FRANCHISE DISCLOSURE DOCUMENT

FIGARO'S ITALIAN PIZZA, INC.
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www.Figaros.com / www.NickNWillys.com

The franchise will offer a limited menu of pizza, calzones, and other food and beverage products. Based upon the type of franchise you purchase from us, we will grant you the right to use the Marks "FIGARO'S"® or ""NICK-N-WILLY'S®."

The total investment necessary to begin operation of an individual Figaro's Pizza or Nick-N-Willy's franchised store is from approximately $86,000 to $546,000. This includes $0 to $47,500 that must be paid to the franchisor (or affiliate) as described in the following paragraph. (For franchises purchased with the Multiple Franchise Purchase Addendum to the Franchise Agreement, multiply the estimated initial investment range times the number of Stores purchased.)

The Initial Franchise Fee for an individual franchise (including the Franchise Coordination Fee) ranges from $0 to $35,000 depending on whether you purchase a Standard, Express, Co-Branding, Retail Premises or additional franchise, as described in Item 5. (An Express franchise is a reduced size franchise purchased with the Express Addendum to the Franchise Agreement. A "Co-Branding franchise" is a Figaro's or Nick-N-Willy's franchise operated in connection with another concept purchased with the Co-Branding Addendum to the Franchise Agreement.) In addition, for your first franchise store you must pay a Grand Opening Advertising Fee of $12,500.

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

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: **February 28, 2017**

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES THAT FRANCHISEES MUST SUE IN OREGON. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS, EXCLUDING ANY CLAIM CONCERNING CONFIDENTIAL INFORMATION OR THE MARKS, BE SETTLED BY ARBITRATION IN MARION COUNTY, OREGON. THESE PROVISIONS MAY BE SUPERSEDED BY CERTAIN STATE LAWS. SEE STATE ADDENDA IN EXHIBIT I. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH COMPANY IN OREGON THAN IN YOUR HOME STATE

2. THE FRANCHISE AGREEMENT STATES THAT OREGON LAW GOVERNS THE AGREEMENTS AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. THE STATE OF MICHIGAN AND CERTAIN OTHER STATES PROHIBIT CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. CERTAIN STATE LAWS MAY SUPERSEDE THE APPLICATION OF OREGON LAW TO THE FRANCHISE AGREEMENT. SEE STATE ADDENDA IN EXHIBIT I FOR A SUMMARY OF SOME OF THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

STATE EFFECTIVE DATES

Effective Date: This Franchise Disclosure Document is effective as of:

1. Federal Trade Commission (and All States not Requiring Registration): February 28, 2017

2. States Requiring Registration Approval Date (not approved if blank):

California:	
Florida:	
Hawaii:	**Not Filed**
Illinois:	
Indiana:	**Not Filed**
Kentucky:	January 22, 1999 and April 3, 2012
Maryland:	**Not Filed**
Michigan:	**Not Filed**
Minnesota:	
Nebraska:	March 25, 2002 and March 22, 2012
New York:	
North Dakota:	
Rhode Island:	**Not Filed**
South Dakota:	
Texas:	February 14, 1997 and April 12, 2012
Utah:	
Virginia:	**Not Filed**
Washington:	
Wisconsin:	

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

A. The Franchisor. **Figaro's Italian Pizza, Inc.** is the franchisor of the Figaro's and Nick-N-Willy's concepts. The principal place of business for Figaro's Italian Pizza, Inc. is 1500 Liberty Street SE, Suite 160, Salem, Oregon, 97302.

