultaneously with signing this Agreement for the first Franchised Restaurant to be developed pursuant to this Agreement; (ii) the Development Services Fee ("Development Services Fee") due under that Franchise Agreement in the amount of SIX THOUSAND Dollars ($6,000.00); and (iii) a deposit equal to thirty-three percent (33%) of the total initial franchise fees due for all additional Franchised Restaurants (after the first Franchised Restaurant) which this Agreement grants Developer the option to develop. The Development Fee is consideration for the rights Franchisor grants Developer in this Agreement and for reserving the Designated Territory for Developer (while it is in compliance), is fully earned by Franchisor when Franchisor and Developer sign this Agreement, and is not refundable under any circumstances, even if Developer does not comply or attempt to comply with the Development Schedule and Franchisor then terminates this Agreement for that reason.

While the Development Fee is not refundable under any circumstances, each time Developer signs a new franchise agreement for another Franchised Restaurant to be developed within the Designated Territory pursuant to this Agreement, Franchisor will apply the deposit related to that Franchised Restaurant (which is part of the Development Fee) toward the initial franchise fee due for that Franchised Restaurant (leaving sixty-seven percent (67%) of the initial franchise fee due at time of signing, together with any other initial fees payable to Franchisor under the Franchise Agreement).

The royalty fee ("Royalty Fee") for each Franchised Restaurant to be developed pursuant to this Agreement is six percent (6%) of the Gross Sales as defined in Section 4.2 of the Franchise Agreement. Should Developer not develop at least three (3) Franchised Restaurants pursuant to this Agreement according to the Development Schedule, the Royalty Fee on all operating Franchised Restaurants shall immediately rise to seven percent (7%) of Gross Sales for the remainder of their franchise terms.

3. DEVELOPMENT SCHEDULE AND DEVELOPMENT PROCEDURES

3.1 During the term of this Agreement, Developer must develop, open and continuously operate in the Designated Territory the number of Franchised Restaurants specified in the Development Schedule in Exhibit B. For each Franchised Restaurant to be developed during the term of this Agreement, Developer must obtain Franchisor's written acceptance of the site by the applicable site acceptance date listed in the Development Schedule ("Site Acceptance Date") and develop and open the Franchised Restaurant by the applicable opening date listed in the Development Schedule ("Opening Date"). Developer's strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to obtain site acceptance for a Franchised Restaurant by the applicable Site Acceptance Date or develop and open a Franchised Restaurant by the applicable Opening Date will constitute a material, non-curable breach of this Agreement, which will permit Franchisor to terminate this Agreement immediately by giving Developer written notice of termination. Notwithstanding the foregoing, Franchisor will not terminate this Agreement if the failure to continuously operate the number of Franchised Restaurants specified in the Development Schedule is the result of a transfer made in accordance with the provisions of the Franchise Agreement, or closure of a Franchised Restaurant due to force majeure. TIME IS OF THE ESSENCE.

3.2 Developer shall be responsible for locating a suitable site for each Franchised Restaurant to be developed pursuant to the Development Schedule by the Site Acceptance Date for each Franchised Restaurant. Franchisor shall use reasonable efforts to help analyze Developer's market area, to help determine site feasibility and to assist in the designation of the location for each site; provided however, that Franchisor will not conduct site selection activities on Developer's behalf. While Franchisor shall utilize its experience and expertise in accepting sites proposed by Developer, nothing contained herein shall be interpreted as a guarantee of success for any site accepted by Franchisor for development nor shall any site recommendation or acceptance made by Franchisor be deemed a representation that any particular site is available for use as a CAPRIOTTI'S SANDWICH SHOP Franchised Restaurant. It shall be the sole responsibility of Developer to undertake site selection activities and otherwise secure premises for Developer's Franchised Restaurants.

3.3 Developer shall submit a description of each proposed site to Franchisor, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Developer's favorable prospects for obtaining the proposed site and such other information as Franchisor may require. Franchisor shall provide Developer written notice of whether the Franchisor has accepted the proposed site within thirty (30) days after receiving Developer's written proposal. Upon acceptance of the site of the restaurant by Franchisor, a separate Franchise Agreement shall be executed for each such restaurant, at which time payment representing the balance of the appropriate individual franchise fee is due and owing in accordance with the terms of the Franchise Agreement. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such restaurant (except the restaurant's required opening date is governed by this Agreement).

3.4 Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all and is not in default of any requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in compliance with all and is not in default of any of its respective obligations under any Franchise Agreement. Developer must comply with all of the terms and conditions of each Franchise Agreement.

3.5 After receiving Franchisor's written acceptance of the site of the Franchised Restaurant as provided in Section 3.3 hereof, Developer shall submit to Franchisor for acceptance a lease for the site (if the premises are to be leased) or a binding agreement to purchase the site. Franchisor's acceptance of the lease or purchase agreement shall be conditioned upon inclusion of terms acceptable to Franchisor, and at Franchisor's option, the lease or purchase agreement shall contain such provisions as Franchisor may require. The lease or purchase agreement may not contain any covenants or other obligations that would prevent Developer from performing any obligations under the Franchise Agreement. Franchisor's acceptance of the lease or purchase agreement does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to Developer's ability to comply with its terms, and Franchisor does not assume any liability or responsibility to Developer or to any third parties due to such acceptance. Developer must deliver a copy to Franchisor of the fully signed lease or purchase agreement within five (5) days after its execution. For the second or subsequent site, Developer may not execute a Franchise Agreement for, or begin construction of a Franchised Restaurant at, the premises until Developer has delivered a copy of the fully signed lease or purchase agreement to Franchisor.

4. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire on the first to occur of: (a) the date by which the last CAPRIOTTI'S SANDWICH SHOP restaurant is required to be opened pursuant to the Development Schedule; or (b) the date on which the last CAPRIOTTI'S SANDWICH SHOP restaurant required by the Development Schedule actually opens for business.

5. DUTIES OF THE DEVELOPER

5.1 Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement;

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement, however, Developer may not be required to attend an initial Developer training course conducted at a Franchisor designated location in connection with the second or any subsequent Franchised Restaurant;

(c) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of its employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person;

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

(e) Developer shall designate and at all times have in place a Managing Owner who has been approved as such by Franchisor and holds at least twenty percent (20%) of Developer’s ownership interests.. Such Managing Owner shall directly oversee the operations of all of Developer's Franchised Restaurants. Should said Managing Owner leave the Developer for any reason, Developer shall have thirty (30) days to find a replacement that must be approved by Franchisor.

6. PROPRIETARY MARKS/CONFIDENTIALITY

6.1 This Agreement is not a Franchise Agreement, and nothing in this Agreement gives Developer the right to use the Marks in any manner. The right to use Franchisor's Marks is granted only under a Franchise Agreement signed directly with Franchisor. This Agreement only grants Developer potential development rights for Franchised Restaurants if Developer fully complies with its terms.

6.2 Developer understands and agrees that Franchisor has disclosed or will hereafter disclose to Developer certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Franchised Restaurant and as approved by Franchisor, Developer shall not, during the Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the recipes, food products, advertising, marketing, designs or methods of operation of the restaurants or the System. Developer shall disclose to its employees only such confidential, proprietary or trade secret information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge or know-how, including without limitation, drawings, materials, equipment, marketing, recipes and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement. Developer hereby acknowledges and agrees that all Franchisor's recipes and food preparation techniques are and shall remain confidential and trade secrets. Additionally, Developer agrees not to make any unauthorized postings of any confidential information or trade secrets on any internet websites or electronic bulletin boards.

6.3 Developer and its shareholders agree that, in the event any confidential information and/or trade secrets are disclosed in violation of this Agreement, then, Developer shall be liable for damages, loss of potential franchise fees, loss of royalties, attorneys' fees and any other damages or remedies deemed appropriate by a court of competent jurisdiction, for any intentional use and/or disclosure of such trade secrets and/or confidential information by Developer or its shareholders in violation of Section 6.2. Developer and its shareholders further agree that any competition with Franchisor, by Developer or its members/shareholders using any of Franchisor's trade secrets and/or confidential information, shall be considered intentional.

7. DEFAULT AND TERMINATION

7.1 The options and territorial exclusivity granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement including, without limitation, the condition that Developer comply strictly with the Development Schedule.

7.2 Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice if: (i) Developer shall be adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, if a receiver (permanent or temporary) of its property or any part thereof is appointed by a court of competent authority or if it makes a general assignment for the benefit of its creditors; (ii) a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) execution is levied against Developer's business or property; (iv) Developer does not then have in place an approved Managing Owner; or (v) suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

7.3 If Developer: (i) fails to obtain Franchisor's written acceptance of a site by the applicable Site Acceptance Date or fails to develop and open any Franchised Restaurant by the applicable Opening Date, as set forth in the Development Schedule; (ii) at any time during the term of this Agreement, fails to have open and operating the number of Franchised Restaurants required by the Development Schedule, unless such failure is the result of a transfer of any Franchised Restaurant(s) by Developer in accordance with the terms of the Franchise Agreement(s) or closure of any Franchised Restaurant(s) due to force majeure; (iii) fails to comply with any other term and condition of this Agreement; (iv) makes or attempts to make a transfer or assignment, or engages in any subfranchising or sublicensing activities, in violation of this Agreement; or (v) fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor, or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in its discretion, may do any one or more of the following:

(a) Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

(b) Reduce the number of Franchised Restaurants, without any reduction of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement;

(c) Terminate or reduce in any manner, in Franchisor's discretion, the territorial exclusivity granted Developer in Section 1 hereof; or

(d) Exercise any other rights and remedies which Franchisor may have.

7.4 Upon termination (or expiration) of this Agreement, all remaining options granted to Developer to establish Franchised Restaurants under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any CAPRIOTTI'S SANDWICH SHOP Franchised Restaurant for which a Franchise Agreement has not been executed by Franchisor. Franchisor shall be entitled to establish, and to license others to establish, Franchised Restaurants which will operate in the Designated Territory except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Developer, or Developer's affiliates, and which has not been terminated. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, except to the extent that any default under this Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, Developer must comply with the terms and conditions of each Franchise Agreement which shall control in determining if a default exists under the Franchise Agreement.

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

8. TRANSFERABILITY

8.1 Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third party without restriction. After Franchisor assigns this Agreement to a third party who expressly assumes this Agreement's obligations, Franchisor no longer will have any performance or other obligations under this Agreement. That assignment will constitute a release and novation with respect to this Agreement, and the new owner-assignee will be liable to Franchisee as if it had been an original party to this Agreement. Specifically and without limiting the foregoing, Franchisee agrees that Franchisor may sell its assets (including this Agreement), the Marks, or the System to a third party; offer its ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another business entity; and/or undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

8.2 The rights and interest of Developer under this Agreement are and shall remain personal to Developer. Developer's development rights under this Agreement are not assignable at all, whether directly or indirectly. This means Franchisor will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and is expressly prohibited) if there is an assignment of this Agreement, a transfer of a controlling ownership interest in Developer, or any other event attempting to assign the development rights. A "controlling ownership interest" in Developer means the percent of voting shares or other voting rights resulting from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer, whether a "controlling ownership interest" is involved must be determined both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

8.3 This Agreement does not give Developer any right to franchise, license, subfranchise, or sublicense others to develop and operate CAPRIOTTI'S SANDWICH SHOP restaurants. Only Developer may construct, develop, open, and operate CAPRIOTTI'S SANDWICH SHOP restaurants pursuant to this Agreement.

9. COVENANTS

9.1 Developer shall furnish to Franchisor the names, addresses and telephone numbers of all shareholders, members, partners, executive officers, members of the Board of Directors and managers, as the case may be, in the form attached hereto as Exhibit E. In the event that Developer is an entity formed under state or federal law, prior to or simultaneous with the date of execution of this Agreement, Developer shall provide Franchisor with appropriate minutes and/or resolutions of Developer setting forth authority of Developer to enter into this Agreement and the acceptance of all of the terms and conditions herein set forth.

9.2 Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon its and its owners' agreement to deal exclusively with Franchisor with respect to the products and services CAPRIOTTI'S Restaurants offer. Developer therefore agrees that, during this Agreement's term, neither Developer, its owners, nor any members of Developer's or its owners' Immediate Families (defined below) will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner—whether of record, beneficial, or otherwise—in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not prohibit ownership of shares of a class of securities that are publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding; or

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating; or

(c) directly or indirectly loan any money or other thing of value, or guarantee any other person's loan, to any Competitive Business or any owner, director, officer, manager, employee, or agent of any Competitive Business, wherever located or operating.

The term "Immediate Family" includes the named individual, his or her spouse, and all children of the named individual or his or her spouse. The term "Competitive Business," as used in this Agreement, means any business (a) offering for sale hot and cold submarine sandwiches and/or other deli-related menu items (other than soft drinks) or (b) granting franchises or licenses to others to operate the type of business described in clause (a), other than a CAPRIOTTI'S SANDWICH SHOP restaurant operated under a Franchise Agreement with Franchisor. Developer agrees to obtain similar reasonable covenants from its senior personnel, including officers and directors. Franchisor has the right to pre-approve the forms of agreements Developer uses solely to ensure that Developer adequately protects trade secrets and confidential information and the competitiveness of CAPRIOTTI'S SANDWICH SHOP restaurants. Under no circumstances will Franchisor control the forms or terms of employment agreements Developer uses with employees or otherwise be responsible for Developer's labor relations or employment practices.

Upon expiration or termination of this Agreement, Developer and its owners agree that neither they nor any member of their Immediate Families will have any direct or indirect, controlling or non-controlling interest as an owner, whether of record, beneficial, or otherwise, or perform services as a director, officer, manager, employee, consultant, representative, or agent, in any Competitive Business located or operating: (i) within the Designated Territory; or (ii) within three (3) miles of another CAPRIOTTI'S SANDWICH SHOP restaurant in operation or under construction on the later of the effective date of termination or expiration or the date on which the restricted person begins to comply with this Section, provided that this restriction does not prohibit ownership of shares of a class of securities publicly-traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding.

Developer, each owner, and their Immediate Families will each be bound by these post-term competitive restrictions for two (2) years beginning on the effective date of this Agreement's termination or expiration. However, if a restricted person does not begin to comply with these competitive restrictions immediately, the two (2) year restrictive period for the non-compliant party will not start to run until the date on which that party begins to comply with the competitive restrictions (whether or not due to the entry of a court order enforcing this provision). The running of the two (2) year restrictive period for a restricted person will be suspended whenever that restricted person breaches this Section and will resume when that person resumes compliance. Developer (and its owners) expressly acknowledges that it (and they) possesses skills and abilities of a general nature and has other opportunities for exploiting these skills. Consequently, Franchisor's enforcing the covenants made in this Section will not deprive Developer (and its owners) of personal goodwill or the ability to earn a living.

9.3 Each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 9 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 9.

9.4 Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 9.2. of this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

9.5 Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

9.6 In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

10. NOTICES

The parties hereto will give any notice required under this Agreement in writing and will send it: (1) by registered or certified mail to the other party, return receipt requested; (2) by facsimile to Developer at (____) _____-_______and (702) 736-9878 for Franchisor, confirmed by receipt of facsimile transmission; (3) by email to Developer to _________________ with copy to ___________________ and to Franchisor to ashleymorris@capriottis.com, or (4) by a nationally-recognized commercial courier service for next business day delivery. Franchisor will address notices to Developer at the location of the CAPRIOTTI'S SANDWICH SHOP restaurant that Developer is operating or the address at the start of this Agreement until Developer designates a different address. All notices to Franchisor shall be addressed to Capriotti's Sandwich Shop, Inc., 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113.

11. MISCELLANEOUS TERMS AND CONDITIONS

11.1 **Severability**. In the event any one (1) or more of the sections or clauses contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as though such invalid, illegal or unenforceable provision had never been contained herein, and there shall be deemed substituted such other provision as will most nearly accomplish the intent of the parties to the extent permitted by applicable law.

11.2 **Governing Law**. This Agreement is a Nevada contract and is to be interpreted and construed exclusively in accordance with the laws of the State of Nevada, without regard to its conflict of laws rules, except that any Nevada law regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply unless its jurisdictional requirements are met independently without reference to this Section.

11.3 **Consent to Jurisdiction**. Subject to the arbitration obligations in Section 11.8 below, Developer and its owners agree that all judicial actions brought by Franchisor against Developer or its owners, or by Developer or its owners against Franchisor, its affiliates, or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction located closest to where Franchisor has its principal business address when the action is commenced. Developer and each of its owners irrevocably submit to the jurisdiction of such courts and waive any objection they might have to either jurisdiction or venue. Despite the foregoing, Franchisor may bring an action seeking a temporary restraining order or temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which Developer resides or a Franchised Restaurant is located.

11.4 **Survival**. This Agreement shall survive the death of the parties and the death of the heirs, executors and/or assigns, personal representatives and successors-in-interests of the parties. This Agreement shall supersede all prior agreements, representations, warranties and understandings between the parties hereto with respect to development rights in the Designated Territory, except that nothing in this Agreement is intended to disclaim any representations made in the Franchisor's Franchise Disclosure Document. Any modification or waiver of any other of the provisions of this Agreement shall be effective only if made in writing and executed with the same formality as this Agreement.

11.5 **Legal Counsel**. Each party hereto acknowledges that it has either received independent legal advice prior to signing this Agreement or has been advised of its rights to have the same and has elected not to retain an attorney. Each of the parties further declares that it has signed this Agreement freely and voluntarily.

11.6 **Cooperation**. The parties hereto agree to execute any and all documents, papers or other writings that are necessary to give full force and effect to this Agreement.

11.7 **Effect of Waiver**. The failure of either party to insist upon strict performance of any other provisions of this Agreement shall not be construed as a waiver of any subsequent default of the same or similar nature.

11.8 **Arbitration of Disputes**. The parties agree that, to the extent that any disputes cannot be resolved directly between Developer and Franchisor, any action arising out of or relating to this Agreement, the making, performance or interpretation of this Agreement, or the relationship between the parties shall be resolved, except as elsewhere expressly provided in this Agreement, by binding arbitration, on demand of either party, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including, without limitation, the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration law. All proceedings during the arbitration that require the parties' physical presence will be conducted at a suitable location the arbitrator chooses that is within ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. Judgment on the arbitration award may be entered in any court of competent jurisdiction. Developer and Franchisor agree that arbitration shall be conducted on an individual basis, and may not be conducted on a class-wide, joint, or consolidated basis. The Federal Arbitration Act shall apply to all arbitration questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. Unless the parties agree in writing at the time an arbitration proceeding is commenced to the identity of a single arbitrator, each party shall select one (1) arbitrator and the two (2) arbitrators selected shall select a third arbitrator. The third arbitrator selected shall serve as the sole arbitrator in the matter and shall have at least ten (10) years of experience in practicing franchise law as being their primary area of practice and their decision shall be binding. Developer understands that by agreeing to arbitrate it gives up jury, appeal and other rights it might have in court. Developer knowingly and voluntarily waives any right to litigate any dispute relating to this Agreement (except as otherwise provided in this Agreement). Developer further knowingly and voluntarily waives any right to litigate and/or arbitrate any dispute relating to this Agreement outside of ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed.

Notwithstanding the provisions of this Section, Developer agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction to restrain any conduct by Developer that could materially damage the goodwill associated with the Marks, provided that if Developer counters, as Developer may, by initiating AAA arbitration in the required forum, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Developer will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Developer agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks or use of Franchisor's trade secrets, including, but not limited to, recipes and/or food preparation techniques.

FRANCHISOR AND DEVELOPER (AND DEVELOPER'S OWNERS AND GUARANTORS) IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY AND THE RIGHT TO PARTICIPATE IN ANY CLASS ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND/OR DEVELOPER. FRANCHISOR AND DEVELOPER (AND DEVELOPER'S OWNERS AND GUARANTORS) ACKNOWLEDGE THAT THEY MAKE THIS WAIVER KNOWINGLY, VOLUNTARILY, WITHOUT DURESS, AND ONLY AFTER CONSIDERING THIS WAIVER'S RAMIFICATIONS.

11.9 **Limitations on Recovery**. Developer agrees that the only person or entity from which it may seek damages or any remedy for any dispute arising under this Agreement, including the breach of this Agreement, is Franchisor, its successors or assigns. Developer agrees that it will not name Franchisor's shareholders, directors, officers, employees or agents in any arbitration or legal action. Developer acknowledges that Franchisor has relied on Developer's agreement to the provisions of this Section in signing this Agreement.

11.10 **Indemnification**. As used in this Section, the phrase "Losses and Expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to CAPRIOTTI'S SANDWICH SHOP's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

(a) Franchisor shall not be liable by reason of any act or omission of Developer in its conduct of the operation of its Franchised Restaurants or otherwise or for any claim, cause of action or judgment arising therefrom against Developer or Franchisor, except for claims caused by Franchisor's gross negligence and/or intentional misconduct. Developer agrees to hold harmless, defend and indemnify Franchisor and its officers, director, agents and employees ("Indemnitees") from and against any and all losses, expenses, judgments, claims, attorneys' fees and damages arising out of or in connection with any claim or cause of action in which Franchisor shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with, the Franchised Restaurants or Developer's activities under this Agreement, other than a claim resulting directly from Franchisor's gross negligence or intentional misconduct.

(b) Developer shall promptly notify Franchisor of any action, suit, proceeding, claim, demand, inquiry or investigation as described in Section 11.10(a). If Franchisor is or may be named as a party in any such action, Franchisor may elect (but under no circumstances will be obligated) to undertake the defense and/or settlement thereof. No such undertaking by Franchisor shall, in any manner or form, diminish Developer's obligation to indemnify Franchisor and to hold it harmless.

(c) With respect to any action, suit, proceeding, claim, demand, inquiry or investigation, Franchisor may, at any time and without notice, in order to protect persons or property or the reputation or goodwill of Franchisor or others, order, consent or agree to any settlement or take any remedial or corrective action as Franchisor deems expedient, if, in Franchisor's judgment, there are reasonable grounds to believe that:

(i) any of the acts or circumstances enumerated in Section 11.10(a) have occurred; or

(ii) any act, error or omission of Developer may result directly or indirectly in damage, injury or harm to any person or any property.

(d) All losses and expenses incurred under this Section shall be chargeable to and paid by Developer pursuant to its obligations of indemnity hereunder, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

(e) Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from Developer.

(f) The Indemnitees assume no liability whatsoever for any acts, errors or omissions of any persons with whom Developer may contract, regardless of the purpose. Developer shall hold harmless and indemnify the Indemnitees and each of them for all losses and expenses that may arise out of any acts, errors or omissions of such third parties with whom Developer may contract.

11.11 **Damages for Breach**. In the event that Developer breaches any of the obligations set forth herein or permits any default to continue after due notice, it shall be liable for all damages resulting therefrom, as well as Franchisor's reasonable attorney's fees, costs of litigation and any other damages or remedies determined as appropriate by an arbitrator or a court of competent jurisdiction. These damages are to be deemed cumulative and in addition to any other rights or remedies to which Franchisor may be entitled. Notwithstanding the forgoing, Developer shall not be liable for Franchisor's lost revenue, lost profits or other expectancy damages resulting from Developer's failure to perform as required by this Agreement. However, nothing contained herein shall in any way limit Developer's liability for Franchisor's consequential damages, resulting from Developer's conduct, including but not limited to, Developer's breach of this Agreement. Under no circumstances will Developer receive a refund of the Development Fee.

EXCEPT FOR CLAIMS FRANCHISOR HAS FOR VIOLATIONS OF ITS INTELLECTUAL PROPERTY RIGHTS, FRANCHISOR AND DEVELOPER (AND DEVELOPER'S OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND DEVELOPER EACH SHALL BE LIMITED SOLELY TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THE NON-BREACHING PARTY.

12. SUPERIORITY OF FRANCHISE AGREEMENT

For each CAPRIOTTI'S SANDWICH SHOP Franchised Restaurant developed in the Designated Territory, a separate Franchise Agreement shall be executed, and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with CAPRIOTTI'S SANDWICH SHOP Franchised Restaurants within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former (except as otherwise provided in this Agreement).

13. DEVELOPER REPRESENTATIONS

13.1 **DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF DEVELOPER AS AN INDEPENDENT BUSINESSPERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, GUARANTEE OR REPRESENTATION OTHER THAN AS SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF THE FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE APPROVED LOCATION OF THE FRANCHISED RESTAURANT. FRANCHISOR HAS NOT REPRESENTED THAT (I) DEVELOPER WILL EARN, CAN EARN OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET OR (III) THE MARKET DEMAND WILL ENABLE DEVELOPER TO EARN A PROFIT FROM THE FRANCHISED RESTAURANT.**

13.2 **DEVELOPER ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FIFTEEN (15) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED.**

13.3 **DEVELOPER ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. DEVELOPER ACKNOWLEDGES THAT OTHER DEVELOPERS OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED DESIGNATED TERRITORIES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. DEVELOPER FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE**

AREA DEVELOPMENT AGREEMENT PURSUANT TO WHICH SUCH DESIGNATED TERRITORIES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT DEVELOPER'S OBLIGATIONS ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER DEVELOPERS.

13.4 **DEVELOPER RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE OPERATION OF THE FRANCHISED RESTAURANT INVOLVES SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF DEVELOPER AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. DEVELOPER HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING BUT NOT LIMITED TO LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY DEVELOPER. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING DEVELOPER TO OPERATE THE FRANCHISED RESTAURANT IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (I) FRANCHISOR DOES NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF DEVELOPER'S BUSINESS OR EMPLOYMENT DECISIONS; AND (II) DEVELOPER AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR DEVELOPER'S USE OF THE SYSTEM OR THE OPERATION OF THE FRANCHISED RESTAURANT, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE MANUAL.**

13.5 **DEVELOPER ACKNOWLEDGES THAT THE PRESIDENT OF THE UNITED STATES OF AMERICA HAS ISSUED EXECUTIVE ORDER 13224 (THE "EXECUTIVE ORDER") PROHIBITING TRANSACTIONS WITH TERRORISTS AND TERRORIST ORGANIZATIONS AND THAT THE GOVERNMENT OF THE UNITED STATES HAS ADOPTED AND MAY IN THE FUTURE ADOPT OTHER ANTI-TERRORISM MEASURES (THE "ANTI-TERRORISM MEASURES"). FRANCHISOR THEREFORE REQUIRES CERTAIN REPRESENTATIONS AND WARRANTIES THAT THE PARTIES WITH WHOM IT DEALS ARE NOT DIRECTLY OR INDIRECTLY INVOLVED IN TERRORISM. THEREFORE, DEVELOPER HEREBY REPRESENTS AND WARRANTS THAT NEITHER DEVELOPER NOR ANY OF ITS EMPLOYEES, AGENTS, REPRESENTATIVES OR, AS APPLICABLE, ITS PRINCIPALS, MEMBERS, OFFICERS OR DIRECTORS, NOR ANY OTHER PERSON OR ENTITY ASSOCIATED WITH DEVELOPER (EACH, INDIVIDUALLY, A "DEVELOPER PARTY" AND COLLECTIVELY, THE "DEVELOPER PARTIES") IS:**

(A) **A PERSON OR ENTITY LISTED IN THE ANNEX TO THE EXECUTIVE ORDER;**

(B) **A PERSON OR ENTITY OTHERWISE DETERMINED PURSUANT TO THE EXECUTIVE ORDER TO HAVE COMMITTED ACTS OF TERRORISM OR TO POSE A SIGNIFICANT RISK OF COMMITTING ACTS OF TERRORISM (SUCH A PERSON OR ENTITY AND THOSE PERSONS AND ENTITIES LISTED IN THE ANNEX TO THE EXECUTIVE ORDER ARE REFERRED TO HEREIN AS "TERRORISTS");**

(C) A PERSON OR ENTITY WHO ASSISTS, SPONSORS OR WHO SUPPORTS TERRORISTS OR ACTS OF TERRORISM ("SPONSORS OF TERRORISM"); OR

(D) OWNED OR CONTROLLED BY TERRORISTS OR SPONSORS OF TERRORISM.

FURTHERMORE, DEVELOPER REPRESENTS AND WARRANTS THAT NEITHER DEVELOPER NOR ANY DEVELOPER PARTY WILL, DURING THE TERM OF THIS AGREEMENT, BECOME A PERSON OR ENTITY DESCRIBED IN CLAUSES (A)–(D) ABOVE.

13.6 **DEVELOPER UNDERSTANDS FRANCHISOR RETAINS THE ABSOLUTE RIGHT TO ENTER INTO AGREEMENTS WITH OTHER DEVELOPERS THAT MAY CONTAIN DIFFERENT TERMS THAN THOSE CONTAINED HEREIN OR TO FORGIVE, ABATE OR REDUCE FRANCHISE FEES AND MARKETING FUND OR LOCAL ADVERTISING COOPERATIVE CONTRIBUTIONS IN SUCH MANNER AS FRANCHISOR DEEMS IN FRANCHISOR'S BUSINESS JUDGMENT TO BE THE PROPER WAY TO PROCEED.**

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:______________________________
Name: Ashley Morris
Title: CEO
Date:____________________________

DEVELOPER:

__________________________(entity)

By:______________________________
Name:___________________________
Title:____________________________
Date:____________________________

EXHIBIT A – to the Area Development Agreement

DESCRIPTION OF TERRITORY

By:____________________________	By:____________________________
Title:__________________________	Title:__________________________
Date:__________________________	Date:__________________________

EXHIBIT B – to the Area Development Agreement

DEVELOPMENT SCHEDULE

Site Acceptance Date	Opening Date	Cumulative Number of Franchised Restaurants To Be Open and Operating On the Opening Date

By:____________________________ By:____________________________

Title:__________________________ Title:__________________________

Date:__________________________ Date:__________________________

EXHIBIT C – to the Area Development Agreement

DEVELOPER GUARANTY AGREEMENT

FOR VALUE RECEIVED, and in consideration for, and as an inducement to Franchisor's entering into the Area Development Agreement of even date herewith (the "Area Development Agreement"), by and between Capriotti's Sandwich Shop, Inc. ("Franchisor") and ___________________________ ("Developer"), the undersigned ("Guarantor") hereby, on behalf of itself, its successors, assigns, heirs, administrators and general representatives, as the case may be, covenants and agrees with Franchisor, its legal representatives, successors and assigns as follows:

(a) **THAT**, the undersigned will unconditionally guarantee to the Franchisor the prompt and punctual payment of any and all monies due and owing or other amounts that may be or become due to Franchisor from time to time under the Area Development Agreement and will duly perform all of the covenants contained in the Area Development Agreement to be performed by Developer thereunder; and, in addition, will pay all damages that may arise in consequence of a default by Developer under the Area Development Agreement, not including lost profits, and all attorneys' fees and other costs that may be incurred by Franchisor in enforcing Developer's covenants and agreements set forth in the Area Development Agreement, or in enforcing the covenants and agreements of the undersigned herein;

(b) **THAT**, the undersigned will unconditionally guarantee to Franchisor payment and satisfaction of any claim which Franchisor may have against Developer for damages resulting from a violation of any covenant or condition in the Area Development Agreement, including, but not limited to, the covenant not to compete, unfair competition as defined under the Federal Trademark Act of 1946, as amended, or under applicable state unfair competition laws, arising out of Developer's activities during the course of, in connection with or upon the expiration or termination of the Area Development Agreement;

(c) **THAT**, at the option of Franchisor, the undersigned may be joined in any action or proceeding commenced by Franchisor against Developer in connection with or based upon the Area Development Agreement or any provision thereof, and that recovery may be had against the undersigned in any such action or proceeding, or in any independent action or proceeding against the undersigned, without any requirement that Franchisor or its respective successors or assigns first assert, prosecute or exhaust any remedy or claim against Developer, its successors or assigns; such that the liability of the undersigned hereunder shall be deemed primary;

(d) **THAT**, this Developer Guaranty Agreement shall be absolute, present and unconditional and shall remain in full force and effect and extend to any renewal, extension, indulgence, modification or amendment of the Area Development Agreement, and as to assignment, or other transfer of Developer's interests under the Area Development Agreement, whether or not the undersigned shall have had notice thereof;

(e) **THAT**, the validity of this Developer Guaranty Agreement and the obligations of the undersigned hereunder shall in no way be terminated, limited, diminished, affected or impaired by reason or any action which Franchisor might take or be forced to take against Developer, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Area Development Agreement or otherwise;

(f) **THAT**, the obligations of the undersigned, if more than one party, shall be joint and several and shall be fully valid and binding as against each signatory hereto individually whether or not any other party or parties hereto have executed this Developer Guaranty Agreement;

(g) **THAT**, the undersigned waives notice of any and all defaults under the Area Development Agreement;

(h) **THAT**, in any action or proceeding brought on, under or by virtue of this Developer Guaranty Agreement, the undersigned shall and does hereby waive trial by jury;

(i) **THAT**, this Developer Guaranty Agreement shall survive the termination of, expiration or cancellation of the Area Development Agreement; and

(j) **THAT**, any failure or election to take action against the undersigned pursuant to this Developer Guaranty Agreement shall not in any way be deemed as a waiver of any rights of Franchisor hereunder.

The use of the singular herein shall include the plural. Each term used in this Developer Guaranty Agreement, unless otherwise defined herein, shall have the same meaning as when used in the Area Development Agreement. This Developer Guaranty Agreement shall be governed by and construed in accordance with the laws of the State of Nevada.

IN WITNESS WHEREOF, the undersigned has caused this Developer Guaranty Agreement to be executed as of even date with the Area Development Agreement.

GUARANTOR

____
Individually

Date:___________________________

EXHIBIT D – to the Area Development Agreement

RESTRICTIVE COVENANT AS TO DEVELOPER OR SHAREHOLDER OR DEVELOPER

The undersigned constituting the Developer, the Developer's Shareholder and their spouses acknowledge that they are bound by the restrictive covenants as contained in Section 9 of the Area Development Agreement dated ________________ ____, 20__.

The undersigned, in consideration of mutual promises of the parties, and in order to induce Franchisor to execute the attached Area Development Agreement, hereby voluntarily enter into this Restrictive Covenant.

DEVELOPER:

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

SHAREHOLDER

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

SHAREHOLDER'S SPOUSE

By:___________________________
Name:_________________________
Title:__________________________
Date:__________________________

EXHIBIT E – to the Area Development Agreement

INFORMATION CONCERNING SHAREHOLDERS AND OTHER PERSONS SHAREHOLDERS

NAME	ADDRESS	PHONE	STOCK OWNED

EXECUTIVE OFFICERS

NAME	ADDRESS	PHONE	STOCK OWNED

BOARD OF DIRCTORS

NAME	ADDRESS	PHONE	STOCK OWNED

EXHIBIT D

STATE-SPECIFIC INFORMATION

ADDENDUM TO
CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE DISCLOSURE DOCUMENT

The following are additional disclosures for the Capriotti's Sandwich Shop, Inc. Franchise Disclosure Document required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. Neither the franchisor nor any person in Item 2 of the Disclosure Document is subject to any currently-effective order of any national securities association or exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

3. OUR WEBSITE, www.capriottis.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

4. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

> California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning transfer, termination, or nonrenewal of a franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.
>
> Post-Termination Noncompetition Covenants. The Franchise Agreement and Area Development Agreement contain a covenant not to compete that extends beyond the termination of the franchise. This provision might not be enforceable under California law.
>
> Applicable Law. The Franchise Agreement and Area Development Agreement require application of the laws of the State of Nevada. This provision might not be enforceable under California law.
>
> The Franchise Agreement and Area Development Agreement provide for termination upon insolvency, bankruptcy, or re-organization. This provision

might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

Material Modification. Section 31125 of the Franchise Investment Law requires us to give you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

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

The Franchise Agreement and Area Development Agreement require binding arbitration. Arbitration will occur where we have our principal business address when the arbitration demand is filed (it currently is in Las Vegas, Nevada), with each party bearing its own costs. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

ILLINOIS

1. The following statements are added to the end of Item 17:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement and Area Development Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

MARYLAND

1. The following language is added as the last paragraph of Items 5 and 7:

> Despite the payment provisions above, we will defer your payment of the initial franchise fee and, when applicable, development fee due to us under a Development Agreement until we have fulfilled all our initial obligations to you under the Franchise Agreement and you have commenced doing business. You must pay us the initial franchise fee and, if applicable, the development fee on the day you open the CAPRIOTTI'S SANDWICH SHOP for business.

2. The "Summary" sections of Items 17(c) and (m) in the Franchise Agreement chart in the Franchise Disclosure Document, captioned "Requirements for you to renew or extend" and "Conditions for our approval of transfer," are amended by adding the following:

> The general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The "Summary" section of Item 17(h) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document, captioned "'Cause' defined – non-curable defaults," is amended by adding the following:

> The Agreement provides for termination upon your insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 *et seq.*), but we will enforce it to the extent enforceable.

4. The "Summary" section of Item 17(v) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document, captioned "Choice of forum," is amended to read as follows:

> Subject to arbitration requirements, litigation generally must be in courts located closest to where we have our principal business address when the action is commenced (it currently is in Las Vegas, Nevada), although you may, subject to your arbitration obligations, commence a lawsuit against us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The "Summary" section of Item 17(w) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document, captioned "Choice of law," is amended to read as follows:

> Except for federal law and claims arising under the Maryland Franchise Registration and Disclosure Law, Nevada law applies.

6. The following is added at the end of the charts in Item 17 of the Franchise Disclosure Document:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MINNESOTA

1. The following paragraphs are added at the end of the charts in Item 17 of the Franchise Disclosure Document:

> With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement.
>
> Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
>
> Any release as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

> **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE**

THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S.

Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

1. The "Summary" sections of Items 17(c) and 17(m) in the Franchise Agreement chart in the Franchise Disclosure Document are amended by adding the following:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The "Summary" section of Item 17(i) in the Franchise Agreement chart in the Franchise Disclosure Document is amended by adding the following:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

3. The "Summary" section of Item 17(r) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document is amended by adding the following:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. The "Summary" section of Item 17(v) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document is amended by adding the following:

To the extent required by the North Dakota Franchise Investment Law, but subject to your arbitration obligations, you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document is amended by adding the following:

Except for federal law, North Dakota law applies.

RHODE ISLAND

1. The "Summary" section of Item 17(v) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document is amended to read as follows:

Subject to arbitration requirements, litigation generally must be in courts closest to where we have our principal business address when the action is commenced (it currently is in Las Vegas, Nevada), except that, to the extent required by applicable law, but subject to your arbitration obligations, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. The "Summary" section of Item 17(w) in both the Franchise Agreement and Area Development Agreement charts in the Franchise Disclosure Document is deleted in its entirety and replaced with the following:

> Except for federal law, and except as required by the Rhode Island Franchise Investment Act, Nevada law applies.

VIRGINIA

1. The "Summary" section of Item 17(h) in the Franchise Agreement chart in the Franchise Disclosure Document is amended by adding the following:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following paragraph is added to the end of Item 5:

> Franchisees who receive financial incentives to refer franchise prospects to the Franchisor might be required to register as franchise brokers under the laws of Washington State.

2. The following paragraph is added to the end of Item 17:

> If any of the provisions in this disclosure document or the Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), then (if the Act applies by its terms) the provisions of the Act will prevail over the inconsistent terms of the disclosure document and/or Franchise Agreement for any franchises sold in Washington. However, we and you agree to enforce the Franchise Agreement's provisions to the extent the law allows.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN ILLINOIS

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Franchisee").

1. <u>BACKGROUND</u>. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ____________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the franchise offer or sales activity occurred in Illinois and the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is a resident of Illinois.

2. <u>GOVERNING LAW</u>. Section 21 of the Franchise Agreement is deleted and replaced with the following:

> Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

3. <u>CONSENT TO JURISDICTION</u>. Section 27 of the Franchise Agreement is deleted in its entirety and replaced with the following language:

> In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

4. <u>WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL</u>. The following language is added to the end of Sections 18 and 26 of the Franchise Agreement:

> However, this Section shall not act as a condition, stipulation, or provision purporting to bind any person acquiring any franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois Regulations at Section 200.609.

5. <u>ILLINOIS FRANCHISE DISCLOSURE ACT</u>. The following language is added as Section 33 of the Franchise Agreement.

> 33. **<u>Illinois Franchise Disclosure Act</u>.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering

into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________
Date:_____________________________	Date:_____________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN MARYLAND

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and ________________________, a ____________ corporation having its principal place of business at ____________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated __________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is a resident of the State of Maryland, and/or (b) Franchisee's Franchised Restaurant will be located or operated in Maryland.

2. RELEASES. Sections 2 and 12 of the Franchise Agreement are amended by adding the following:

> The general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. FEES. Section 4 of the Franchise Agreement is amended by adding the following:

> Despite the payment provisions above, we will defer your payment of the initial franchise fee you owe us until we have fulfilled all our initial obligations to you under the Franchise Agreement and you have commenced doing business. You must pay us the initial franchise fee on the day you open the CAPRIOTTI'S SANDWICH SHOP for business.

4. TERMINATION. Section 10.1(l) of the Franchise Agreement is amended by adding the following:

> Termination upon bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce this provision to the extent enforceable.

5. GOVERNING LAW. Section 21 of the Franchise Agreement is amended by adding the following language:

> Despite anything to the contrary stated above, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. CONSENT TO JURISDICTION. Section 27 of the Franchise Agreement is amended by adding the following language:

However, subject to Franchisee's arbitration obligations, nothing in this Section affects Franchisee's right under the Maryland Franchise Registration and Disclosure Law to bring a lawsuit in Maryland for claims arising under that law.

7. LIMITATION OF CLAIMS. Section 28 of the Franchise Agreement is amended by adding the following language:

Any limitation of claims will not act to reduce the three (3) year statute of limitations afforded Franchisee for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

8. NON-WAIVER. The following language is added to the end of Section 32 of the Franchise Agreement:

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

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By:____________________	By:____________________
Name:__________________	Name:__________________
Title:__________________	Title:__________________
Date:__________________	Date:__________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN MINNESOTA

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Franchised Restaurant that Franchisee will operate under the Franchise Agreement will be located in Minnesota, and/or (b) any of the franchise offer or sales activity occurred in Minnesota.

2. INDEMNIFICATION FOR USE OF MARKS. The following sentence is added to the end of Section 5 of the Franchise Agreement:

> Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect Franchisee's right to use the Marks and will indemnify Franchisee from any loss, costs, or expenses arising out of any claims, suits, or demands regarding Franchisee's use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. RELEASES. The following is added to the end of Sections 2 and 12 of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. TERMINATION. The following is added to the end of Sections 2 and 10 of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. GOVERNING LAW. The following statement is added at the end of Section 21 of the Franchise Agreement:

> Nothing in this Agreement will abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80c or Franchisee's right to any procedure, forum, or remedies that the laws of the jurisdiction provide.

6. CONSENT TO JURISDICTION. The following language is added to the end of Section 27 of the Franchise Agreement:

> Notwithstanding the foregoing, Minn. Stat. Sec. 80c.21 and Minn. Rule 2860.4400j prohibit Franchisor, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this agreement will abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80c or Franchisee's rights to any procedure, forum, or remedies that the laws of the jurisdiction provide.

7. WAIVER OF PUNITIVE DAMAGES. If and then only to the extent required by the Minnesota Franchises Law, Section 18 of the Franchise Agreement is deleted.