B. Definitions. To simplify the language in this Franchise Disclosure Document, "Company," "we," "our" or "us" refers to Figaro's Italian Pizza, Inc. "You" refers to you, the prospective franchisee whether you are a person or an entity. "Developer" refers to the prospective franchisee who purchases multiple franchise agreements to develop, own and operate more than one Franchised Store within a specified geographic area under Multiple Franchise Purchase Addenda added to each of the franchise agreements. "Figaro's store" refers to a Franchised Store operating under the name "Figaro's Pizza" or related names. "Master" means a franchisee that markets for, trains and supports individual unit franchises within a limited territory. "Nick-N-Willy's store" or "Nick-N-Willy's franchise" refers to a franchised store or franchise operating under the name " Nick-N-Willy's" or related names. Collectively and individually franchised stores and franchise premises may be referred to as "Franchised Store(s)" and "Franchise Premises", respectively. The names under which we conduct business are "Figaro's Italian Pizza," "Figaro's," "Nick-N-Willy's" and "Nick-N-Willy's Pizza." Collectively these marks and any other trademarks, service marks, trade names, logotypes or commercial symbols related to this franchise offering are referred to as the "Marks."

C. Figaro's Italian Pizza, Inc.'s Parents, Predecessors and Affiliates. We are an Oregon corporation incorporated on March 21, 1986 as Italian Pizza, Inc. We are the continuation of Figaro's Pizza, an unincorporated entity that operated from 1981 to 1986, in Salem, Oregon. The name of the corporation was changed to Figaro's Italian Pizza, Inc. by duly filed Articles of Amendment on March 24, 1986.

Schmizza International, Inc. ("Schmizza") became a wholly owned subsidiary of Figaro's Italian Pizza, Inc. on March 31, 2008 and then was separated from us as a sister corporation on January 2, 2014. We and Schmizza share a number of the same directors and senior management officers. Schmizza's principal place of business is the same as ours. Schmizza has operated and offered franchises for businesses that offer and sell at retail pizza by the slice and related products, beverages, merchandise and services since 2001. Schmizza does not offer franchises in any other lines of business. See the separate disclosure document for Schmizza for more information. Other than Schmizza, we have no parents, predecessors or affiliates.

On January 23, 2012, we acquired certain assets from Nick-N-Willy's Franchise Company, LLC, including its "Nick-N-Willy's" and "Nick-N-Willy's Pizza" names and marks and some of its franchise agreements with franchisees in the United States.

Our Internet URLs are www.Figaros.com and www.NickNWillys.com. We do not do business under any other names.

D. Our Prior Business Experience. We were incorporated on March 21, 1986 as the continuation of Figaro's Pizza, an unincorporated entity that operated from 1981 to 1986, in Salem, Oregon. We conducted pizza businesses of the type to be operated by you from 1986 to 2001. We acquired the Sargo's Subs brand and system on October 31, 2006, and conducted a business, as franchisor, of that system until February 2013. We acquired the Nick-N-Willy's brand and system on January 23, 2012, and have conducted a business, as franchisor, of that system since then. We have offered for sale Figaro's franchises since May 1986 and Nick-N-Willy's franchises since February 2012, and have neither offered nor sold franchises in any other line of business.

E. Our Business Activities. Our business activities include the grant to qualified persons or entities of the right to establish and operate individual retail food facilities under the relevant trade names, trademarks and service marks (as further described below) in accordance with the terms of the Franchise Agreement ("Franchise Agreement"). We also grant to qualified parties multiple franchise agreements to develop and operate more than one Franchised Store within a geographic area ("Designated Territory") consistent with the terms of a Multiple Franchise Purchase Addendum to each of the franchise agreements ("Multiple Franchise Purchase Addendum"). We have also offered master franchise rights in the past. We are not currently offering the master franchise opportunity, but if we do in the future, the master franchise offering will be made through a separate franchise disclosure document and may only be offered in a franchise registration state once the master franchise offering is registered in that state.

F. The Figaro's and Nick-N-Willy's Franchises. We have developed and own two unique systems (the "System"). The System may relate to Figaro's operations or Nick-N-Willy's Operations. One of these systems is identified by the mark "FIGARO'S" and the other by the mark "Nick-N-Willy's".

If the Franchise Agreement is for a Figaro's franchise, the System relates to the establishment, development and operation of businesses for the retail sale of a limited menu of pizzas, lasagna, calzones, beverage products and other menu items prepared in accordance with specified recipes and procedures (the "Menu Items") using the Trade Secret Food Products as defined in the Franchise Agreement and utilizing the Trade Secret Process as defined in the Franchise Agreement.