8. WAIVER OF JURY TRIAL. If and then only to the extent required by the Minnesota Franchises Law, the last paragraph of Section 26 of the Franchise Agreement is deleted.

9. INJUNCTIVE RELIEF. The second to the last paragraph of Section 26 of the Franchise Agreement is deleted and replaced with the following:

> With understanding of the provisions of the above paragraph, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction to restrain any conduct by Franchisee in the development or operation of the Franchised Restaurant that could materially damage the goodwill associated with the Marks, provided that if Franchisee counters, by initiating AAA arbitration in the required forum, Franchisor agrees to arbitrate the entire dispute from that point on, except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. A court will determine if a bond is required to obtain any injunctive relief with respect to use of the Marks or use of Franchisor's trade secrets, including, but not limited to, recipes and/or food preparation techniques.

10. LIMITATION OF CLAIMS; NO IMPLIED COVENANT. The following is added to the end of Section 28 of the Franchise Agreement:

> Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By:__________________________________	By:__________________________________
Name:_______________________________	Name:_______________________________
Title:________________________________	Title:________________________________
Date:________________________________	Date:________________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN NEW YORK

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and ________________________, a ____________ corporation having its principal place of business at ____________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated __________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Restaurant that Franchisee will operate under the Franchise Agreement was made in New York, and/or (b) the Franchisee is a resident of New York and the Franchised Restaurant will be located in New York.

2. RELEASES. The following is added to the end of Sections 2 and 12 of the Franchise Agreement:

> Provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. TERMINATION. The following is added to the end of Sections 2 and 10 of the Franchise Agreement:

> You may terminate the Franchise Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. GOVERNING LAW/CONSENT TO JURISDICTION. The following statement is added at the end of Sections 21 and 27 of the Franchise Agreement:

> However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

5. LIMITATION OF CLAIMS; NO IMPLIED COVENANT. The following is added to the end of Section 28 of the Franchise Agreement:

> To the extent required by Article 33 of the General Business Law of the State of New York, all rights and any causes of action arising in your favor from the

provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN NORTH DAKOTA

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is a resident of North Dakota and the Franchised Business that Franchisee will operate under the Franchise Agreement will be located or operated in North Dakota, and/or (b) any of the franchise offer or sales activity occurred in North Dakota.

2. RELEASES. The following is added to the end of Sections 2 and 12 of the Franchise Agreement:

> (Any release executed will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.)

3. COVENANT NOT TO COMPETE. Section 6 of the Franchise Agreement is amended by adding the following:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.

4. GOVERNING LAW. The following language is added to the end of Section 21 of the Franchise Agreement:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

5. ARBITRATION. The second sentence of Section 26 of the Franchise Agreement is amended to read as follows:

> All proceedings during the arbitration that require the parties' physical presence will be conducted at a suitable location the arbitrator chooses that is within ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed, provided, however, that to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act),

arbitration proceedings will be held at a site to which Franchisor and Franchisee agree.

6. CONSENT TO JURISDICTION. The following language is added to the end of Section 27 of the Franchise Agreement:

> However, to the extent required by applicable law, but subject to Franchisee's arbitration obligations, Franchisee may bring an action in North Dakota.

7. WAIVER OF JURY TRIAL. If and then only to the extent required by the North Dakota Franchise Investment Law, the last paragraph of Section 21 of the Franchise Agreement is deleted.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN RHODE ISLAND

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in Rhode Island and the Franchised Business that Franchisee will operate under the Franchise Agreement will be located in Rhode Island, and/or (b) any of the franchise offer or sales activity occurred in Rhode Island.

2. GOVERNING LAW. Section 21 of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. sections 1051 *et seq.*) or other federal law, this Agreement and all claims arising from the relationship between Franchisor and Franchisee will be governed by the laws of the state of Nevada, without regard to its conflict of laws principles, except that: (1) any Nevada law regulating franchise offers and sales or governing the Franchisor-Franchisee relationship will not apply unless its jurisdictional requirements are met independently without reference to this section; and (2) to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

3. CONSENT TO JURISDICTION. The following language is added to the end of Section 27 of the Franchise Agreement:

> Nonetheless, subject to Franchisee's arbitration obligations, Franchisee has the right under the Rhode Island Franchise Investment Act to sue in Rhode Island for claims arising under that law.

[Signature Page Follows]

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI’S SANDWICH SHOP, INC.
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT FOR USE IN WASHINGTON

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Franchisee").

1. BACKGROUND. Franchisor and Franchisee are parties to that certain Franchise Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Restaurant that Franchisee will operate under the Franchise Agreement was made in Washington, and/or (b) the Franchisee is a resident of Washington; and/or (c) the Franchised Restaurant will be located in Washington.

2. **Addition of Paragraphs.** The following is added to the end of the Franchise Agreement:

> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
>
> RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
>
> A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

FRANCHISEE:	CAPRIOTTI'S SANDWICH SHOP, INC.
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: ____________________________	Title: ____________________________
Date: ____________________________	Date: ____________________________

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE AREA DEVELOPMENT AGREEMENT

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN ILLINOIS

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the franchise offer or sales activity occurred in the State of Illinois and the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement will be located in Illinois, and/or (b) Developer is a resident of Illinois.

2. GOVERNING LAW. Section 11.2 of the Area Development Agreement is deleted and replaced with the following:

> Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Area Development Agreement.

3. CONSENT TO JURISDICTION. Section 11.3 of the Area Development Agreement is deleted in its entirety and replaced with the following language:

> In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an area development agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an area development agreement may provide for arbitration to take place outside of Illinois.

4. ILLINOIS FRANCHISE DISCLOSURE ACT. The following language is added as Section 14 of the Area Development Agreement.

> 14 **Illinois Franchise Disclosure Act.**
>
> In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:__________________________
Name: Ashley Morris
Title: CEO
Date:_________________________

DEVELOPER:

______________________________(entity)

By:__________________________
Name:_________________________
Title:_________________________
Date:_________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN MARYLAND

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) Developer is a resident of the State of Maryland, and/or (b) Developer's Franchised Restaurants will be located or operated in Maryland.

2. FEES. Section 2 of the Area Development Agreement is amended by adding the following:

> Despite the payment provisions above, we will defer your payment of the development fee you owe us until we have fulfilled all our initial obligations to you under the Area Development Agreement and you have commenced doing business. You must pay us the full development fee on the day you open your first CAPRIOTTI'S SANDWICH SHOP for business.

3. TERMINATION. Section 7.2 of the Area Development Agreement is amended by adding the following:

> Termination upon bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce this provision to the extent enforceable.

4. GOVERNING LAW. Section 11.2 of the Area Development Agreement is amended by adding the following language:

> Despite anything to the contrary stated above, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. CONSENT TO JURISDICTION. Section 11.3 of the Area Development Agreement is amended by adding the following language:

> However, subject to Developer's arbitration obligations, nothing in this Section affects Developer's right under the Maryland Franchise Registration and Disclosure Law to bring a lawsuit in Maryland for claims arising under that law.

6. NON-WAIVER. The following language is added to the end of Section 13 of the Area Development Agreement:

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

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:_________________________
Name: Ashley Morris
Title: CEO
Date:________________________

DEVELOPER:

____________________________(entity)

By:_________________________
Name:_______________________
Title:________________________
Date:________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN MINNESOTA

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement will be located in Minnesota, and/or (b) any of the franchise offer or sales activity occurred in Minnesota.

2. INDEMNIFICATION FOR USE OF MARKS. The following sentence is added to the end of Section 6 of the Area Development Agreement:

> Provided Developer has complied with all provisions of this Area Development Agreement applicable to the Marks, Franchisor will protect Developer's right to use the Marks and will indemnify Developer from any loss, costs, or expenses arising out of any claims, suits, or demands regarding Developer's use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. GOVERNING LAW. The following statement is added at the end of Section 11.2 of the Area Development Agreement:

> Nothing in this Agreement will abrogate or reduce any of Developer's rights under Minnesota Statutes Chapter 80c or Developer's right to any procedure, forum, or remedies that the laws of the jurisdiction provide.

4. CONSENT TO JURISDICTION. The following language is added to the end of Section 11.3 of the Area Development Agreement:

> Notwithstanding the foregoing, Minn. Stat. Sec. 80c.21 and Minn. Rule 2860.4400j prohibit Franchisor, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of Developer's rights under Minnesota Statutes Chapter 80c or Developer's rights to any procedure, forum, or remedies that the laws of the jurisdiction provide.

5. INJUNCTIVE RELIEF. The second to last paragraph of Section 11.8 of the Area Development Agreement is deleted and replaced with the following:

> With understanding of the provisions of the above paragraph, Developer agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction to restrain any conduct by Developer in the development or operation of the Franchised Restaurant that could materially damage the goodwill associated with the Marks, provided that if Developer counters, as Developer may, by initiating AAA arbitration in the required forum, Franchisor agrees to arbitrate the entire dispute from that point on, except preliminary injunctive relief (and permanent injunctive relief also, if Developer will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. A court will determine if a bond is required to obtain any injunctive relief with respect to use of the Marks or use of Franchisor's trade secrets, including, but not limited to, recipes and/or food preparation techniques.

6. WAIVER OF JURY TRIAL. If and then only to the extent required by the Minnesota Franchises Law, the last paragraph of Section 11.8 of the Area Development Agreement is deleted.

7. WAIVER OF PUNITIVE DAMAGES. If and then only to the extent required by the Minnesota Franchises Law, the second paragraph of Section 11.11 of the Area Development Agreement is deleted.

8. REMEDIES. The following language is added to the end of Section 13 of the Franchise Agreement

> **FRANCHISOR AND DEVELOPER ACKNOWLEDGE THAT CERTAIN PARTS OF THIS SECTION MIGHT NOT BE ENFORCEABLE UNDER MINN. RULE PART 2860.4400J. HOWEVER, FRANCHISOR AND DEVELOPER AGREE TO ENFORCE THE PROVISION TO THE EXTENT THE LAW ALLOWS.**

[Signature Page Follows]

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:________________________
Name: Ashley Morris
Title: CEO
Date:_______________________

DEVELOPER:

(entity)

By:________________________
Name:______________________
Title:_______________________
Date:_______________________

**RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN NEW YORK**

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and ________________________, a ____________ corporation having its principal place of business at ____________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated __________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement was made in New York, and/or (b) the Developer is a resident of New York and the Franchised Restaurants that Developer will develop and operate will be located in New York.

2. TERMINATION. Section 7.2 of the Area Development Agreement is amended by adding the following:

> You may terminate the Area Development Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

3. GOVERNING LAW/CONSENT TO JURISDICTION. The following statement is added at the end of Sections 11.2 and 11.3 of the Area Development Agreement:

> However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:__________________________
Name: Ashley Morris
Title: CEO
Date:_________________________

DEVELOPER:

_____________________________(entity)

By:__________________________
Name:________________________
Title:_________________________
Date:_________________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN NORTH DAKOTA

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) Developer is a resident of North Dakota and the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement will be located or operated in North Dakota, and/or (b) any of the franchise offer or sales activity occurred in North Dakota.

2. COVENANT NOT TO COMPETE. Section 9.2 of the Area Development Agreement is amended by adding the following:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.

3. GOVERNING LAW. The following language is added to the end of Section 11.2 of the Area Development Agreement:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this agreement.

4. CONSENT TO JURISDICTION. The following language is added to the end of Section 11.3 of the Area Development Agreement:

> However, to the extent required by applicable law, but subject to Developer's arbitration obligations, Developer may bring an action in North Dakota.

5. ARBITRATION. The second sentence of Section 11.8 of the Area Development Agreement is amended to read as follows:

> All proceedings during the arbitration that require the parties' physical presence will be conducted at a suitable location the arbitrator chooses that is within ten (10) miles of where Franchisor has its principal business address when the arbitration demand is filed, provided, however, that to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act),

arbitration proceedings will be held at a site to which Franchisor and Developer agree.

6. <u>WAIVER OF JURY TRIAL</u>. If and then only to the extent required by the North Dakota Franchise Investment Law, the last paragraph of Section 11.8 of the Area Development Agreement is deleted.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:________________________
Name: Ashley Morris
Title: CEO
Date:_______________________

DEVELOPER:

___________________________(entity)

By:________________________
Name:______________________
Title:_______________________
Date:_______________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN RHODE ISLAND

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) Developer is domiciled in Rhode Island and the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement will be located in Rhode Island, and/or (b) any of the franchise offer or sales activity occurred in Rhode Island.

2. GOVERNING LAW. Section 11.2 of the Area Development Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham act, 15 U.S.C. sections 1051 et seq.) or other federal law, this agreement and all claims arising from the relationship between Franchisor and Developer will be governed by the laws of the state of Nevada, without regard to its conflict of laws principles, except that: (1) any Nevada law regulating franchise offers and sales or governing the Franchisor-Developer relationship will not apply unless its jurisdictional requirements are met independently without reference to this section; and (2) to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

3. CONSENT TO JURISDICTION. The following language is added to the end of Section 11.3 of the Area Development Agreement:

> Nonetheless, subject to Developer's arbitration obligations, Developer has the right under the Rhode Island Franchise Investment Act to sue in Rhode Island for claims arising under that law.

[Signature Page Follows]

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:________________________
Name: Ashley Morris
Title: CEO
Date:_______________________

DEVELOPER:

___________________________(entity)

By:________________________
Name:______________________
Title:_______________________
Date:_______________________

RIDER TO THE CAPRIOTTI'S SANDWICH SHOP, INC.
AREA DEVELOPMENT AGREEMENT FOR USE IN WASHINGTON

This Rider (the "Rider") is made this ________________, 20__, by and between CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation having its principal place of business at 6056 South Durango Drive, Suite 100, Las Vegas, Nevada 89113 ("Franchisor"), and _________________________, a ____________ corporation having its principal place of business at ______________________________________ ("Developer").

1. BACKGROUND. Franchisor and Developer are parties to that certain Area Development Agreement dated ___________________________, 20__ that has been signed at the same time as this Rider (the "Area Development Agreement"). This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement was made in Washington, and/or (b) the Developer is a resident of Washington; and/or (c) the Franchised Restaurants that Developer will develop and operate under the Area Development Agreement will be located in Washington.

2. **Addition of Paragraphs.** The following is added to the end of the Area Developer Agreement:

> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
>
> RCW 19.100.180 may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Area Development Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Area Development Agreement, a developer may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
>
> A release or waiver of rights executed by a developer may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute

of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a developer, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a developer under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Area Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a developer from (i) soliciting or hiring any employee of a developer of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Area Development Agreement or elsewhere are void and unenforceable in Washington.

[Signature Page Follows]

IN WITNESS WHEREOF, each party has caused its duly authorized representative to sign and deliver this Rider on the date first above written.

CAPRIOTTI'S SANDWICH SHOP, INC.

By:__________________________
Name: Ashley Morris
Title: CEO
Date:________________________

DEVELOPER:

_____________________________(entity)

By:__________________________
Name:________________________
Title:_________________________
Date:________________________

EXHIBIT E

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TABLE OF CONTENTS OF THE MANUAL

EXHIBIT F

INFORMATION REGARDING CURRENT AND PAST FRANCHISEES

LIST OF FRANCHISEES AS OF DECEMBER 31, 2019

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
Arizona								
AZ071	Pastrami Boys, LLC	Steve Holdeman*		3510 E Baseline Rd	Mesa	AZ	85204	480-497-0308
AZ081	NS CAPS, LLC	Warren Ruttenberg	Adam Gilburne	15227 N 87th St	Scottsdale	AZ	85260	480-948-7827
AZ104	DS CAPS, LLC	Warren Ruttenberg	Adam Gilburne	4017 N Scottsdale Rd	Scottsdale	AZ	85251	480-946-7827
Arkansas								
AR196**	CapNWA, INC.	Todd Toombs	Sharon Toombs	1406 S Walton Blvd	Bentonville	AR	72712	
California								
CA084	Stallion Foods, LLC	Wayne “Buz” Knyal	Jeff Klein *	5495 S Sepulveda Blvd	Culver City	CA	90230	310-391-1600
CA097	Stallion Foods, LLC	Wayne “Buz” Knyal	Jeff Klein *	505 N Grand Ave	Walnut	CA	91789	909-444-7782
CA101	Stallion Foods, LLC	Wayne “Buz” Knyal	Jeff Klein *	10126 Carmenita Rd	Whittier	CA	90605	562-777-0777
CA116	Boterham Sandoicchi Inc.	Amy Marsh		1975 Mt. Diablo St.	Concord	CA	94520	925-798-5516
CA127	CALCAPSUB, INC.	Amy Marsh		6274 Mahan Drive	San Jose	CA	95123	408-449-5145
CA164	2-ADEP Ventures, LLC	Cesar Torres*	Brenda Torres	9171 Desoto Ave	Chatsworth	CA	91311	
CA171**	Estrada Ventures, LLC	Damian Pascuzzo		4060 Douglas Blvd	Granite Bay	CA	95746	
Delaware								
DE001	Gobblers Union, LLC	David Carpenter		510 N Union St	Wilmington	DE	19805	302-571-8929
DE002	Gobblers Basin, LLC	David Carpenter		708 W Basin Rd	New Castle	DE	19720	302-322-6797
DE003	Gobblers Newark, LLC	David Carpenter		614 Newark Shopping Center	Newark	DE	19711	302-454-0200

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
DE004	Justico, Inc.	Kimberly Schneese		2124 Silverside Rd N	Wilmington	DE	19810	302-479-9818
DE007	Capriotti's of Dover, Inc.	Jerry Hill		321-F Independence Blvd	Dover	DE	19904	302-678-2808
DE009	BON, Inc	Louis Bondoc	Suzanne Bondoc	430 Eden Square Shopping Center	Bear	DE	19701	302-832-8132
DE010	Gobblers Middletown, LLC	David Carpenter*		743 N Broad St	Middletown	DE	19709	302-376-7827
DE017	JSW4, LLC	Jillian Williams		130 Gateway South Center	Dover	DE	19901	302-698-3090
DE018	Gobblers Kirkwood, LLC	David Carpenter*		4522 Kirkwood Hwy	Wilmington	DE	19808	302-998-0096
DE020	Capriotti's of Millford, LLC	Virginia Rodriquez		684 N Dupont Hwy	Milford	DE	19963	302-424-3309
DE025	Gobblers Smyrna, LLC	David Carpenter*		458 West Glenwood Ave	Smyrna	DE	19977	302-659-1388
DE027	K & P, Inc.	George Buchwald		1604 Savannah Rd	Lewes	DE	19958	302-644-8998
DE053	BON, Inc.	Louis Bondoc	Suzanne Bondoc	1835 Pulaski Hwy	Bear	DE	19701	302-838-8898
DE094	BON, Inc.	Louis Bondoc	Suzanne Bondoc	614 Newark Shopping Center	Newark	DE	19711	302-533-5132
DE130	Gobblers Hockessin, LLC	David Carpenter*		120 Lantana Square	Hockessin	DE	19707	302-257-5222
DE158**	Justico, Inc.	Kimberly Schneese		Hwy 202 and Fairfax	Wilmington	DE	19803	
Florida								
FL193**	CAPS TAMPA, LLC	Scott Crawford	Stephen Poletta	Heart Pine & SR 54	Tampa	FL		
Georgia								
GA141	EPS Restaurants, LLC	Bill Byrd		777 Townpark Lane NW	Keneswaw	GA	30144	470-558-2277
Idaho								

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
ID166	Pastrami Boys, LLC	Steve Holdeman*		334 Cheney Drive West	Twin Falls	ID	83301	208-490-8499
Illinois								
IL140	Sandwich Kings, LLC	Andy Poch	Craig Garofalo	180 North Wabash	Chicago	IL	60601	312-344-1695
IL148	Sandwich Kings, LLC	Andy Poch	Craig Garofalo	171 Aberdeen	Chicago	IL	60607	615-823-5517
IL172**		Paul Claps		1960 W Main St	St Charles	IL	60174	
Indiana								
IN144	Red27, LLC	Ryan Bonnell	Andrew Bonnell	5320 E 82nd St	Castleton	IN	46250	317-813-4663
IN150	Red27, LLC	Ryan Bonnell	Andrew Bonnell	8817 US 31	Indianapolis	IN	46227	317-300-1008
IN170	MAAFOOD, Inc.	Mike Vanderwoude	Dan Hoffman	902 Roby Dr	Hammond	IN	45320	219-370-0222
Iowa								
IA069	KJ Gimbel Industries, LLC	James Gimbel		3016 E 53rd Street	Davenport	IA	52807	563-359-8500
IA090	KJ Gimbel Industries, LLC	James Gimbel		4640 1st Ave NE	Cedar Rapids	IA	52402	319-393-2900
IA190**		Blake Lorber			Des Moines	IA		
Kansas								
KS188**	DCS Development, LLC	Dean Doria	Carol Doria	11902 W 119th St	Overland Park	KS	66210	
Maryland								
MD013	H.P.L, Inc.	Henry Markiewicz	Pamela Markiewicz	202-A S Bridge St	Elkton	MD	21921	410-620-3522
MD070	Kenmare Enterprises, LLC	Bill Byrd		500 Abruzzi Dr	Chester	MD	21619	410-643-9993

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
MD086	Kenmare Enterprises, LLC	Bill Byrd		106 Marlboro Rd	Easton	MD	21601	410-770-4546
MD118	Arundel Caps, LLC	Bill Byrd		2285-B Forest Drive	Annapolis	MD	21401	443-949-8011
Massachusetts								
MA098	Olson Restaurant Group Foxborough, LLC	Sean Olson	Nels Olson	282 Patriot Place	Foxborough	MA	2035	774-215-5279
Michigan								
MI167**	2nd Chance Development, LLC	Trever Hall		6539 28th St SE	Grand Rapids	MI	49546	
Minnesota								
MN149	Three Bubs Subs, LLC	Jeffrey Kegel*		7143 France Ave	Edina	MN	55434	952-217-5392
Nevada								
NV019	Dream Burgers, LLC	Jiten Patel	Karishma Patel	6340 W Charleston Blvd	Las Vegas	NV	89107	702-838-8659
NV021	Be Amazed Sandwich Co, Inc	Michael Solomon		7440 W Cheyenne	Las Vegas	NV	89128	702-656-7779
NV022	Indie Subs, LLC	Jeff Klein		8450 W Sahara	Las Vegas	NV	89117	702-562-0440
NV023	CAPSAND, LLC	Joseph Haley	James Armistead	4983 W Flamingo Rd	Las Vegas	NV	89103	702-222-3331
NV024	JSAN SUBS, LLC	Jeff Klein		3830 E Flamingo Rd	Las Vegas	NV	89121	702-454-2430
NV026	Buddy Boy	Francis Allen		7291 S Eastern Ave	Las Vegas	NV	89119	702-260-4334
NV028	Got Subs, LLC	Jeff Klein		4480 Paradise Rd	Las Vegas	NV	89169	702-736-6166
NV031	Be Amazed Sandwich Co, Inc	Michael Solomon		1311 W Craig Rd	North Las Vegas	NV	89030	702-633-0234

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
NV034	VEGAS CAP 1, LLC	Corey Melendrez	Thomas Gourley	11155 S Eastern Ave	Henderson	NV	89052	702-257-3354
NV035	Stallion Foods NV, LLC	Wayne “Buz” Knyal	Jeff Klein *	4835 S Fort Apache	Las Vegas	NV	89147	702-873-4682
NV037	VEGAS CAP 5, LLC	Corey Melendrez	Thomas Gourley	1146 W Sunset Rd	Henderson	NV	89014	702-558-9111
NV040	VEGAS CAP 3, LLC	Corey Melendrez	Thomas Gourley	90 S Stephanie St	Henderson	NV	89012	702-531-3354
NV041	Buckeye Subs Inc.	Jeff Klein		1200 N Town Center Dr	Las Vegas	NV	89114	702-304-8001
NV043	CAPSAND, LLC	James Armistead	Joseph Haley	7240 W Azure Dr	Las Vegas	NV	89130	702-655-1234
NV044	JSAN SUBS, INC.	Jeff Klein		10973 W Charleston Blvd	Las Vegas	NV	89135	702-257-3337
NV048	Boulder CAP 1, LLC	Corey Melendrez	Thomas Gourley	1010 Nevada Hwy	Boulder City	NV	89005	702-294-7827
NV049	JSAN SUBS, INC.	Jeff Klein		6965 S Rainbow Blvd	Las Vegas	NV	89118	702-269-9959
NV055	Be Amazed Sandwich Co, Inc	Michael Solomon		7300 Aliante Pkwy	North Las Vegas	NV	89084	702-639-9759
NV056	Stallion Foods NV, LLC	Jeff Klein		325 N Nellis Blvd	Las Vegas	NV	89110	702-437-2100
NV058	VEGAS CAP 2, LLC	Corey Melendrez	Thomas Gourley	8090 Blue Diamond	Las Vegas	NV	89178	702-240-3354
NV059	H & M Partners, LLC	Tim Haney	Kathleen Morris	11350 Southern Highlands Pkwy	Las Vegas	NV	89141	702-363-2277
NV062	Stallion foods NV, LLC	Jeff Klein		2300 S Green Valley Pkwy	Henderson	NV	89052	702-794-3030

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
NV073	Pahrump CAP 1, LLC	Corey Melendrez	Thomas Gourley	681 S Hwy 160	Pahrump	NV	89048	775-751-3354
NV075	JSAN SUBS, INC.	Jeff Klein		4949 N Rancho Dr	Las Vegas	NV	89130	702-331-6134
NV077	Courthouse CAPS, LLC	James Lessnick	Paula Lessnick	200 Lewis Ave	Las Vegas	NV	89101	702-631-1112
NV100	Stallion Foods NV, LLC	Wayne "Buz" Knyal	Jeff Klein *	6599 Las Vegas Blvd	Las Vegas	NV	89119	702-269-7004
NV110	Edgewater Gaming, LLC	Anthony Marnell		Edgewater Casino, 2020 S Casino Dr	Laughlin	NV	89029	702-299-1398
NV117	VEGAS CAP 6, LLC	Corey Melendrez	Thomas Gourley	9210 S. Eastern Ave Ste 115	Las Vegas	NV	89123	702-896-3354
NV139	Be Amazed Sandwich Co, Inc	Michael Solomon		7540 Oso Blanca Rd	Las Vegas	NV	89149	702-645-5558
NV142	VEGAS CAP 7, LLC	Corey Melendrez	Thomas Gourley	Blue Diamond Ranch Shopping Center	Las Vegas	NV	89105	702-434-3354
NV146	VEGAS CAP 8, LLC	Corey Melendrez	Thomas Gourley	Henderson RR Pass Travel Center	Henderson	NV	89002	702-444-4233
NV147	Be Amazed Sandwich Co, LLC	Michael Solomon		3555 E Novat St	Las Vegas	NV	89129	702-328-2946
NV152	JJ Sandwich Shop, LLC	Anthony Reviglio	Kenneth Cassas*	280 E Plumb Lane	Reno	NV	89502	775-449-4519
NV168**	VEGAS CAPS 9, LLC	Corey Melendrez	Thomas Gourley	3455 St Rose Pkwy	Las Vegas	NV	89052	
New York								
NY169**	NEX2U MARKETS, LLC	Ashoke Israni		1711 2nd Ave	New York	NY	10128	
North Carolina								
NC179**	Queen City Healthy Eats, LLC	Brian White		575 Waverly Place	Cary	NC	27518	
Ohio								
OH175**		John Nee	Rebecca Nee	1520 Cross Creeks Blvd	Pickerington	OH	43147	

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
Pennsylvania								
PA006	Gobblers Kennett Square, LLC	David Carpenter *		877 E Baltimore Pike	Kennett Square	PA	19348	610-444-4475
PA014	CAPSTORM, LLC	James Armistead	Karl Storm	301 Byers Dr.	Glen Mills	PA	19342	610-361-0300
PA016	KJL West Chester, LLC	Kevin Looby	Jackie Looby	607 E. Market St.	West Chester	PA	19380	610-719-0270
PA032	CAPSTORM, LLC	James Armistead	Karl Storm	827 W. Baltimore Pike	West Grove	PA	19390	610-345-1050
PA052	KJL Exton, LLC	Kevin Looby	Jackie Looby	117 E. Swedesford Rd.	Exton	PA	19341	610-363-7095
PA080	KJL Springfield, LLC	Kevin Looby		141 S. State Rd.	Springfield	PA	19064	484-472-6257
PA176**	SEIBERT SANDWICHES, LLC	Mike Seibert		NEC Hamilton & Knocks	Lower Macungie Township	PA	18106	
PA177**	Five Peaks Corp	Heath Mitchem	Cindy Mitchem	1066 Lancaster Ave	Downingtown	PA	19355	
Rhode Island								
RI165	RMS EATS, INC.	Kevin Stoehr		622 George Washington Hey	Lincoln	RI	02865	
South Dakota								
SD162	Good Mood Food, LLC	Tony Niewald*	Aaron Niewald	2504 Marion Rd	Sioux Falls	SD	57106	605-271-7303
Tennessee								
TN145	Meaty, Beaty, Big and Bouncy, LLC	Jon Elliott	Christian Svendsen	1625 Broadway	Nashville	TN	37203	615-823-5517
Texas								
TX178**	TR0078, LLC	Tessie Rodriguez		2900 N Mesa St	El Paso	TX	79901	

Store Number	Franchisee	Principal	Principal	Address	City	State	Zip Code	Store Phone
Utah								
UT108	Utah Cap 1, LLC	Jordan Blackburn*		250 Red Cliff Dr.	St George	UT	84790	435-628-9006
UT132	MAXQ, LLC	Wade Martin*	Tyler Martin*	2569 S 5600 West	West Valley City	UT	84120	801-456-4144
UT154	Harold Management Group, LLC	Kevin Cornett*		6042 S State St	Murray	UT	84107	385-425-3111
UT155	Utah Cap 2, LLC	Jordan Blackburn		3602 Digital Drive, 210	Lehi	UT	84043	801-341-8340
UT156	MAXQ, LLC	Wade Martin	Tyler Martin	13400 South @ Mountain View Corridor	Riverton	UT	84096	801-446-8707
UT157	Harold Management Group, LLC	Kevin Cornett		50 N Highway 165	Providence	UT	84332	435-753-3399
UT160	Utah Cap 3, LLC	Jordan Blackburn		3540 Pioneer Pkwy	Santa Clara	UT	84765	435-216-1800
UT161	Harold Management Group, LLC	Kevin Cornett*		50 E South Temple	Salt Lake City	UT	84111	285-261-2330

* *Denotes franchisee granted multi-unit development rights*
** *Denotes Franchise Agreement signed but not yet open as of 12/31/2019*

LIST OF FRANCHISEES WHO LEFT THE SYSTEM

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

Arizona

BH Caps, LLC
Warren Dole
Scottsdale, Arizona 85251
(602) 999-6284
Ceased Operations **-** *Remains in System*

California

Boterham Sandoicchi, Inc.
Warren Dole & Glenn Hayme
Fremont, California 94555
(510) 333-3791
Transfer

Illinois

Sandwich Kings, LLC
Andy Poch & Craig Garofalo
Chicago, IL
(313) 344-1695
Ceased Operations in 2020 **-** *Remains in System*

Nevada

Capsand, Inc.
James Armistead
Christiana, Delaware 19702
(610) 361-0300
Transfer-Remains in System

Capriotti's Courthouse, LLC
James Gimbel
Long Grove, IA 52756
(563) 359-8500
Transfer-Remains in System

Meadows Cap, LLC
Steve Fedele
Reno, Nevada 89503
(702) 285-5379
Reacquisition

Sand Cap, LLC
Steve Fedele
Reno, Nevada 89503
(702) 285-5379
Reacquisition

S Cap, Inc.
Steve Fedele
Reno, Nevada 89503
(702) 285-5379
Reacquisition

Pennsylvania

KJL West Chester, LLC
Kevin Looby
Wilmington, Delaware 19805
(610) 363-7095
Transfer-Remains in the System

EXHIBIT G

FINANCIAL STATEMENTS

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Financial Report
December 29, 2019

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AUDIT | TAX | CONSULTING

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Contents

Independent Auditor's Report

To the Board of Directors
Capriotti's Sandwich Shop, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Capriotti's Sandwich Shop, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 29, 2019, and December 30, 2018, the related consolidated statements of income (loss), equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Capriotti's Sandwich Shop, Inc. and its subsidiaries as of December 29, 2019, and December 30, 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, in 2019, the Company adopted new accounting guidance in accordance with Accounting Standards Codification 606 related to revenue recognition. Our opinion is not modified with respect to this matter.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Las Vegas, Nevada
May 29, 2020

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Balance Sheets
December 29, 2019, and December 30, 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,426,926**	$ 1,670,635
Royalties receivable, net	**651,778**	514,935
Accounts receivable, net	**308,688**	159,887
Inventory, net	**97,350**	63,005
Prepaid expenses and other assets	**340,966**	227,152
Short-term restricted cash	**114,744**	114,644
Advertising cooperative assets—restricted	**-**	83,690
Total current assets	**2,940,452**	2,833,948
Property and equipment:		
Furniture and fixtures	**1,105,530**	882,809
Leasehold improvements	**817,505**	825,361
Machinery and equipment	**328,802**	299,806
Computers and software	**104,038**	72,699
Construction in process	**-**	6,603
	2,355,875	2,087,278
Less accumulated depreciation	**1,441,569**	1,402,448
Total property and equipment, net	**914,306**	684,830
Other assets:		
Trademarks and franchise contracts, net	**2,370,633**	2,635,666
Goodwill, net	**2,552,697**	2,613,709
Deposits	**35,317**	37,529
Noncurrent advertising cooperative assets—restricted	**-**	4,858
Total other assets	**4,958,647**	5,291,762
Total assets	**$ 8,813,405**	$ 8,810,540

See notes to consolidated financial statements.

	2019	2018
Liabilities and Equity		
Current liabilities:		
Accounts payable	**$ 404,656**	$ 432,788
Accrued expenses	**1,065,503**	810,774
Deferred revenue, current portion	**1,313,822**	636,823
Current maturities of long-term debt	**1,312,135**	607,168
Advertising cooperative liabilities—restricted	**-**	88,548
Total current liabilities	**4,096,116**	2,576,101
Long-term liabilities:		
Long-term debt, less current maturities	**4,233,101**	3,583,739
Deferred revenue, less current portion	**40,000**	190,000
Deferred rent	**100,188**	94,532
Deferred tax liabilities	**52,612**	63,778
Total liabilities	**8,522,017**	6,508,150
Commitments and contingencies (Note 3)		
Equity:		
Preferred stock:		
Authorized 1,000,000 shares ($.001 par value), none issued	**-**	-
Voting common stock:		
Authorized 45,000,000 shares ($.001 par value), 6,405,000 shares issued and outstanding	**6,405**	6,405
Nonvoting common stock:		
Authorized 30,000,000 shares ($.001 par value), 7,920,691 shares issued and outstanding	**7,920**	7,920
Additional paid-in capital	**18,146,700**	18,146,700
Less cost of $189,424 of treasury stock	**(189,424)**	(189,424)
Accumulated deficit	**(17,680,213)**	(15,669,211)
Total equity	**291,388**	2,302,390
Total liabilities and equity	**$ 8,813,405**	$ 8,810,540

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Statements of Income (Loss)
Years Ended December 29, 2019, and December 30, 2018

	2019	2018
Revenues:		
Sales by Company-owned restaurants	**$ 8,267,961**	$ 7,580,318
Franchise royalties and advertising contributions	**4,582,211**	3,425,698
Franchise fees	**588,000**	539,252
Total revenues	**13,438,172**	11,545,268
Expenses:		
Cost of sales by Company-owned restaurants	**2,477,923**	2,468,814
General and administrative expenses	**11,164,668**	9,645,342
Total expenses	**13,642,591**	12,114,156
Loss before depreciation and amortization expense	**(204,419)**	(568,888)
Depreciation and amortization expense	**1,097,396**	1,152,861
Operating loss	**(1,301,815)**	(1,721,749)
Nonoperating income (expense):		
Gain on sale of Company-owned restaurants, net	**39,794**	169,349
Gain on resale of franchise-owned restaurants, net	**-**	375,000
Interest expense	**(543,136)**	(312,505)
Impairment loss	**-**	(76,828)
Other income	**243,855**	2,771
Total nonoperating (expense) income	**(259,487)**	157,787
Loss before federal and state income tax benefit	**(1,561,302)**	(1,563,962)
Federal and state income tax benefit	**(10,300)**	(12,446)
Net loss	**$ (1,551,002)**	$ (1,551,516)

See notes to consolidated financial statements.

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Statements of Equity
Years Ended December 29, 2019, and December 30, 2018

	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total
Balance, December 31, 2017	$ 14,325	$ 18,107,974	$ (189,424)	$ (14,117,695)	$ 3,815,180
Stock-based compensation	-	38,726	-	-	38,726
Net loss	-	-	-	(1,551,516)	(1,551,516)
Balance, December 30, 2018	14,325	18,146,700	(189,424)	(15,669,211)	2,302,390
Accounting Standards Codification (ASC) 606 cumulative adjustment	-	-	-	(460,000)	(460,000)
Balance, January 1, 2019	14,325	18,146,700	(189,424)	(16,129,211)	1,842,390
Net loss	-	-	-	(1,551,002)	(1,551,002)
Balance, December 29, 2019	**$ 14,325**	**$ 18,146,700**	**$ (189,424)**	**$ (17,680,213)**	**$ 291,388**

See notes to consolidated financial statements.

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 29, 2019, and December 30, 2018

		2019		2018
Cash flows from operating activities:				
Net loss	$	(1,551,002)	$	(1,551,516)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		1,097,396		1,152,861
Bad debt expense		-		42,226
Deferred rent		(5,510)		3,613
Gain on sale of Company-owned restaurants, net		(39,794)		(169,349)
Gain on resale of franchise-owned restaurants, net		-		(375,000)
Impairment loss		-		76,828
Note payable issued for services		97,577		56,250
Stock-based compensation		-		38,726
Changes in working capital components, net of effects from acquisitions:				
Royalties receivable		(136,843)		7,688
Accounts receivable		(148,801)		32,190
Inventory		(21,148)		28,859
Prepaid expenses and other assets		(113,814)		105,416
Deposits		2,212		(4,208)
Accounts payable		(8,132)		(17,969)
Deferred revenue		66,999		(30,834)
Accrued expenses and other current liabilities		227,595		88,337
Net cash used in operating activities		(533,265)		(515,882)
Cash flows from investing activities:				
Proceeds from sale of equipment and leasehold improvements		95,679		730,974
Purchase of new franchise locations		(800,000)		-
Purchases of equipment and leasehold improvements		(262,775)		(738,228)
Net cash used in investing activities		(967,096)		(7,254)
Cash flows from financing activities:				
Principal payments on long-term borrowings		(369,598)		(376,138)
Proceeds from long-term borrowings		1,626,350		850,000
Net cash provided by financing activities		1,256,752		473,862
Net decrease in cash and cash equivalents		(243,609)		(49,274)
Cash, cash equivalents and restricted cash:				
Beginning of period		1,785,279		1,834,553
End of period	$	1,541,670	$	1,785,279
Supplemental disclosure of cash flow of information:				
Cash paid for interest	$	456,124	$	306,106
Noncash investing and financing activities:				
Property and equipment financed through accrued expense	$	27,134	$	-
Note payable issued for services	$	97,577	$	56,250

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: Capriotti's Sandwich Shop, Inc. develops, operates and franchises quick-service restaurants that serve various submarine and deli sandwiches and related items in a casual sit-down and/or take-out format under the name Capriotti's Sandwich Shop, Capriotti's and other service marks. Capriotti's Sandwich Shop, Inc. was organized in December 2007 as the successor to a limited liability company that was formed in August 2007. Its wholly owned subsidiaries include Capriotti's Sahara Store, LLC; Capriotti's Horizon Store, LLC; Capriotti's Arizona, LLC; Capriotti's Silverado, LLC; Capriotti's Ventures II, LLC; Capriotti's BH, LLC; Best Subs LM, LLC; Capriotti's Craig, LLC; Capriotti's Aliante, LLC; Capriotti's DC, LLC; Capriotti's Meadows, LLC; Capriotti's Sierra, LLC; Capriotti's Sparks, LLC and MV CAPS, LLC, a national marketing fund and advertising cooperative. Capriotti's Sandwich Shop, Inc. and its subsidiaries are collectively referred to as the Company. At December 29, 2019, and December 30, 2018, there are a total of 101 and 94 franchises, respectively, operated in Arizona, California, Delaware, Georgia, Illinois, Indiana, Iowa, Massachusetts, Maryland, Minnesota, Nebraska, Nevada, South Dakota, Tennessee, Utah and Virginia. In addition to the franchises, the Company owned and operated 12 and 9 restaurants at December 29, 2019, and December 30, 2018, respectively.

A summary of the Company's significant accounting policies follows:

Basis of consolidation: The consolidated financial statements include the accounts of Capriotti's Sandwich Shop, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include the fair value of assets acquired in business combinations, and the useful lives assigned to equipment, leasehold improvements and intangible assets. Actual results could differ from these estimates.

Fiscal year: The Company has a 52/53-week fiscal year that ends on the last Sunday in December. The 2019 and 2018 fiscal years consisted of 52 weeks and 53 weeks, respectively.

Cash and cash equivalents: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short-term restricted cash: Short-term restricted cash consists of certificates of deposit with original maturity dates greater than three months. These investments are valued at cost, which approximates fair value.

Accounts and royalties receivable: Accounts and royalties receivable are recorded at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the financial condition of the customer or franchise, credit history, and current economic conditions. Accounts and royalties receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was approximately $43,000 and $91,000 as of December 29, 2019, and December 30, 2018, respectively.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Inventory: Inventory is comprised of groceries, food stocks and saleable paper products, and is recorded at the lower of cost or net realizable value using the first-in, first-out costing method. Unsold perishables are discarded or donated daily and charged to cost of goods sold or selling expenses as appropriate.

Property and equipment: Property and equipment are stated at cost. Major expenditures for additional property and those that substantially increase the useful lives or values of existing assets are capitalized. Maintenance and repairs are expensed as incurred if their purpose is to restore an asset to its basic functionality. When assets are retired or otherwise disposed of, their cost and related reserves for depreciation are removed and the resulting gains or losses are recognized.

The Company records depreciation of property and equipment using primarily straight-line calculations over their estimated useful lives ranging from five to 10 years. Leasehold improvements are depreciated over the lesser of the life of the lease or life of the improvements. Depreciation expense for the years ended December 29, 2019, and December 30, 2018, was approximately $232,000 and $268,000, respectively.

In accordance with Financial Accounting Standards Board (FASB) ASC Topic 360, Property, Plant and Equipment, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company abandoned a Company-owned franchise location and recorded an impairment loss on long-lived assets of approximately $62,000 for the year ended December 30, 2018. The Company recorded no impairment charges for the year ended December 29, 2019.