If the Franchise Agreement is for a Nick-N-Willy's franchise, the System relates to the establishment, development and operation of businesses for the retail sale of a limited menu of pizzas, salads, desserts, beverage products and other menu items prepared in accordance with specified recipes and procedures (the "Menu Items") using the Trade Secret Food Products as defined in the Franchise Agreement and utilizing the Trade Secret Process as defined in the Franchise Agreement.

The characteristics of the System include distinctive exterior and interior layout, design and color scheme; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; the Trade Secret Process ("Trade Secret Process") and the Trade Secret Food Products ("Trade Secret Food Products"); the Figaro's or Nick-N-Willy's Confidential Operations Manual ("Confidential Operations Manual"); Local Store Marketing Manual, food and beverage storage, preparation and service procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques

for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising, all of which we may periodically change.

Most Franchised Stores operate from leased space. Some Franchised Stores may be established in connection with another chain or concept, which could include a sublease to or from that concept, under the Co-Branding Addendum attached as an Exhibit to the Franchise Agreement. We may offer an Express franchise, typically a reduced sized store or counter with limited production and storage or as a cart or kiosk, under the Express Addendum, attached as an Exhibit to the Franchise Agreement. A Retail Premises franchise, to be established within a supermarket store or other retailer premises, may be established under the Retail Premises Addendum attached as an Exhibit to the Franchise Agreement.

The Franchised Store is not subject to any industry-specific laws and regulations beyond those affecting restaurant businesses generally. See Exhibit G for a brief summary of these laws. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You should investigate these and other laws applicable to your business with your own independent legal counsel before signing the Franchise Agreement and before opening for business. It is your responsibility to identify and comply with any and all laws applicable to your franchise, and we urge you to investigate these laws and regulations before becoming a franchisee. You must comply with all employment laws and regulations in respect to your employees and/or independent contractors.

We believe the market for pizzas, calzones, salads, beverages and other Italian food products is developed. The Franchised Stores' products will be sold to the general public in competition with national and local quick-service food businesses and with other pizza and stores.

H. Other Matters. In certain regions of the United States, we may contract with Master Franchisees to perform certain of our duties, including training and inspections.

Our agents for service of process are listed in Exhibit D.

This disclosure document contains a summary of some material provisions of the Franchise Agreement. However, these agreements express and govern the actual legal relationship between you and us. We are willing to negotiate the terms of these agreements with our shareholders and management employees, existing franchise owners, multiple franchise purchasers and their immediate family members.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

2.
BUSINESS EXPERIENCE

COMPANY PERSONNEL:

Chairman/CEO: Ron Berger

Mr. Berger has served as Chairman/CEO of Figaro's Italian Pizza, Inc. since June 1, 2001. He has served as President/CEO of Schmizza International, Inc. since March 31, 2008. He currently serves on the Board of Directors of the Diversity Institute of the International Franchise Association Mr. Berger serves on the Board of Directors of the Desert Tortoise Preserve Committee in Riverside, California, and in 2013 was elected its President. Finally, he is President of The Desert Tortoise Conservancy in Palm Springs, California.

President: Richard S. Glenn

Mr. Glenn has served as our President in Salem, Oregon since October 2009. He served as our Executive Vice President from April 2008 to October 2009. He served as Schmizza International, Inc.'s Vice President in Hillsboro, Oregon from October 2005 to April 2008, and as Director of Operations from November 2004 to March 31, 2008. He supervised training of Schmizza franchisees from January 2004 to March 31, 2008. He joined Schmizza International, Inc. as Franchise Development Coordinator in August 2003.

Director: Carol Berger

Mrs. Berger has been a Director of Company since June 1, 2001. She has served as a director of our affiliate Schmizza International, Inc. since March 2008. She has been retired since July 1998 and involved in real estate sales and investments since 2004.