Business combinations: The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill and other intangible assets: The Company has elected the accounting alternatives provided in Accounting Standards Update (ASU) 2014-08, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*, and ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*, issued by the FASB. Pursuant to these elections, the Company (a) subsumed into goodwill (i.e., did not separately recognize) noncompete agreements and customer-related intangible assets acquired in the business combination that were not capable of being sold or license independently from other assets of the business; and (b) adopted the method of accounting for goodwill as described below.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Under the goodwill accounting alternative, goodwill is amortized on a straight-line basis over a period not to exceed 10 years, the Company only tests its recorded goodwill for impairment if indicators of potential impairment exist and goodwill is evaluated at the entity level versus the reporting-unit level. Factors that could trigger an impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the Company's overall business, and significant negative industry or economic trends. If events or circumstances are present that may indicate the fair value of the Company is less than it carrying value, the estimated fair value of the Company is compared to its carrying amount and an impairment loss is recorded for any excess of the carrying amount over fair value up to the recorded value of goodwill. The Company recorded goodwill impairment loss of $15,000 for the year ended December 30, 2018. The Company recorded no goodwill impairment for the year ended December 29, 2019.

Intangible assets other than goodwill include a purchased trademark and franchise contracts stated at cost and amortized over 25 years using a method that is consistent with the assumptions used in estimating the fair values of the trademark and franchise contracts. This method results in proportionately more of the assets being amortized earlier in the life of the assets.

Recently adopted accounting pronouncement: In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606).* The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or modified retrospective transition method.

The Company adopted the new revenue guidance on January 1, 2019, using the modified retrospective transition method. Under this adoption method, the Company made a cumulative adjustment to retained earnings at January 1, 2019, and applied the provisions of the ASU prospectively, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Utilizing the practical expedients and exemptions allowed under the modified retrospective method, ASC 606 was only applied to existing contracts (i.e., those for which the Company has a remaining performance obligation) as of January 1, 2019, and new contracts entered into after January 1, 2019. The Company recorded a net decrease to beginning retained earnings of approximately $460,000 as of January 1, 2019, due to the cumulative impact of adopting Topic 606, as detailed below:

	January 1, 2019		
	As Previously Reported	Topic 606 Adjustments	As Adjusted
Accounts receivable	$ 159,887	$ -	$ 159,887
Deferred revenue	826,823	460,000	1,286,823
Accumulated deficit	(15,669,211)	(460,000)	(16,129,211)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue recognition: The Company recognizes revenue in accordance with ASC Topic 606, Revenue From Contracts With Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue consists of sales at Company-owned restaurants, gift cards and franchise revenue, which includes franchise royalties, advertising fund contributions, initial and renewal franchise fees, and upfront fees from development agreements. The Company's products and services are marketed and sold to customers in the United States. The results of operations are substantially affected by economic conditions, which can vary significantly by market and can be impacted by consumer disposable income levels and spending habits.

Sales at Company-owned restaurants: The Company records food and beverage revenue from Company-owned stores upon delivery of the food or beverage to the customer (the consumer), which is when the performance obligation is satisfied. The Company collects and remits sales, food and beverage, and hospitality taxes on transactions with customers and reports such amounts under the net method in the consolidated statements of income (loss). Accordingly, these taxes are not included in gross revenue.

Franchise agreements: The Company's franchise agreements include (a) the right to use the Company's symbolic intellectual property over the term of each franchise agreement (Franchise Right); (b) pre-opening services, such as training; and (c) ongoing services, such as management of the advertising fund contributions, development of training materials and menu items, and restaurant monitoring. The pre-opening services were determined to transfer a benefit to the franchisee directly without use of the license, so they are considered to be individually distinct, and therefore, accounted as a single performance obligation. The Company records pre-opening services revenue when the stores open, as substantially all pre-opening performance obligations are satisfied within the month of the store opening. The ongoing promises are highly dependent upon and interrelated with the Franchise Right granted in the franchise agreement, so they are not considered to be individually distinct and, therefore, combined with the Franchise Right and treated as single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisees) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

Area development agreements: Development agreements generally grant development rights for a specified number of restaurants in a defined area over a stated term. For each location opened, a separate franchise agreement is executed. The Company believes that the development rights are not distinct from franchise agreements.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Gift cards: Sales by Company-owned restaurants include the amortization of gift card breakage and fees associated with third-party gift card sales. The Company records a liability in the period in which a gift card is sold. As gift cards are redeemed at Company-owned restaurants, the Company recognizes restaurant sales and related administrative costs and reduces the liability. When gift cards are redeemed at a franchisee-operated restaurant, the Company reimburses the franchisee for the gift card value net of any administrative costs and derecognizes the related liability.

As discussed previously, revenue from restaurant sales, gift cards and pre-opening services is recognized at a point in time, whereas franchise revenue is recognized over time. Total revenue recognized at a point in time and over time was as follows for the year ended December 31, 2019:

Revenue recognized at a point in time	$ 8,855,961
Revenue recognized over time	4,582,211
	$ 13,438,172

Impact of payment terms: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Agreements may include initial and renewal franchise fees, development fees, and sales-based royalties.

Initial franchise fees are recognized as revenue as the pre-opening services are satisfied when the restaurant opens. Payments received before the restaurant opens are recorded as deferred revenue in the consolidated balance sheets.

Continuing royalties are calculated as a percentage of franchise restaurant sales that are related entirely to our performance obligation under the franchise agreement. These royalties are considered variable consideration but, because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchised restaurant sales occur. Advertising contributions received from franchisees are recorded as a component of franchise contributions for advertising services in the consolidated statements of income (loss).

The Company believes its franchising and area development agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the company and (b) the sales-based royalty is variable and based on factors outside the company or the franchisee's control.

Contract balances: The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) is recorded. The Company does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset. Opening balances as of December 31, 2019, were as follows:

Royalties receivable, net	$ 651,778
Deferred revenue	1,353,822

Advertising cooperatives: The Company maintains a national marketing fund and three advertising cooperatives (the Co-ops) that receive contributions from the Company and its franchisees based upon a percentage of restaurant sales, as required by their franchise agreements. The Co-ops are used exclusively for marketing of the Company's brand.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Prior to the adoption of Topic 606, the Company reported all assets and liabilities of the advertising cooperative as advertising cooperative assets—restricted and advertising cooperative liabilities—restricted on the consolidated balance sheets. The advertising cooperative assets can only be used for selected purposes and are considered restricted. The advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs. Contributions received and expenses incurred for the advertising cooperative are excluded from the Company's consolidated statements of income (loss) and cash flows.

In accordance with the provisions of Topic 606, management has determined the Company acts as a principal in the transactions entered into by the Co-ops as the Company controls brand marketing and advertising, with the final decision-making authority on the timing and nature of spending. Franchisees remit to the Company a percentage of restaurant sales as consideration for providing the advertising services. As a result, revenues for advertising services are recognized when the related restaurant sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are billed and paid on a monthly basis. These revenues are presented as franchise contributions for advertisings services. Expenses incurred to provide these services are presented as franchise advertising services. In addition, upon adoption of Topic 606 the Company is now reporting assets and liabilities of advertising cooperatives in the respective balance sheet classifications to the assets and liabilities relate.

The Company's portion of the contributions to the Co-ops is based on Company-operated restaurant sales and is reflected in the Company's consolidated statements of income (loss) as a component of franchise contributions for advertising services. During 2019 and 2018, the Company's portion of the contributions was approximately $119,000 and $113,000, respectively.

Deferred rent: The Company recognizes the related rental expense on a straight-line basis over the lease term and records the difference between the amounts charged to expense and the rent paid as a deferred rent liability.

Share-based payment: As described in Note 7, the Company grants stock options to its employees. Compensation cost relating to share-based payment transactions are recognized in the consolidated financial statements with measurement based upon the fair value of the equity instrument issued for those stock options that are expected to ultimately vest. Awards under the Company's plan generally vest over a period of five years from date of issue.

The Company's results of operations reflect compensation expense for all employee stock-based compensation. The Company accounts for stock-based compensation awards granted, modified or settled using the fair value method for recognizing stock-based compensation, in which compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which is usually the vesting period.

Income taxes: Deferred taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination or resolution of an examination. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that required adjustment to the consolidated financial statements. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2016.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In September 2017, the FASB issued ASU 2017-13, *Revenue Recognition (Topic 605), Revenue From Contracts With Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs*, which rescinds certain Securities and Exchange Commission (SEC) Observer comments and staff announcements from the lease guidance and incorporates SEC staff announcements on the effect of a change in tax law on leveraged leases from ASC 840 into ASC 842. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC 842 effective date. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow-scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which a company adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Company expects to elect all the practical expedients available.

The adoption of ASU 2016-02 is expected to have a significant impact on the Company's consolidated financial statements.

Note 2. Goodwill and Intangible Assets

Intangible assets consist of the following at December 29, 2019, and December 30, 2018:

	2019	2018
Goodwill	$ 6,503,299	$ 6,273,385
Derecognition of goodwill due to sale of Company-owned restaurant	-	(150,983)
Impairment loss	-	(15,026)
	6,503,299	6,107,376
Less goodwill accumulated amortization	(3,950,602)	(3,493,667)
Goodwill, net	$ 2,552,697	$ 2,613,709
Franchise contracts	$ 4,785,000	$ 4,785,000
Trademark	600,000	600,000
	5,385,000	5,385,000
Less franchise contracts accumulated amortization	(2,676,608)	(2,441,217)
Less trademark accumulated amortization	(337,759)	(308,117)
Trademarks and franchise contracts, net	$ 2,370,633	$ 2,635,666

Goodwill amortization expense for the years ended December 29, 2019, and December 30, 2018, was approximately $601,000 and $620,000, respectively. Franchise contracts amortization expense for each of the years ended December 29, 2019, and December 30, 2018, was approximately $235,000. Trademark amortization expense for each of the years ended December 29, 2019, and December 30, 2018, was approximately $30,000.

Estimated amortization expense of goodwill and intangible assets for each of the next five years and thereafter is as follows:

Years ending:	
2020	$ 905,670
2021	907,819
2022	912,784
2023	394,117
2024	365,387
Thereafter	1,437,553
	$ 4,923,330

The weighted-average useful lives for goodwill, franchise contracts and trademark are approximately six, 13 and 13 years, respectively.

Note 3. Commitments and Contingencies

Operating leases: The Company rents restaurant locations in various states, and rents offices in Nevada and Virginia pursuant to commercial leases with initial terms that expire at various dates through May 2025. The Company also has an equipment lease that expires in November 2021. Future minimum lease payments due under these noncancelable operating leases with related parties and nonrelated parties are as follows:

Years ending:	
2020	$ 715,680
2021	693,709
2022	660,320
2023	582,109
2024	378,339
Thereafter	1,271,472
	$ 4,301,629

Base rent expense for the years ended December 29, 2019, and December 30, 2018, was approximately $649,000 and $658,000, respectively. The Company is also responsible for common area maintenance expenses as a part of the lease agreement. Equipment lease expense for the years ended December 29, 2019, and December 30, 2018, was approximately $8,000 and $18,000, respectively. These expenses are included in general and administrative expenses in the consolidated statements of income (loss).

Included in rent expense above, the Company leases an office building in Las Vegas, Nevada, from a related party under an agreement expiring in May 2024. Total rent expense incurred in connection with the related-party lease was approximately $113,000 for both the years ended December 29, 2019, and December 30, 2018.

Litigation: The Company is subject to lawsuits and claims that arise out of the normal course of business. It is the opinion of management, based on consultation with legal counsel, the disposition of any actions of which they are aware will not have a material effect on the financial position, results of operations or liquidity of the Company.

Consulting agreements: During 2016, the Company entered into agreements for consulting services from three members of its Board of Directors (the Board). The Company incurred approximately $325,000 and $309,000 in consulting fees for the years ended December 29, 2019, and December 30, 2018, respectively. These expenses are included in general and administrative expenses in the consolidated statements of income (loss). These agreements expire when the parties sell a majority of their interest or the Company sells the majority of its assets.

During 2019, the Company financed $97,577 in consulting fees by entering into a note payable agreement with the Board members. The note payable is secured by certain assets of the Company and bears interest at 10% per annum beginning January 1, 2020, and will compound on any unpaid principal thereafter. The note payable shall be due in full on January 1, 2026. During 2018, the Company financed $56,250 in consulting fees by entering into a note payable agreement with a Board member. The note payable is secured by certain assets of the Company and bears interest at 10% per annum beginning January 1, 2019, and will compound on any unpaid principal thereafter. The note payable shall be due in full on January 1, 2025.

Letter of credit: The Company has a $114,000 letter of credit with Bank of America as required by Wilson Two, LLC, the landlord for the Company's franchise location located in Arlington, Virginia. The guarantee represents the security deposit under the terms of the lease agreement.

Note 4. Long-Term Debt

Long-term debt at December 29, 2019, and December 30, 2018, consisted of the following:

	2019	2018
Notes payable to Zeus Holdings, LLC (A)	$ 1,019,776	$ 887,018
Notes payable related to stockholders (B)	860,000	-
Note payable to Morris Family Trust, a related party, interest only from 7.00% to 8.50%, due through January 2025, collateralized by the Company's assets	750,000	500,000
Note payable to John Fogarty Living Trust, interest only payable monthly at 7.00%, due in January 2023, collateralized by the Company's assets, guaranteed by certain stockholders	1,250,000	1,250,000
Notes payable to stockholders, interest only payable monthly ranging from 7.00% to 8.50%, due through September 2020, collateralized by the Company's assets	953,827	856,250
Note payable to Tuzzolino Family Trust, interest only payable monthly at 8.00%, due in January 2019, collateralized by the assets of Capriotti's Silverado, LLC; assigned to Zeus Holdings, LLC during 2019	-	285,000
Note payable to Zeus Holdings, LLC , interest only payable monthly of $1,900 at 8.00%, due in January 2023, collateralized by the assets of Capriotti's Silverado, LLC (C)	285,000	-
Note payable to Harry Grabarek, interest only payable monthly at 7.00%, due in July 2020, collateralized by the Company's assets, guaranteed by a stockholder	200,000	200,000
Note payable to Morris Family Trust, a related party, payable in monthly installments of $1,551, including interest at 7.00%, due in May 2020, collateralized by the Company's assets	174,658	180,805
Note payable to Bank of Nevada, payable in monthly installments of $1,098, including interest at 7.25% due in August 2021, collateralized by the Company's assets	20,624	31,834
Other notes payable	31,350	-
Total debt	5,545,236	4,190,907
Less current maturities	(1,312,135)	(607,168)
Long-term portion of debt	$ 4,233,101	$ 3,583,739

Note 4. Long-Term Debt (Continued)

(A) To finance restaurant acquisitions and provide additional working capital, Capriotti's Ventures II, LLC, Best Subs LM, LLC and Capriotti's Craig, LLC entered into financing transactions with Zeus Holdings, LLC, a related-party lender (lender), and received gross proceeds of approximately $200,000 and $550,000 during the years ended December 29, 2019, and December 30, 2018, respectively. The agreements are in the form of Convertible Promissory Notes that provide for the quarterly period-end, period-end defined as every four weeks from the fiscal year-end, payments of 50% of the borrower's EBITDA until such time as the instrument is fully repaid or redeemed (as more fully described below), or the borrower is liquidated. Beginning in the fifth year after issuance, the lender is also entitled to an additional 25% of the borrower's EBITDA as payment of the outstanding principal until such time as the lender recovers 50% of the original loan proceeds. On the 10-year anniversary of the note, a balloon payment is due in an amount sufficient to pay the outstanding principal down to 50% of the original note proceeds. The remaining 50% of the note proceeds is due on the 15-year anniversary of the note, and the anniversary dates are May 2024 and August 2033. At any time prior to maturity, the loan can be extended for additional one-year terms with the mutual consent of the parties. Also, at any time prior to maturity, 50% of the original note proceeds is convertible into a 50% nonvoting, nonvoting equity interest in the borrower.

(B) To finance restaurant acquisitions and provide additional working capital, Capriotti's Sparks LLC, Capriotti's Meadows LLC and Capriotti's Sierra, LLC entered into new financing transactions during 2019 with Zeus Holdings, LLC, Dream Big Holdings, LLC, and JMS Separate Property Trust, related-party lenders, and received gross proceeds of approximately $860,000, of which $800,000 was used to purchase three new store locations and the remaining proceeds were used for operating cash flow. The agreements are in the form of Convertible Promissory Notes that provide for the quarterly period-end, period-end defined as every four weeks from the fiscal year-end, payments of 22% and 6% (depending on terms of note) of the borrower's EBITDA until such time as the instrument is fully repaid or redeemed (as more fully described below), or the borrower is liquidated. Beginning in the fifth year after issuance, the lender is also entitled to an additional 50% of the borrower's EBITDA as payment of the outstanding principal until such time as the lender recovers 50% of the original loan proceeds. On the 10-year anniversary of the note, a balloon payment is due in an amount sufficient to pay the outstanding principal down to 50% of the original note proceeds. The remaining 50% of the note proceeds is due on the 15-year anniversary of the note, and the anniversary date is August 2034. At any time prior to maturity, the loan can be extended for additional one-year terms with the mutual consent of the parties. Also, at any time prior to maturity, 50% of the original note proceeds is convertible into a 50% nonvoting equity interest in the borrower.

One-half of the original balance of the notes is guaranteed by the Company. In the event of default, the lender is entitled to receive cash or shares of the Company's nonvoting common stock sufficient to satisfy the guaranteed portion of the note based on a value per share of $3.

Should the lender exercise its option to convert a portion of the note into a 50% interest in the borrower, the Company has the right to repurchase the converted interest at an amount equal to the greater of three times the trailing 12 months' EBITDA of the borrower or 120% of the cost of the original investment used to build or acquire the store owned by the borrower plus defined renovation costs.

During 2018, the Company sold one Company-owned franchise location that operated under Ventures II, LLC, and subsequently paid off $330,000 of debt associated with that store.

(C) This loan is guaranteed with up to 228,000 of newly issued shares of voting stock in Capriotti's Sandwich Shop, Inc., valued at $1.25 per share. The interest rate for the issued note was 8% with a maturity date of December 31, 2022.

Note 4. Long-Term Debt (Continued)

Future maturities of long-term debt for the years ending after December 29, 2019, are as follows:

Years ending:		
2020	$	1,312,135
2021		452,001
2022		143,751
2023		1,428,751
2024		143,751
Thereafter		2,064,847
	$	5,545,236

Note 5. Franchise Royalties and Deferred Revenue

During the years ended December 29, 2019, and December 30, 2018, new franchise agreements were signed in specifically identified areas of Nevada, Indiana, Tennessee, Minnesota, Georgia, Utah, Illinois and Oklahoma. For the years ended December 29, 2019, and December 30, 2018, fees received as a result of these agreements totaled $478,500 and $338,000, respectively, which were treated as deferred revenue.

Deferred franchise revenue at December 29, 2019, and December 30, 2018, was $1,046,500 and $500,000, respectively, based on the following activity:

		2019		2018
Deferred franchise revenue, beginning	$	500,000	$	550,000
ASC 606 adjustment to beginning of year		460,000		-
Fees received under new franchise agreements		478,500		338,000
Less deferred revenue recognized from franchise openings		(242,000)		(248,000)
Less deferred revenue recognized from franchisee defaults		(150,000)		(140,000)
Deferred franchise revenue, ending	$	1,046,500	$	500,000

The Company also records sales of gift certificates as deferred revenue. At December 29, 2019, and December 30, 2018, total deferred revenue is as follows:

		2019		2018
Deferred revenue, franchise sales	$	1,046,500	$	500,000
Deferred revenue, gift certificates		307,322		326,823
Total deferred revenue		1,353,822		826,823
Less current portion of deferred revenue		(1,313,822)		(636,823)
Total deferred revenue, less current portion	$	40,000	$	190,000

Note 6. Income Tax Matters

Net deferred tax assets and liabilities consist of the following components as of December 29, 2019, and December 30, 2018:

	2019	2018
Deferred tax assets:		
Net operating loss	$ 4,615,336	$ 4,217,920
Deferred revenue	240,557	127,306
Stock-based compensation	93,373	167,850
Business interest limitation	-	71,562
Deferred rent	24,981	30,382
	4,974,247	4,615,020
Less valuation allowance	4,516,842	4,136,373
	457,405	478,647
Deferred tax liabilities:		
Intangible assets	494,325	533,512
Equipment and leasehold improvements	14,639	8,252
State income tax	1,053	661
	510,017	542,425
	$ (52,612)	$ (63,778)

The Company recorded a valuation allowance against the deferred tax assets to reduce the total to an amount that management believes will ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

The Company has federal and state loss carryforwards for tax purposes that expire at various dates through 2037, as well as federal and state loss carryforwards that do not expire. The federal loss carryforwards that expire for the years ended December 29, 2019, and December 30, 2018, were approximately $11,867,000 and $12,893,000, respectively. The federal loss carryforwards that do not expire for the years ended December 29, 2019, and December 30, 2018, were approximately $1,299,000 and $0, respectively. The Company's 2017 income tax return is currently under examination by the Internal Revenue Service. The Company does not anticipate that adjustments, if any, would have a material change to its financial position due to the Company's net operating loss carryforwards.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income (loss) from continuing operations for the years ended December 29, 2019, and December 30, 2018, due to the following:

	2019	2018
Computed expected income tax expense	$ (371,024)	$ (325,248)
Increase (decrease) in income taxes resulting from:		
Valuation allowance	358,271	319,237
Nondeductible expenses	6,228	(4,613)
Other	(3,775)	(1,822)
	$ (10,300)	$ (12,446)

Note 7. Stock Option Plan

During 2008, the Company adopted the 2008 Equity Incentive Plan (the Plan), which provides for the issuance of up to 1,200,000 incentive and nonqualified common stock options to eligible recipients. The term of each option will be no longer than 10 years, and the options generally vest over a five-year period. As of December 29, 2019, there were 44,092 shares available for issuance under the Plan.

The fair value of each option award is estimated at the date of grant using the Black-Scholes-Merton option-pricing model. The expected term assumption reflects the period for which the Company believes the options will remain outstanding. The expected term assumption for employee stock options is based on the average of the vesting period and contractual life of the award. The Company estimated the volatility of its stock based on the volatility of a publicly traded peer company over the expected life of the award. The risk-free rate reflects the U.S. Treasury yield curve for a similar expected life instrument in effect at the time of the grant. The assumption for dividends is based on the Company's expectation of not paying any cash dividends in the foreseeable future.

The assumptions utilized for the options awarded during the year ended December 29, 2019, are as follows:

Fair value per option	$	0.26
Volatility		26.4%
Expected life (years)		6.5
Risk-free interest rate		2.391%
Dividend rate		0%

The Company awarded zero and 250,000 options during the years ended December 29, 2019, and December 30, 2018, respectively.

As of December 29, 2019, there were 1,155,908 options outstanding at a weighted-average exercise price of $3.10 per share. The weighted-average remaining contract term was approximately four years.

As of December 29, 2019, all of the options outstanding were granted with vesting terms of five years.

The fair value of the stock options, as determined by the Black-Scholes-Merton option-pricing model, recognized as expense in the years ended December 29, 2019, and December 30, 2018, was $0 and $38,726, respectively.

As of December 30, 2019, there was approximately $18,412 of unrecognized compensation cost associated with unvested stock-based compensation arrangements granted under the Plan. The remaining cost is expected to be recognized over a weighted-average period of approximately two years.

During 2008, the Board also awarded performance-based options. Under the terms of the awards, upon the Company achieving the sale of 100 franchises, each of three employees were to be awarded the option to purchase up to 200,000 shares each at an exercise price of $2.00 per share with an exercise period of 10 years from the award date. The performance condition was met during the year ended December 31, 2013. For the years ended December 29, 2019, and December 30, 2018, the Company awarded 0 and 280,000, respectively, in performance awards. No performance awards were forfeited, canceled or exercised during the years ended December 29, 2019, or December 30, 2018.

Note 8. Business Combinations

For the fiscal year ended December 29, 2019, the Company, through its subsidiaries, acquired certain net assets of three franchise outlets from existing franchisees, as follows:

Acquirer	Acquisition Date	Location	Purchase Price
Capriotti's Meadows, LLC	September 2019	Kietzke Lane, Reno, Nevada	$ 200,000
Capriotti's Sierra, LLC	June 2019	North Sierra Street, Reno, Nevada	350,000
Capriotti's Sparks, LLC	June 2019	South Stanford Way, Reno, Nevada	250,000
			$ 800,000

The consolidated financial statements reflect the results of operations of these acquired restaurants subsequent to the acquisition dates. The purchase prices of the acquisitions during fiscal year 2019 were allocated to the assets and liabilities based on their estimated fair values, as follows:

	Meadows	Sierra	Sparks	Total
Inventory	$ 4,600	$ 4,469	$ 2,757	$ 11,826
Cash in drawer	400	531	440	1,371
Leasehold improvements	15,000	15,000	15,000	45,000
Furniture and equipment	60,442	57,308	64,219	181,969
Goodwill	99,558	272,692	167,584	539,834
Accounts payable	20,000	-	-	20,000
Purchase price	$ 200,000	$ 350,000	$ 250,000	$ 800,000

All outlets were acquired in exchange for cash equal to the fair market value of the identifiable tangible assets acquired and liabilities assumed, as shown above. The costs associated with the acquisition exceeded the estimated fair market value of the identifiable tangible assets acquired and liabilities assumed. Consideration in excess of assets acquired and liabilities assumed was assigned to goodwill.

Note 9. Subsequent Events

In December 2019, a novel strain of the coronavirus (COVID-19) emerged. While initially concentrated in China, the outbreak has now spread to other countries, including the United States. In March 2020, the World Health Organization officially characterized COVID-19 as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may have on the Company. At the current time, management is unable to quantify the potential effects of this pandemic on the Company's future financial statements.

Subsequent events have been evaluated through May 29, 2020, the date the financial statements were available for issuance.

Supplementary Information

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Statements of Revenues, Cost of Sales, and General and Administrative Expenses
Years Ended December 29, 2019, and December 30, 2018

	2019	2018
Revenues:		
Sales by Company-owned restaurants	**$ 8,267,961**	$ 7,580,318
Franchise royalties	**4,582,211**	3,425,698
Franchise fees	**588,000**	539,252
Total revenues	**$ 13,438,172**	$ 11,545,268
Cost of sales:		
Cost of sales by Company-owned restaurants	**$ 2,477,923**	$ 2,468,814
General and administrative expenses:		
Salary and wages	**$ 4,709,191**	$ 4,010,920
Professional fees	**1,250,652**	949,033
Rent	**820,338**	799,336
Salary and wages, officers	**573,750**	556,461
Marketing and advertising	**575,358**	522,181
Payroll taxes	**463,264**	409,770
Consulting, directors	**321,960**	309,289
Benefits	**365,446**	279,228
Utilities	**274,213**	277,625
Travel	**384,695**	263,506
Promotions	**262,394**	229,961
Technology	**203,296**	167,281
Supplies	**181,020**	165,908
Bank and credit card fees	**157,642**	145,941
Repairs and maintenance	**156,715**	138,325
Insurance	**76,201**	98,213
Meals and entertainment	**62,583**	43,932
Bad debt expense	**-**	42,226
Taxes and licenses	**46,682**	41,362
Stock-based compensation	**-**	38,726
Security	**17,412**	35,359
Dues and subscriptions	**35,892**	22,040
Training	**14,432**	21,154
Miscellaneous	**72,168**	17,509
Automobile	**45,648**	16,890
Equipment	**37,319**	12,869
Equipment rental	**23,944**	12,412
Research and development	**8,509**	10,167
Employee recruitment	**23,944**	7,718
Total general and administrative expenses	**$ 11,164,668**	$ 9,645,342

Capriotti's Sandwich Shop, Inc. and Subsidiaries

Consolidated Schedule of EBITDA Before Other Noncash Expenses and Officer Salaries
Years Ended December 29, 2019, and December 30, 2018

	2019	2018
Net loss	$ (1,551,002)	$ (1,551,516)
Interest expense	543,136	312,505
Depreciation and amortization	1,097,396	1,152,861
EBITDA	89,530	(86,150)
Addback:		
Other noncash expenses:		
Stock-based compensation	-	38,726
Officer salaries and benefits	573,750	556,461
Consulting, directors	321,960	309,289
EBITDA before other noncash expenses and officer salaries	$ 985,240	$ 818,326

Capriotti's Sandwich Shop, Inc.

Consolidated Financial Report
December 30, 2018

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Independent Auditor's Report

To the Board of Directors
Capriotti's Sandwich Shop, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Capriotti's Sandwich Shop, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 30, 2018, and December 31, 2017, the related consolidated statements of operations, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Capriotti's Sandwich Shop, Inc. and its subsidiaries as of December 30, 2018, and December 31, 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

Las Vegas, Nevada
April 16, 2019

Capriotti's Sandwich Shop, Inc.

Consolidated Balance Sheets
December 30, 2018 and December 31, 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,670,635**	$ 1,619,909
Royalties receivable, net	**514,935**	564,849
Accounts receivable	**159,887**	192,077
Inventory	**63,005**	91,864
Prepaid expenses and other assets	**227,152**	255,050
Short-term investments	**114,644**	214,644
Advertising cooperative assets—restricted	**83,690**	165,539
Total current assets	**2,833,948**	3,103,932
Property and equipment:		
Furniture and fixtures	**882,809**	1,038,495
Leasehold improvements	**825,361**	948,382
Machinery and equipment	**299,806**	320,311
Computers and software	**72,699**	76,483
Construction in process	**6,603**	34,292
	2,087,278	2,417,963
Less accumulated depreciation	**1,402,448**	1,394,756
Total property and equipment, net	**684,830**	1,023,207
Other assets:		
Trademarks and franchise contracts, net	**2,635,666**	2,900,701
Goodwill, net	**2,613,709**	3,399,940
Deposits	**37,529**	35,890
Noncurrent advertising cooperative assets—restricted	**4,858**	13,535
Total other assets	**5,291,762**	6,350,066
Total assets	**$ 8,810,540**	$ 10,477,205

See notes to consolidated financial statements.

	2018	2017
Liabilities and Equity		
Current liabilities:		
Accounts payable	**$ 432,788**	$ 450,757
Accrued expenses	**785,381**	627,605
Deposit	**-**	700,000
Deferred revenue	**636,823**	537,657
Current maturities of long-term debt	**607,168**	533,804
Accrued interest	**25,393**	18,994
Advertising cooperative liabilities—restricted	**88,548**	179,074
Total current liabilities	**2,576,101**	3,047,891
Long-term liabilities:		
Long-term debt, less current maturities	**3,583,739**	3,126,991
Deferred revenue, less current portion	**190,000**	320,000
Deferred rent	**94,532**	90,919
Deferred tax liabilities	**63,778**	76,224
Total liabilities	**6,508,150**	6,662,025
Commitments and contingencies (Note 3)		
Equity:		
Preferred stock:		
Authorized 1,000,000 shares ($0.001 par value), none issued	**-**	-
Voting common stock:		
Authorized 45,000,000 shares ($0.001 par value), 6,405,000 shares issued and outstanding	**6,405**	6,405
Nonvoting common stock:		
Authorized 30,000,000 shares ($0.001 par value), 7,920,691 shares issued and outstanding	**7,920**	7,920
Additional paid-in capital	**18,146,700**	18,107,974
Less cost of $189,424 of treasury stock	**(189,424)**	(189,424)
Accumulated deficit	**(15,669,211)**	(14,117,695)
Total equity	**2,302,390**	3,815,180
Total liabilities and equity	**$ 8,810,540**	$ 10,477,205

Capriotti's Sandwich Shop, Inc.

Consolidated Statements of Operations
Years Ended December 30, 2018, and December 31, 2017

	2018	2017
Revenues:		
Sales by Company-owned restaurants	**$ 7,580,318**	$ 9,721,264
Franchise royalties	**3,425,698**	3,310,979
Franchise fees	**539,252**	633,000
Total revenues	**11,545,268**	13,665,243
Expenses:		
Cost of sales by Company-owned restaurants	**2,468,814**	3,243,222
General and administrative expenses	**9,645,342**	11,862,602
Total expenses	**12,114,156**	15,105,824
Loss before depreciation and amortization expense	**(568,888)**	(1,440,581)
Depreciation and amortization expense	**1,152,861**	1,244,296
Operating loss	**(1,721,749)**	(2,684,877)
Nonoperating income (expense):		
Gain on sale of Company-owned restaurants, net	**169,349**	15,901
Gain on resale of franchise-owned restaurants, net	**375,000**	-
Interest expense	**(312,505)**	(349,192)
Impairment loss	**(76,828)**	-
Other income	**2,771**	9,973
Other expenses, net	**-**	(206,239)
Loss on disposal of Company-owned restaurant, net	**-**	(371,295)
Total nonoperating income (expense)	**157,787**	(900,852)
Loss before federal and state income tax benefit	**(1,563,962)**	(3,585,729)
Federal and state income tax benefit	**(12,446)**	(183,712)
Net loss	**$ (1,551,516)**	$ (3,402,017)

See notes to consolidated financial statements.

Capriotti's Sandwich Shop, Inc.

Consolidated Statements of Equity
Years Ended December 30, 2018, and December 31, 2017

	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total
Balance, December 25, 2016	$ 14,325	$ 18,107,974	$ (189,424)	$ (10,715,678)	$ 7,217,197
Net loss	-	-	-	(3,402,017)	(3,402,017)
Balance, December 31, 2017	14,325	18,107,974	(189,424)	(14,117,695)	3,815,180
Stock-based compensation	-	38,726	-	-	38,726
Net loss	-	-	-	(1,551,516)	(1,551,516)
Balance, December 30, 2018	**$ 14,325**	**$ 18,146,700**	**$ (189,424)**	**$ (15,669,211)**	**$ 2,302,390**

See notes to consolidated financial statements.

Capriotti's Sandwich Shop, Inc.

Consolidated Statements of Cash Flows
Years Ended December 30, 2018, and December 31, 2017

	2018	2017
Cash flows from operating activities:		
Net loss	**$ (1,551,516)**	$ (3,402,017)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**1,152,861**	1,244,296
Provision for doubtful accounts	**42,226**	-
Deferred rent, deferred revenue, deferred taxes and accrued interest	**(33,268)**	(152,544)
Gain on sale of Company-owned restaurants, net	**(169,349)**	(15,901)
Gain on resale of franchise-owned restaurants, net	**(375,000)**	-
Impairment loss	**76,828**	-
Note payable issued for services	**56,250**	-
Stock-based compensation	**38,726**	-
Loss on disposal of Company-owned restaurant	**-**	371,295
Changes in working capital components:		
Royalties receivable	**7,688**	(213,562)
Accounts receivable	**32,190**	(225)
Inventory	**28,859**	28,461
Prepaid expenses and other assets	**105,416**	(89,074)
Deposits	**(4,208)**	30,429
Accounts payable	**(17,969)**	(7,400)
Accrued expenses and other current liabilities	**94,384**	733,943
Net cash used in operating activities	**(515,882)**	(1,472,299)
Cash flows from investing activities:		
Proceeds from sale of equipment and leasehold improvements	**730,974**	80,000
Proceeds from sale of short-term investments	**100,000**	-
Purchases of equipment and leasehold improvements	**(738,228)**	(44,344)
Interest and dividends received	**-**	(644)
Net cash provided by investing activities	**92,746**	35,012
Cash flows from financing activities:		
Principal payments on long-term borrowings	**(376,138)**	(907,430)
Proceeds from long-term borrowings	**850,000**	-
Net cash provided by (used in) financing activities	**473,862**	(907,430)
Net increase (decrease) in cash and cash equivalents	**50,726**	(2,344,717)
Cash and cash equivalents:		
Beginning of period	**1,619,909**	3,964,626
End of period	**$ 1,670,635**	$ 1,619,909
Supplemental disclosure of cash flow of information:		
Cash paid for interest	**$ 306,106**	$ 375,048
Noncash investing and financing activities:		
Property and equipment purchased	**$ -**	$ 71,478
Notes payable assumed for property and equipment	**-**	(27,134)
Cash paid for property and equipment	**$ -**	$ 44,344
Note payable issued for services	**$ 56,250**	$ -

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: Capriotti's Sandwich Shop, Inc. develops, operates and franchises quick-service restaurants that serve various submarine and deli sandwiches and related items in a casual sit-down and/or take-out format under the name Capriotti's Sandwich Shop, Capriotti's and other service marks. Capriotti's Sandwich Shop, Inc. was organized in December 2007 as the successor to a limited liability company that was formed in August 2007. Its wholly owned subsidiaries include Capriotti's Sahara Store, LLC; Capriotti's Horizon Store, LLC; Capriotti's Arizona, LLC; Capriotti's Silverado, LLC; Capriotti's Ventures, LLC; Capriotti's Ventures II, LLC; Capriotti's Ventures III, LLC; Capriotti's BH, LLC; Capriotti's Craig, LLC; Capriotti's Aliante, LLC; Capriotti's DC, LLC; and MV CAPS, LLC, a national marketing fund and advertising cooperative. Capriotti's Sandwich Shop, Inc. and its subsidiaries are collectively referred to as the Company. At December 30, 2018, and December 31, 2017, there are a total of 94 and 97 franchises, respectively, operated in Arizona, California, Delaware, Georgia, Illinois, Indiana, Iowa, Massachusetts, Maryland, Minnesota, Nebraska, Nevada, South Dakota, Tennessee, Utah and Virginia. In addition to the franchises, the Company owned and operated 9 and 11 restaurants at December 30, 2018, and December 31, 2017, respectively.

A summary of the Company's significant accounting policies follows:

Basis of consolidation: The consolidated financial statements include the accounts of Capriotti's Sandwich Shop, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Fiscal year: The Company has a 52/53-week fiscal year that ends on the last Sunday in December. The 2018 and 2017 fiscal years consisted of 52 weeks and 53 weeks, respectively.

Cash and cash equivalents: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Short-term investments: Short-term investments consist of certificates of deposit with original maturity dates greater than three months. These investments are valued at cost, which approximates fair value.

Accounts and royalties receivable: Accounts and royalties receivable are recorded at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the financial condition of the customer or franchise, credit history, and current economic conditions. Accounts and royalties receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was approximately $91,000 and $48,000 as of December 30, 2018, and December 31, 2017, respectively.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Inventory: Inventory is composed of groceries, food stocks and saleable paper products, and is recorded at the lower of cost or net realizable value using the first-in, first-out costing method. Unsold perishables are discarded or donated daily and charged to cost of goods sold or selling expenses as appropriate.

Property and equipment: Property and equipment are stated at cost. Major expenditures for additional property and those that substantially increase the useful lives or values of existing assets are capitalized. Maintenance and repairs are expensed as incurred if their purpose is to restore an asset to its basic functionality. When assets are retired or otherwise disposed of, their cost and related reserves for depreciation are removed and the resulting gains or losses are recognized.

The Company records depreciation of equipment using primarily straight-line calculations over their estimated useful lives ranging from five to 10 years. Leasehold improvements are depreciated over the lesser of the life of the lease or life of the improvements. Depreciation expense for the years ended December 30, 2018, and December 31, 2017, was approximately $268,000 and $314,000, respectively.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 360, Property, Plant and Equipment, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company abandoned a company-owned franchise location and recorded an impairment loss on long-lived assets of approximately $62,000 for the year ended December 30, 2018. The Company recorded no impairment charges for the year ended December 31, 2017.

Goodwill and other intangible assets: The Company has elected the accounting alternatives provided in Accounting Standards Update (ASU) 2014-08, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*, and ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*, issued by the FASB. Pursuant to these elections, the Company (a) subsumed into goodwill (i.e., did not separately recognize) noncompete agreements and customer-related intangible assets acquired in the business combination that were not capable of being sold or license independently from other assets of the business; and (b) adopted the method of accounting for goodwill as described below.

Under the goodwill accounting alternative, goodwill is amortized on a straight-line basis over a period not to exceed 10 years, the Company only tests its recorded goodwill for impairment if indicators of potential impairment exist and goodwill is evaluated at the entity level versus the reporting-unit level. Factors that could trigger an impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the Company's overall business, and significant negative industry or economic trends. If events or circumstances are present that may indicate the fair value of the Company is less than it carrying value, the estimated fair value of the Company is compared to its carrying amount and an impairment loss is recorded for any excess of the carrying amount over fair value up to the recorded value of goodwill. The Company recorded a goodwill impairment loss of approximately $15,000 and $0 for the years ended December 30, 2018, and December 31, 2017, respectively.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Intangible assets other than goodwill include a purchased trademark and franchise contracts stated at cost and amortized over 25 years using a method that is consistent with the assumptions used in estimating the fair values of the trademark and franchise contracts. This method results in proportionately more of the assets being amortized earlier in the life of the assets.

Revenue recognition: Revenues from franchising activities include development fees associated with a franchisee's planned development of a specified number of restaurants within a defined geographic territory, franchise fees associated with the opening of new restaurants and ongoing royalty fees that are generally based on rates ranging from 2 percent to 7.5 percent of gross restaurant sales. In accordance with U.S. GAAP, development fees (rights and services) are recognized immediately. Initial franchise fees are recorded as deferred franchise revenue when received and are recognized as revenue when the restaurants covered by the fees are opened. The Company recognizes ongoing royalty revenues as earned. Franchise agreements are typically effective for a term of 10 years. Franchise renewal fees are recognized when a renewal agreement becomes effective.

Revenues from the sale of food and beverage products are recognized at the time the sale takes place. Sales are recorded net of sales taxes. The Company does have a gift card program through a third-party processer and recognizes revenue upon use of the gift card by the customer.

Advertising cooperatives: The Company maintains a national marketing fund and three advertising cooperatives (the Co-ops) that receive contributions from the Company and its franchisees based upon a percentage of restaurant sales, as required by their franchise agreements. The Co-ops are used exclusively for marketing of the Capriotti's brand. The Company acts as an agent for the franchisees with regard to their contributions to the Co-ops.

Contributions received and expenses incurred for the advertising cooperative are excluded from the Company's consolidated statements of operations and cash flows. The Company reports all assets and liabilities of the advertising cooperative as advertising cooperative assets—restricted and advertising cooperative liabilities—restricted on the consolidated balance sheets. The advertising cooperative assets can only be used for selected purposes and are considered restricted. The advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs.

The Company's portion of the contributions to the Co-ops is based on Company-operated restaurant sales and is reflected in the Company's consolidated statements of operations as a component of general and administrative expenses. During 2018 and 2017, the Company's portion of the contributions was approximately $113,000 and $131,000, respectively.

Deferred rent: The Company recognizes the related rental expense on a straight-line basis over the lease term and records the difference between the amounts charged to expense and the rent paid as a deferred rent liability.

Share-based payment: As described in Note 7, the Company grants stock options to its employees. Compensation cost relating to share-based payment transactions are recognized in the consolidated financial statements with measurement based upon the fair value of the equity instrument issued for those stock options that are expected to ultimately vest. Awards under the Company's plan generally vest over a period of five years from date of issue.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company's results of operations reflect compensation expense for all employee stock-based compensation. The Company accounts for stock-based compensation awards granted, modified or settled using the fair value method for recognizing stock-based compensation, in which compensation expense is measured at the grant date based on the fair value of the award and is recognized over the requisite service period, which is usually the vesting period.

Income taxes: Deferred taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating losses and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination or resolution of an examination. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that required adjustment to the consolidated financial statements. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2015.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-04, *Liabilities—Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products*, which amends existing guidance on extinguishing financial liabilities for certain prepaid stored-value products. ASU 2016-04 requires a company to derecognize the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the product holder to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. ASU 2016-04 will be effective for the Company for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and related disclosures.

Subsequent events: The Company has evaluated subsequent events through April 16, 2019, the date on which the consolidated financial statements were available for issuance.

Note 2. Goodwill and Intangible Assets

Intangible assets consist of the following at December 30, 2018, and December 31, 2017:

	2018	2017
Goodwill	$ 6,273,385	$ 6,732,148
Derecognition of goodwill due to sale of Company-owned restaurant	(150,983)	(458,763)
Impairment loss	(15,026)	-
	6,107,376	6,273,385
Less goodwill accumulated amortization	(3,493,667)	(2,873,445)
Goodwill, net	$ 2,613,709	$ 3,399,940
Franchise contracts	$ 4,785,000	$ 4,785,000
Trademark	600,000	600,000
	5,385,000	5,385,000
Less franchise contracts accumulated amortization	(2,441,217)	(2,205,824)
Less trademark accumulated amortization	(308,117)	(278,475)
Trademarks and franchise contracts, net	$ 2,635,666	$ 2,900,701

Goodwill amortization expense for the years ended December 30, 2018, and December 31, 2017, was approximately $620,000 and $666,000, respectively. Franchise contracts amortization expense for each of the years ended December 30, 2018, and December 31, 2017, was approximately $235,000. Trademark amortization expense for each of the years ended December 30, 2018, and December 31, 2017, was approximately $30,000.

Note 2. Goodwill and Intangible Assets (Continued)

Estimated amortization expense of goodwill and intangible assets for each of the next five years and thereafter is as follows:

Years ending:		
2019	$	853,512
2020		851,687
2021		853,835
2022		858,801
2023		340,133
Thereafter		1,491,407
	$	5,249,375

The weighted-average useful lives for goodwill, franchise contracts and trademark are approximately five, 14 and 14 years, respectively.

Note 3. Commitments and Contingencies

Operating leases: The Company rents restaurant locations and offices in Nevada, Arizona and Virginia pursuant to various commercial leases with initial terms that expire at various dates through May 2025. The Company also has an equipment leases that expires in November 2021. Future minimum lease payments due under these noncancelable operating leases with related parties and nonrelated parties are as follows:

Years ending:		
2019	$	623,241
2020		503,842
2021		456,203
2022		432,011
2023		417,654
Thereafter		1,242,542
	$	3,675,493

Base rent expense for the years ended December 30, 2018, and December 31, 2017, was approximately $658,000 and $988,000, respectively. The Company is also responsible for common area maintenance expenses as a part of the lease agreement. Equipment lease expense for the years ended December 30, 2018, and December 31, 2017, was approximately $18,000 and $20,000, respectively. These expenses are included in general administrative expenses on the consolidated statements of operations.

Included in rent expense above, the Company leases an office building in Las Vegas, Nevada, from a related party under an agreement expiring in May 2024. Total rent expense incurred in connection with the related-party lease was approximately $113,000 for each of the years ended December 30, 2018, and December 31, 2017.

Litigation: The Company is subject to lawsuits and claims that arise out of the normal course of business. It is the opinion of management, based on consultation with legal counsel, the disposition of any actions of which they are aware will not have a material effect on the financial position, results of operations or liquidity of the Company.

Note 3. Commitments and Contingencies (Continued)

Consulting agreements: During 2016, the Company entered into agreements for consulting services from three members of its Board of Directors. The Company incurred approximately $309,000 and $325,000 in consulting fees for the years ended December 30, 2018, and December 31, 2017, respectively. These expenses are included in general administrative expenses on the consolidated statements of operations. These agreements expire when the parties sell a majority of their interest or the Company sells the majority of its assets.

During 2018, the Company financed $56,250 in consulting fees by entering into a note payable agreement with a Board member. The note payable is secured by certain assets of the Company and bears interest at 10 percent per annum beginning January 1, 2019, and will compound on any unpaid principal thereafter. The note payable shall be due in full on January 1, 2025.

Letter of credit: The Company has a $114,000 letter of credit with Bank of America as required by Wilson Two, LLC, the landlord for the Company's franchise location located in Arlington, Virginia. The guarantee represents the security deposit under the terms of the lease agreement.

Note 4. Long-Term Debt

Long-term debt at December 30, 2018, and December 31, 2017, consisted of the following:

	2018	2017
Notes payable to Zeus Holdings, LLC (A)	$ 887,018	$ 693,800
Note payable to John Fogarty Living Trust, interest only payable monthly at 7.00 percent, due in January 2020, collateralized by the Company's assets, guaranteed by certain stockholders	1,250,000	1,250,000
Note payable to Morris Family Trust, a related party, interest only payable monthly at 8.00 percent, due in January 2020, collateralized by the Company's assets, guaranteed by certain stockholders	500,000	500,000
Notes payable to stockholders, interest only payable monthly ranging from 7.00 percent to 8.50 percent, due through September 2020, collateralized by the Company's assets	856,250	500,000
Note payable to Tuzzolino Family Trust, interest only payable monthly at 8.00 percent, due in January 2019, collateralized by the assets of Capriotti's Silverado, LLC	285,000	285,000
Note payable to Harry Grabarek, interest only payable monthly at 7.00 percent, due in July 2020, collateralized by the Company's assets, guaranteed by a stockholder	200,000	200,000
Note payable to Morris Family Trust, a related party, payable in monthly installments of $1,551, including interest at 7.00 percent, due in May 2020, collateralized by the Company's assets	180,805	186,536
Note payable to Bank of Nevada, payable in monthly installments of $1,098, including interest at 7.25 percent, due in August 2021, collateralized by the Company's assets	31,834	45,459
Total debt	4,190,907	3,660,795
Less current maturities	(607,168)	(533,804)
Long-term portion of debt	$ 3,583,739	$ 3,126,991

Note 4. Long-Term Debt (Continued)

(A) To finance restaurant acquisitions and provide additional working capital, Capriotti's Ventures II, LLC and Capriotti's Craig, LLC entered into financing transactions with Zeus Holdings, LLC, a related-party lender (lender), and received gross proceeds of approximately $550,000 during the year ended December 30, 2018. The agreements are in the form of Convertible Promissory Notes that provide for the quarterly period-end, period-end defined as every four weeks from the fiscal year end, payments of 50 percent of the borrower's net income before interest, taxes, depreciation and amortization (EBITDA) until such time as the instrument is fully repaid or redeemed (as more fully described below), or the borrower is liquidated. Beginning in the fifth year after issuance, the lender is also entitled to an additional 25 percent of the borrower's EBITDA as payment of the outstanding principal until such time as the lender recovers 50 percent of the original loan proceeds. On the 10-year anniversary of the note, a balloon payment is due in an amount sufficient to pay the outstanding principal down to 50 percent of the original note proceeds. The remaining 50 percent of the note proceeds is due on the 15-year anniversary of the note, and the anniversary dates are May 2024 and August 2033. At any time prior to maturity, the loan can be extended for additional one-year terms with the mutual consent of the parties. Also, at any time prior to maturity, 50 percent of the original note proceeds is convertible into a 50 percent, nonvoting equity interest in the borrower.

One-half of the original balance of the notes is guaranteed by the Company. In the event of default, the lender is entitled to receive cash or shares of the Company's nonvoting common stock sufficient to satisfy the guaranteed portion of the note based on a value per share of $3.

Should the lender exercise its option to convert a portion of the note into a 50 percent interest in the borrower, the Company has the right to repurchase the converted interest at an amount equal to the greater of three times the trailing 12 months' EBITDA of the borrower or 120 percent of the cost of the original investment used to build or acquire the store owned by the borrower plus defined renovation costs.

During 2017, the Company sold one Company-owned franchise location that operated under Capriotti's Ventures III, LLC and subsequently paid off $55,000 of debt associated with that store. In connection with this sale, the Company elected to make an additional unplanned payment to Zeus Holdings, LLC that amounted to approximately $207 000, and is included in other expenses for the year ended December 31, 2017. During 2018, the Company sold one Company-owned franchise location that operated under Capriotti's Ventures II, LLC, and subsequently paid off $330,000 of debt associated with that store.

Subsequent to year-end, the Company repaid the Tuzzolino Family Trust note with proceeds from a new loan with Zeus Holdings, LLC in the amount of $285,000. The new debt is payable in monthly installments of $1,900, bearing interest at 8 percent and is due in January 2023.

Future maturities of long-term debt for the years ending after December 30, 2018, are as follows:

Years ending:	
2019	$ 607,168
2020	2,440,681
2021	397,856
2022	66,022
2023	66,022
Thereafter	613,158
	$ 4,190,907

Note 5. Franchise Royalties and Deferred Revenue

During the years ended December 30, 2018, and December 31, 2017, new franchise agreements were signed in specifically identified areas of Nevada, Indiana, Tennessee, Minnesota, Georgia, Utah, Illinois and Oklahoma. For the years ended December 30, 2018, and December 31, 2017, fees received as a result of these agreements totaled $338,000 and $170,000, respectively, which were treated as deferred revenue.

Deferred franchise revenue at December 30, 2018, and December 31, 2017, was $500,000 and $550,000, respectively, based on the following activity:

	2018	2017
Deferred franchise revenue, beginning	$ 550,000	$ 570,000
Fees received under new franchise agreements	338,000	170,000
Less deferred revenue recognized from franchise openings	(248,000)	(90,000)
Less deferred revenue recognized from franchisee defaults	(140,000)	(100,000)
Deferred franchise revenue, ending	$ 500,000	$ 550,000

The Company also records sales of gift certificates as deferred revenue. At December 30, 2018, and December 31, 2017, total deferred revenue is as follows:

	2018	2017
Deferred revenue, franchise sales	$ 500,000	$ 550,000
Deferred revenue, gift certificates	326,823	307,657
Total deferred revenue	826,823	857,657
Less current portion of deferred revenue	(636,823)	(537,657)
Total deferred revenue, less current portion	$ 190,000	$ 320,000

Note 6. Income Tax Matters

New tax legislation: On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes to U.S. tax law, including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from the current rate of 34 percent to 21 percent. As a result of the enacted law, the Company was required to revalue deferred tax assets and liabilities at the enacted rate. This revaluation resulted in a benefit of $183,712 to income tax expense in continuing operations and a corresponding reduction in the net deferred tax liability as of December 31, 2017. Change in the net deferred tax liability for the year ended December 31, 2018, resulted in a benefit of $12,446. The other provisions of the Tax Cuts and Jobs Act did not have a material impact on the Company's consolidated financial statements.

Note 6. Income Tax Matters (Continued)

Net deferred tax assets and liabilities consist of the following components as of December 30, 2018, and December 31, 2017:

	2018	2017
Deferred tax assets:		
Net operating loss	$ 4,217,920	$ 3,976,456
Deferred revenue	127,306	127,990
Stock-based compensation	167,850	158,206
Business interest limitation	71,562	-
Deferred rent	30,382	27,149
	4,615,020	4,289,801
Less valuation allowance	4,136,373	3,717,409
	478,647	572,392
Deferred tax liabilities:		
Intangible assets	8,252	23,887
Equipment and leasehold improvements	533,512	515,017
State income tax	661	109,712
	542,425	648,616
	$ (63,778)	$ (76,224)

The Company recorded a valuation allowance against the deferred tax assets to reduce the total to an amount that management believes will ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

The Company has federal and state loss carryforwards for tax purposes that expire at various dates through 2037. The federal loss carryforwards for the years ended December 30, 2018, and December 31, 2017, were approximately $12,893,000 and $11,667,000, respectively.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income (loss) from continuing operations for the years ended December 30, 2018, and December 31, 2017, due to the following:

	2018	2017
Computed "expected" income tax expense	$ (325,248)	$ (1,210,308)
Increase (decrease) in income taxes resulting from:		
Valuation allowance	319,237	1,095,825
Nondeductible expenses	(4,613)	7,480
Other	(1,822)	(76,709)
	$ (12,446)	$ (183,712)

Note 7. Stock Option Plan

During 2008, the Company adopted the 2008 Equity Incentive Plan (the Plan), which provides for the issuance of up to 1,200,000 incentive and nonqualified common stock options to eligible recipients. The term of each option will be no longer than 10 years, and the options generally vest over a five-year period. As of December 30, 2018, there were 44,092 shares available for issuance under the Plan.

The fair value of each option award is estimated at the date of grant using the Black-Scholes option valuation model. The expected term assumption reflects the period for which the Company believes the options will remain outstanding. The expected term assumption for employee stock options is based on the average of the vesting period and contractual life of the award. The Company estimated the volatility of its stock based on the volatility of a publicly traded peer company over the expected life of the award. The risk-free rate reflects the U.S. Treasury yield curve for a similar expected life instrument in effect at the time of the grant. The assumption for dividends is based on the Company's expectation of not paying any cash dividends in the foreseeable future.

The assumptions utilized for the options awarded during the year ended December 30, 2018, are as follows:

Fair value per option	$	0.26
Volatility		26.4%
Expected life (years)		6.5
Risk-free interest rate		2.391%
Dividend rate		0%

The Company awarded 250,000 and 0 options during the years ended December 30, 2018, and December 31, 2017, respectively.

As of December 30, 2018, there were 1,155,908 options outstanding at a weighted-average exercise price of $3.10 per share. The weighted-average remaining contract term was approximately four years.

As of December 30, 2018, all of the options outstanding were granted with vesting terms of five years.

The fair value of the stock options, as determined by the Black-Scholes option valuation model, recognized as expense in the years ended December 30, 2018, and December 31, 2017, was $38,726 and $0, respectively.

As of December 30, 2018, there was approximately $31,160 of unrecognized compensation cost associated with unvested stock-based compensation arrangements granted under the Plan. The remaining cost is expected to be recognized over a weighted-average period of approximately two years.

During 2008, the Board of Directors also awarded performance-based options. Under the terms of the awards, upon the Company achieving the sale of 100 franchises, each of three employees were to be awarded the option to purchase up to 200,000 shares each at an exercise price of $2.00 per share with an exercise period of 10 years from the award date. The performance condition was met during the year ended December 31, 2013. For the year ended December 30, 2018, the Company awarded 280,000 in performance awards. No performance awards were forfeited, canceled or exercised during the years ended December 30, 2018, or December 31, 2017.

Supplementary Information

Capriotti's Sandwich Shop, Inc.

Consolidated Statements of Revenues, Cost of Sales, and General and Administrative Expenses
Years Ended December 30, 2018, and December 31, 2017

	2018	2017
Revenues:		
Sales by Company-owned restaurants	**$ 7,580,318**	$ 9,721,264
Franchise royalties	**3,425,698**	3,310,979
Franchise fees	**539,252**	633,000
Total revenues	**$ 11,545,268**	$ 13,665,243
Cost of sales:		
Cost of sales by Company-owned restaurants	**$ 2,468,814**	$ 3,243,222
General and administrative expenses:		
Salary and wages	**$ 4,010,920**	$ 4,923,232
Professional fees	**949,033**	969,808
Rent	**799,336**	1,188,847
Salary and wages, officers	**556,461**	557,054
Marketing and advertising	**522,181**	773,310
Payroll taxes	**409,770**	522,598
Consulting, directors	**309,289**	325,000
Benefits	**279,228**	406,343
Utilities	**277,625**	384,989
Travel	**263,506**	269,772
Promotions	**229,961**	350,917
Technology	**167,281**	180,440
Supplies	**165,908**	263,515
Bank and credit card fees	**145,941**	200,706
Repairs and maintenance	**138,325**	168,035
Insurance	**98,213**	111,228
Meals and entertainment	**43,932**	44,000
Bad debt expense	**42,226**	234
Taxes and licenses	**41,362**	52,847
Stock-based compensation	**38,726**	-
Security	**35,359**	48,796
Dues and subscriptions	**22,040**	18,340
Training	**21,154**	24,362
Miscellaneous	**17,509**	15,836
Automobile	**16,890**	11,612
Equipment	**12,869**	16,489
Equipment rental	**12,412**	16,746
Research and development	**10,167**	3,838
Employee recruitment	**7,718**	13,708
Total general and administrative expenses	**$ 9,645,342**	$ 11,862,602

Capriotti's Sandwich Shop, Inc.

Consolidated Schedule of EBITDA Before Other Noncash Expenses and Officer Salaries
Years Ended December 30, 2018, and December 31, 2017

		2018		2017
Net loss	$	(1,551,516)	$	(3,402,017)
Interest expense		312,505		349,192
Depreciation and amortization		1,152,861		1,244,296
EBITDA		(86,150)		(1,808,529)
Addback:				
Other noncash expenses:				
Stock-based compensation		38,726		-
Officer salaries and benefits		556,461		557,054
Consulting, directors		309,289		325,000
EBITDA before other noncash expenses and officer salaries	$	818,326	$	(926,475)

UNAUDITED FINANCIAL STATEMENTS

Balance Sheet

As of 5/17/2020

	YTD
ASSETS	
Current Asset	
Cash	2,371,277
Operating- Huntridge B of A 3675	-5,474
Accounts Receivable	1,301,297
Intercompany Receivables	11,952,275
Inventory	
Inventory	117,852
Gift Cards	
Prepaid Expenses	338,129
Due To/From Capriotti's Sparks LLC	0
Total Current Asset	**16,075,357**
Fixed Asset	
Fixed Assets	
Automobiles	15,058
Leasehold Improvments	828,869
Furniture and Equipment	1,369,484
Furniture & Equipment - TMobile	44,537
Office Equipment	323,943
Software	104,037
CIP	16,159
Accumulated Depreciation	-1,546,967
Total Fixed Asset	**1,155,120**
Other Asset	
Intangible Assets	4,322,823
Deposits	53,067
Non-Current Receivalbe	0
Investment in Sub - Chandler	0
Investment in Sub - Sahara	0
Investment in Sub - Horizon	0
Tax Deferred Asset	
Total Other Asset	**4,375,889**
Total ASSETS	**21,606,366**

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

LIABILITIES & EQUITY

Liabilities	
Current Liability	
Accounts Payable	378,439
Other Payables	244,880
Interest Payable	-48
Income Taxes Payable	
Deferred Revenue	1,814,312
Current Portion Long Term Debt	20,150
Advance Deposits - Convention	664,471
Adv Deposits - Franchisee Marketing	0
Accrued Expenses	614,609
Intercompany Payables	11,759,055
Total Current Liability	**15,495,868**
Long Term Liability	
Long Term Deferred Revenue	40,000
Long Term Debt	5,974,090
Long Term Accrued Interest	0
Accrued Marketing Funds	-193,344
Unclaimed Property	8,182
Deferred Rent	106,938
Tax Deferred Liability	63,778
Total Long Term Liability	**5,999,644**
Total Liabilities	**21,495,512**
Equity	
Equity	
Capital Stock	14,326
Treasury Stock	-189,424
APIC	17,422,128
APIC - Options	724,574
Distributions	-3,745,775
Retained Earnings	-13,458,843
YTD Income	-656,130
Total Equity	**110,854**
Total Equity	**110,854**
Total LIABILITIES & EQUITY	**21,606,366**

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Profit & Loss - YTD Periods

YTD Period Ending 05/17/2020

	YTD Actual	
Ordinary Income		
4100 - Sales		
Total 4100 - Sales	4,256,693	68.39%
4400 - Income		
Total 4400 - Income	1,967,454	31.61%
Total Ordinary Income	**6,224,147**	100.00%
Prime Cost		
5000 - Cost of Goods Sold		
5100 - Prepared Food		
Total 5100 - Prepared Food	1,067,697	17.15%
5200 - Retail Food		
Total 5200 - Retail Food	77,466	1.25%
5500 - Retail Beverages		
Total 5500 - Retail Beverages	53,391	0.86%
5800 - Production		
Total 5800 - Production	97,732	1.57%
Total 5000 - Cost of Goods Sold	1,296,286	20.83%
6000 - P/R & Related		
6001 - Labor Costs		
Total 6001 - Labor Costs	847,077	13.61%
6805 - Payroll Taxes		
Total 6000 - P/R & Related	947,213	15.22%
Total Prime Cost	**2,243,499**	36.05%

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Operating Expense		
7100 - Direct Operating Expense		
Total 7100 - Direct Operating Expense	378,020	6.07%
7400 - General and Administrative		
Total 7400 - General and Administrative	154,514	2.48%
Total Operating Expense	**532,534**	8.56%
Non Controllable Expense		
8100 - Non Controllable Expense		
Total 8100 - Non Controllable Expense	619,969	9.96%
8400 - Interest Expense - Location	176,192	2.83%
8500 - Depreciation and Amortization		
8520 - Depreciation Expense - Location	90,999	1.46%
8525 - Amortization Expense - Location	63,305	1.02%
Total 8500 - Depreciation and Amortization	154,305	2.48%
Total Non Controllable Expense	**950,465**	15.27%
Corporate Overhead & Other		
9001 - Corporate Overhead		
Total 9001 - Corporate Overhead	2,907,093	46.71%
9600 - Interest Expense		
Total 9600 - Interest Expense	80,174	1.29%
9650 - Depreciation and Amortization - Corp		
Total 9650 - Depreciation and Amortization - Corp	290,219	4.66%
9700 - Other (Income) Expense		
Total 9700 - Other (Income) Expense	-123,707	-1.99%
Total Corporate Overhead & Other	**3,153,779**	50.67%
Net Profit	**-656,130**	-10.54%
EBITDA	**44,759**	
Adj. EBITDA	**126,170**	2.03%

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

EXHIBIT H

MUTUAL RELEASE

MUTUAL RELEASE
CAPRIOTTI'S SANDWICH SHOP, INC.

WHEREAS, ____________________, ("Franchisee") wishes to terminate its agreement with CAPRIOTTI'S SANDWICH SHOP, INC. ("Franchisor") and cease and desist operation of all business under that agreement, and as a condition of releasing Franchisee of its obligations under its franchise agreement with Franchisor, the parties agree as follows:

Release – General Provisions. The Franchisee and Franchisor, jointly and severally, hereby release and forever discharge each other of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, **known or unknown**, fixed or contingent, past or present, that they have or may hereafter have against each other by reasons of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the are hereby forever canceled and forgiven.

THE FRANCHISEE AND FRANCHISOR ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

THE FRANCHISEE AND FRANCHISOR, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, NEVADA AND/OR JURISDICTIONS OF FRANCHISEE(S)' RESIDENCE AND LOCATION OF FRANCHISED UNITS.

The Franchisee and Franchisor expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee and Franchisor, and it is the Franchisee and Franchisor's intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee and Franchisor are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee and Franchisor represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as they in their independent judgment, believe necessary or appropriate. The Franchisee and Franchisor have not relied on any statement, promise, or representation, whether of fact, law or otherwise, by the other party or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

No Assignment or Transfer of Interest. Franchisee and Franchisor represent and warrant that there have been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee and Franchisor may have against any the other, all Claims having been fully and finally extinguished. The Franchisee and Franchisor agree to forever indemnify and hold each other harmless from any liability, claims, demands, damages, losses, costs, expenses or attorneys' fees incurred by either party as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer thereof. It is the intention of the parties that this indemnity does not require payment by either party as a condition precedent to recovery against the other party under this indemnity.

Attorneys Fees. If the Franchisee and Franchisor, or anyone acting for, or on behalf of, the Franchisee and Franchisor or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commences, joins in, or in any manner seeks relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder, or in any manner asserts against either of the parties any of the Claims released hereunder, each party agrees to pay its own attorneys' fees and other costs incurred in defending or otherwise responding to said suit or assertion.

Date of Releases, Joint and Several Liability. The releases granted hereunder shall be deemed effective as of the date hereof. The liabilities and obligations of the Franchisee and Franchisor shall be joint and several.

Severability. In event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of Nevada without reference to principles of conflict of laws.

[FRANCHISEE]	CAPRIOTTI'S SANDWICH SHOP, INC.
____________________________	____________________________
By:_________________________	By:_________________________

EXHIBIT I

ACH TRANSFER AGREEMENT

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

CAPRIOTTI'S SANDWICH SHOP, INC./PAYEE

	BANK NAME	ACCOUNT#	ABA#

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that 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, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken in reliance on 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 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 Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee in reliance on to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name on Account: ______________________________
Name of Depositor & ***Signature***: ______________________________
Store Location/Number & Tax ID: ______________________________
Designated Bank Acct.: ______________________________

(Please attach one voided check for the above account.)

MUST BE SUBMITTED WITH ALL REQUIRED INFORMATION
VIA FACSIMILE (702) 736-9878 OR EMAIL, TO BRUCE.EVANS@CAPRIOTTIS.COM

EXHIBIT J

FRANCHISE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, CAPRIOTTI'S SANDWICH SHOP, INC., and you are preparing to enter into a Franchise Agreement for the operation of a Capriotti's franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that CAPRIOTTI'S SANDWICH SHOP, INC., has not authorized or that may be untrue, inaccurate or misleading. Its purpose is also to be certain that you understand the limitations on claims that may be made by you by reason of the purchase and operation of your franchise. The questionnaire cannot be signed and dated the same day as the Acknowledgment of Receipt of the Franchise Disclosure Document (FDD), but must be signed and dated the same day you remit your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "NO" to any of the questions below, please explain your answer on the back of this sheet.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?

2. Have you received and personally reviewed the CAPRIOTTI'S SANDWICH SHOP, INC., Franchise Disclosure Document ("Disclosure Document") we provided you?

3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement?

5. A) Have you reviewed the Disclosure Document and Franchise Agreement with an attorney, accountant or other professional advisor?

   B) Have you discussed the benefits and risks of operating a Capriotti's franchise with your professional advisor?

   C) Did you discuss the benefits and risks of operating a Capriotti's franchise with an existing Capriotti's franchisee?

   D) Do you understand the risks of operating a Capriotti's franchise?

6. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the market place?

7. Is it true that no employee or other person speaking on behalf of CAPRIOTTI'S SANDWICH SHOP, INC., made any statement or promise regarding the costs involved in operating a Capriotti's franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

8. Is it true that no employee or other person speaking on behalf of CAPRIOTTI'S SANDWICH SHOP, INC., made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Capriotti's franchise will generate that is not contained in the Disclosure Document or that is contrary to or different from the information contained in the Disclosure Document?

9. Is it true that no employee or other person speaking on behalf of CAPRIOTTI'S SANDWICH SHOP, INC., made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

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 CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

______________________________	________________________
Signature of Franchise Applicant	Date
______________________________	
Name (please print)	
______________________________	________________________
Signature of Franchise Applicant	Date
______________________________	
Name (please print)	
______________________________	________________________
Signature of Franchise Applicant	Date
______________________________	
Name (please print)	

EXPLANATION OF ANY NEGATIVE RESPONSES (please refer to applicable question #) ARE AS FOLLOWS:

EXHIBIT K

RENEWAL RIDER TO FRANCHISE AGREEMENT

RENEWAL RIDER TO
CAPRIOTTI'S SANDWICH SHOP, INC.
FRANCHISE AGREEMENT

1. **Background**. This Renewal Rider to Franchise Agreement (the "Rider") is between Capriotti's Sandwich Shop, Inc. ("**Franchisor**") and *<<Insert Franchisee Name>>* ("**Franchisee**"). This Rider will be deemed effective as of *<<Insert Date>>* (**the "Effective Date"**).

Simultaneously with signing this Rider, Franchisor and Franchisee are signing a Franchise Agreement (**the "Renewal Franchise Agreement"**) to govern Franchisee's continued operation of its franchised CAPRIOTTI'S SANDWICH SHOP Restaurant located at *<<Insert Restaurant's Address>>* (the "**Franchised Restaurant**"). (All initial capitalized terms used but not defined in this Rider will have the meanings given to those terms in the Renewal Franchise Agreement). Franchisor and Franchisee acknowledge that the Renewal Franchise Agreement is the successor to the Franchise Agreement between Franchisor and Franchisee dated as of *<<Insert Effective Date of Original Franchise Agreement>>* (**the "Expiring Franchise Agreement"**), under which Franchisee has operated the Franchised Restaurant at the Approved Location during the Expiring Franchise Agreement's term. Franchisor and Franchisee are signing this Rider because the Expiring Franchise Agreement will expire shortly, and Franchisor has agreed to grant Franchisee a renewal franchise for the Franchised Restaurant by signing the Renewal Franchise Agreement. This Rider modifies certain provisions of the Renewal Franchise Agreement that do not apply to Franchisee's operation of the Franchised Restaurant during the renewal franchise term.

2. **Expiration of Expiring Franchise Agreement**. The Expiring Franchise Agreement's term expires on the day before the Effective Date. Franchisee has no further rights under the Expiring Franchise Agreement on or following the Effective Date.

3. **Term**.

(a) Section 2 of the Renewal Franchise Agreement is amended to read as follows:

> This Agreement shall be effective for a period of ten (10) years from the date of this Agreement (the "Renewal Term"). Franchisee agrees to operate the Franchised Restaurant in compliance with this Agreement for the entire Renewal Term unless this Agreement is properly terminated under Section 10. When this Agreement expires, Franchisee will have no right to acquire a successor franchise to continue operating the Franchised Restaurant as a CAPRIOTTI'S Restaurant and must immediately cease operating the Franchised Restaurant.

(b) All references in the Renewal Franchise Agreement to "Initial Term" are modified to state "Renewal Term."

4. **Franchise Fee and Royalties**. Section 4.1 of the Renewal Franchise Agreement is amended to read as follows:

A one-time nonrefundable renewal franchisee fee of ten thousand dollars ($10,000) to be paid simultaneously with the execution of this Agreement;

5. **Obligations of Franchisor**.

(a) Section 7.2 of the Renewal Franchise Agreement is hereby amended to read as follows:

To make available to the Franchised Restaurant the benefit of its knowledge and experience in: (i) selection and installation of equipment and furnishings; (ii) appropriate décor and restaurant layout; (iii) purchase, location and installation of signs identified with the operation of the Franchised Restaurant; and (iv) the System.

(b) Section 7.6 of the Renewal Franchise Agreement is hereby deleted in its entirety.

(c) The following sentence after Section 7.10 of the Renewal Franchise Agreement is hereby deleted in its entirety:

In the event Franchisor is required to expend more than two (2) weeks of effort in assisting Franchisee in opening the Franchised Restaurant (other than training and pre-opening events), Franchisor reserves the right to invoice Franchisee for the additional time at Franchisor's then-current rate for additional training as set forth in the Operations Manual.

6. **Obligations of Franchisee**.

(a) Section 8.6 of the Renewal Franchise Agreement is hereby deleted in its entirety.

(b) Section 8.7 of the Renewal Franchise Agreement is hereby amended to read as follows:

During this Agreement's term, Franchisor requires that the Franchisee spend at least one and one half percent (1.5%) of the Franchised Restaurant's total Gross Sales each month towards local marketing efforts in the area around the Franchised Restaurant (although Franchisor recommends that the Franchisee spend up to four percent (4%) of the Franchised Restaurant's monthly Gross Sales for such purpose). Upon request, Franchisee agrees to supply Franchisor with documented proof of its spend towards local marketing efforts.

(c) The beginning portion of Section 8.8 of the Renewal Franchise Agreement is hereby amended to read as follows:

To obtain and maintain required insurance coverage for the Franchised Restaurant from an insurer company with an A.M. Best's Review rating of not less than A-VII, and otherwise acceptable to Franchisor, to insure the premises and cover business operations and product liability with the following minimum limits:

(d) Section 8.19 of the Renewal Franchise Agreement is hereby amended to read as follows:

That Franchisee will, within nine (9) months from the date of written notice from Franchisor, remodel or re-equip the Franchised Restaurant in accordance with the specifications provided by Franchisor. This remodeling and re-equipping may include replacing worn out, obsolete or dated equipment, fixtures, furnishings and signs; structural modifications; redecorating; or purchasing more efficient or improved equipment. Franchisor may require Franchisee to perform remodeling and to purchase equipment at those times as Franchisor, in Franchisor's sole discretion, deems necessary and reasonable; provided, that Franchisor may not require any remodeling requiring an expenditure in excess of fifty thousand dollars ($50,000.00) in any five (5) year period (although this cost limitation does not apply either to any remodeling that Franchisor required Franchisee to undertake as a condition of signing this Agreement or in connection with a Transfer, updates or changes to the Information System and Computer System, and Required Software upgrades). FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT.

(d) Section 8.20 of the Renewal Franchise Agreement is hereby amended to read as follows:

At least two people must complete the full Capriotti's training program (including Franchisee's Managing Owner). In addition, two additional employees must complete an hourly-team-member training program. The training program is a blended learning training program including internet-based, classroom and on-site training at an approved training restaurant. Each training program may include instruction on sales techniques, products orientation, accounting procedures, ordering and inventory controls, food preparation and operations management. The training shall be provided at Franchisor's headquarters or designated location(s) and shall also include uncompensated on-the-job training at an approved training restaurant. Franchisor may substitute virtual learning and "e-learning" for any training that otherwise would occur in person. Franchisee must obtain, at Franchisee's expense, access to a computer and high-speed Internet connection to access the online training portal. The training may be presented in installments and Franchisee's Managing Owner and other personnel will be required to attend all installments. Franchisee shall bear and pay all training costs and expenses, including any salary expenses of its employees and all expenses of travel, lodging, meals and other living expenses that Franchisee's Managing Owner and other personnel incur in attending the training program.

Franchisor has the right to charge the Franchisee for additional or supplemental support or refresher training, as outlined in the Manual.

In addition, Franchisor has the right to require Franchisee's Managing Owner and other managerial personnel to participate in and successfully complete an extensive onsite training program at the Franchised Restaurant for up to six (6) weeks after the Franchised Restaurant has opened for business. Franchisor may charge Franchisee Ten Thousand dollars ($10,000). Franchisee must pay this amount on demand.

7. **Termination Without Right to Cure**. Section 10.1(j) of the Renewal Franchise Agreement is hereby deleted in its entirety.

8. **Termination With Right to Cure**. Section 10.2(a) of the Renewal Franchise Agreement is hereby amended to read as follows:

Franchisee fails to construct or remodel the Franchised Restaurant in accordance with this Agreement;

9. **Franchisee Information.** Section 17 of the Renewal Franchise Agreement is hereby amended to read as follows:

Franchisee shall furnish to Franchisor the names, addresses and telephone numbers of all shareholders, members, partners, executive officers, members of the Board of Directors and managers (including the Managing Owner), as the case may be, to be included in the Franchise Agreement Summary Pages. In the event that Franchisee is an entity, before or simultaneous with the date of execution of this Agreement, Franchisee shall provide Franchisor with appropriate minutes and/or resolutions of Franchisee setting forth authority of Franchisee to enter into this Agreement and the acceptance of all of the terms and conditions set forth in this Agreement.

10. **Release**. As consideration for Franchisor's granting Franchisee the rights under the Renewal Franchise Agreement, Franchisee and its affiliates, on behalf of themselves and their respective successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, and employees (**collectively, the "Releasing Parties"**), hereby forever release and discharge Franchisor and its affiliates, and their respective current and former partners, owners, directors, officers, principals, employees, agents, representatives, successors, and assigns (**collectively, the "Released Parties"**), from any and all claims, damages, demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind, whether known or unknown, vested or contingent (**for purposes of this Section 10, collectively, "Claims"**), that Franchisee and any of the other Releasing Parties now have, ever had, or, but for this Section 10, hereafter would or could have against any of the Released Parties (a) arising from or related to the Released Parties' performance of or failure to perform obligations under the Expiring Franchise Agreement, or (b) otherwise arising from or related in any way to Franchisee's and the other Releasing Parties' relationship, from the beginning of time to the

Effective Date, with any of the Released Parties, excepting only any Claims arising exclusively from or related exclusively to the grant of the franchise under the Renewal Franchise Agreement.

Franchisee, on behalf of itself and the other Releasing Parties, further covenants not to sue any of the Released Parties on any of the Claims released by this paragraph and represents that it has not assigned any such Claims to any individual or entity who is not bound by this paragraph.

11. **Rider to Control**. Except as provided in this Rider, the Renewal Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Renewal Franchise Agreement and this Rider, this Rider's terms will control.

CAPRIOTTI'S SANDWICH SHOP, INC.	**FRANCHISEE:**
	<<Insert Franchisee Name>>
By:______________________________	By:______________________________
Name: *<<Insert Name>>* Title: *<<Insert Title>>* Date: *<<Insert Date>>*	Name: *<<Insert Name>>* Title: *<<Insert Title>>* Date: *<<Insert Date>>*

EXHIBIT L

FRANCHISE AGREEMENT AMENDMENT FOR VIRTUAL KITCHEN OPERATIONS

CAPRIOTTI'S SANDWICH SHOP, INC.

FRANCHISE AGREEMENT AMENDMENT FOR
VIRTUAL KITCHEN OPERATIONS

THIS FRANCHISE AGREEMENT AMENDMENT (this "**Amendment**") is entered into by and between **CAPRIOTTI'S SANDWICH SHOP, INC.**, a Nevada corporation ("**Franchisor**"), and <<____________________>>, a <<____________________>> ("**Franchisee**").

1. **Background**. Simultaneously with signing this Amendment, Franchisor and Franchisee are signing a certain Franchise Agreement (the "**Franchise Agreement**") granting Franchisee the right to develop and operate a "CAPRIOTTI'S SANDWICH SHOP" Restaurant (the "**Franchised Restaurant**") at the Approved Location. Franchisor and Franchisee acknowledge that the Approved Location is considered to be a non-traditional location commonly known as a "ghost kitchen," "virtual kitchen," "shared kitchen," or other type of mobile kitchen (collectively, "**Mobile Kitchen**"). A Mobile Kitchen is characterized by, among other things, the preparation of diverse products under one or more brands in a common venue (which may be stationary or mobile) and the sale and delivery of such products principally or exclusively off-premises through third-party delivery systems. This Amendment reflects certain changes to the Franchise Agreement, upon which Franchisor and Franchisee have agreed, to reflect that the Approved Location is a Mobile Kitchen. (Initial-capitalized terms used but not defined in this Amendment have the meanings set forth in the Franchise Agreement.)

2. **Restrictive Covenant**.

In addition to Franchisee's obligations under Section 6 of the Franchise Agreement, Franchisee agrees to comply with the following:

(a) During the Franchise Agreement's term, neither Franchisee, its owners, nor any members of Franchisee's or its owners' Immediate Families will, directly or indirectly, through any ownership interest or in any other capacity or role, offer, prepare, or sell at or from the Approved Location any food products or beverages other than those food products and beverages that Franchisor expressly requires or authorizes Franchisee to offer, prepare, and sell at the Approved Location, even if such food products and beverages are not associated directly with the "CAPRIOTTI'S" Mark or are not encompassed within the definition of the term "Competitive Business" (such food products and beverages are referred to collectively as the "**Non-Core Products**").

(b) Upon Franchisor's termination of the Franchise Agreement for any reason, Franchisee's termination of the Franchise Agreement without cause, or expiration of the Franchise Agreement (without the grant of a renewal franchise), Franchisee and its owners agree that neither they nor any member of their Immediate Families will for one (1) year beginning on the effective date of the Franchise Agreement's termination or expiration, directly or indirectly, through any ownership interest or in any other capacity or role, offer, prepare, or sell any Non-Core Products at or from either the Approved Location or another Mobile Kitchen physically located within three (3) miles of the Approved Location.

3. **Obligations of Franchisee.** Franchisee agrees that Franchisor may require Franchisee to comply with certain operating standards at the Approved Location that differ from those that Franchisor has implemented for CAPRIOTTI'S Restaurants that are not operated at Mobile Kitchens. For example, and without limitation, Franchisor may (a) require Franchisee to offer, prepare, and sell Non-Core Products at the Approved Location, and such Non-Core Products may change rapidly in the foreseeable future, (b) set certain minimum hours of operation, and (c) require Franchisee to use vendors and pay for technologies and services that are not standard for CAPRIOTTI'S Restaurants that are not operated at Mobile Kitchens (subject in all cases to any restrictions imposed on Franchisee by the services agreement, occupancy agreement, or other agreement pursuant to which Franchisee has the right to possess and operate the Franchised Restaurant at the Approved Location).

4. **Cross-Default**. Franchisee agrees that Franchisor has the right to terminate the Franchise Agreement upon written notice to Franchisee if Franchisee (a) breaches any services agreement, occupancy agreement, or other agreement pursuant to which it has the right to possess and operate the Franchised Restaurant at the Approved Location and fails to cure the breach within any applicable cure period under such agreement or (b) loses the right (for whatever reason) to operate the Franchised Restaurant at the Approved Location.

5. **Acknowledgment of Risk**. Franchisee acknowledges that the duration of the services agreement, occupancy agreement, or other agreement pursuant to which Franchisee has the right to possess and operate the Franchised Restaurant at the Approved Location is likely to be materially shorter than the term of the Franchise Agreement and that, as a result, the profitability and continuity of operations of the Franchised Restaurant are likely to impacted adversely. Notwithstanding such risks, Franchisee desires to develop and operate the Franchised Restaurant at the Approved Location for as long as it is authorized to do so.

6. **Miscellaneous**. This Amendment is an amendment to, and forms a part of, the Franchise Agreement. Except as amended by this Amendment, the Franchise Agreement remains in full force and effect. If there is a conflict between any provision of the Franchise Agreement and a provision of this Amendment, the provision of this Amendment controls.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the dates below, to be effective on the Effective Date stated in the Franchise Agreement.

CAPRIOTTI'S SANDWICH SHOP, INC., a Nevada corporation

By:________________________________
Name:____________________________
Title:_____________________________
Date:__________________, 2020**

**Effective Date

FRANCHISEE

____
[Name]

By:________________________________
Name:
Title:
Date:__________________, 2020

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NEW YORK REPRESENTATIONS PAGE

THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	June 18, 2020
Indiana	June 17, 2020
Maryland	Pending
Michigan	May 29, 2020
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	June 18, 2020
Virginia	June 18, 2020
Washington	Pending
Wisconsin	June 17, 2020

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Capriotti's Sandwich Shop, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first., New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Capriotti's Sandwich Shop, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Capriotti's Sandwich Shop, Inc. located at 6056 S. Durango Drive, Las Vegas, Nevada 89113. Its telephone number is (702) 736-3878.

The franchise sellers for this offering are George Chanos, Ashley Morris, Jason Smylie, David Bloom, Bruce Evans, and Julia Ledford at 6056 S. Durango Drive, Las Vegas, Nevada 89113, (702) 736-3878 and ________________________.

Issuance Date: May 29, 2020

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a disclosure document from Capriotti's Sandwich Shop, Inc. issued as of May 29, 2020, that included the following Exhibits:

A. State Franchise Regulators and Agents for Service of Process
B. Franchise Agreement with Exhibits
C. Area Development Agreement with Exhibits
D. State-Specific Information
E. Table of Contents of the Manual
F. Information Regarding Current and Past Franchisees
G. Financial Statements
H. Mutual Release
I. ACH Transfer Agreement
J. Franchise Disclosure Questionnaire
K. Renewal Rider to Franchise Agreement
L. Franchise Agreement Amendment for Virtual Kitchen Operations

DATED: _________________________
SIGNED: _________________________, individually
as an officer or partner of _________________________ (a ______________ company, corporation, partnership)
NAME: _________________________
ADDRESS: _________________________
____
____
PHONE: _________________________

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Capriotti's Sandwich Shop, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

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