Vice President – Finance and Chief Financial Officer: Carolyn Pihl

Mrs. Pihl has served as our Vice President – Finance since August 2005. Mrs. Pihl has served as our Chief Financial Officer in Salem, Oregon since January 2002. She has also served as Vice President of Finance for MES Solutions in Portland, Oregon since April 2013, and Vice President of Finance for the NW, SW and Southern Regions of ExamWorks, Inc. in Portland, Oregon from January 2010 to March 2013. She served as Chief Financial Officer of Abeton, Inc. in Portland, Oregon from May 2006 to December 2009.

Franchise Sales Director: Brian L. Newkirk

Mr. Newkirk has served as our Franchise Sales Director since October 2013. He has been self-employed as a management consultant since January 2011. From January 2012 to February 2014 he was operating partner for Papa John's in Tacoma, Washington. He was Vice President of Operations for Wendy's Franchise in Macon, Georgia from April 2009 to December 2010. From January 2006 to November 2008, he served as our Senior Vice President in Salem, Oregon.

Franchise Service, Operations and Training Personnel:

Bruce Laikko has served as our Senior Director – Store Operations in Salem, Oregon since April 2005. From March 2002 to March 2005 he was operations consultant with Sarpinos Pizzeria in Victoria, British Columbia. Ray Stoneback has served as our Restaurant Development

Coordinator in Salem, Oregon since January 2009. He has served with us in franchise operations since October 2002.

FRANCHISE BROKERS AND MASTER FRANCHISEES: Our franchise brokers and Master Franchisees are in Exhibit K. They are listed by state.

3.
LITIGATION

No litigation is required to be disclosed in this Item.

4.
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5.
INITIAL FEES

A. Individual Franchise Payment for First Franchise

When you sign the Franchise Agreement, you must pay us an initial franchise fee as stated below:

a. The Initial Franchise Fee for your first Standard Figaro's or Nick-N-Willy's franchise is $35,000 which is comprised of two elements, the $25,000 Initial Franchise Fee and the $10,000 Franchise Coordination Fee (described below). In addition, for your first Standard franchise you pay a Grand Opening Fee (described below) of $12,500.

b. The fee for an Express franchise purchased with the Express Addendum to the Franchise Agreement is reduced to $12,500.

c. The fee for a Co-Branding franchise operated in connection with another concept purchased with the Co-Branding Addendum to the Franchise Agreement is $0.

d. The fee for a Retail Premises franchise operated in a supermarket store or other retail premises purchased with the Retail Premises Addendum to the Franchise Agreement is reduced to $12,500.

e. We may offer franchises at a reduced initial fee to our existing franchise owners.

g. Franchise Coordination Fee. We provide assistance to franchise owners in opening their first Franchised Store as efficiently as possible. We will assist you in ordering a complete equipment package. We will obtain site location modeling services on your behalf from independent sources at no additional cost to you for up to two sites as part of the Franchise Coordination Fee. Site location modeling services are not currently available for Figaro's stores that offer only unbaked pizzas (but not baked pizzas) for takeout; or transferees purchasing an existing franchise location. If you elect to have additional sites analyzed for your first store, and for all sites analyzed for your second and any additional stores and for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee, you will be responsible for paying the then current rate we charge for this site analysis as outlined in the Operations Manual. In addition to the above, we may, in our sole discretion, determine that on-site inspection is appropriate under the circumstances prior to granting approval of a site location. If so determined, we will perform the on-site inspection at no additional cost to you for up to one site as part of the Franchise Coordination Fee. If you desire to have additional sites inspected for your first store (and for all sites inspected for your second and any additional stores), or for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee, or if we do not determine that an on-site inspection is warranted, you will be responsible for paying the actual out of pocket costs incurred by us to perform any on-site inspection. You will pay to us $10,000, (the "Franchise Coordination Fee") which is included in the Initial Franchise Fee, for this assistance upon signing the Franchise Agreement for the first Franchised Store you purchase. (See Item 11 below for more information.) The Franchise Coordination Fee is not refundable under any circumstances.

h. Grand Opening. You will pay to us $12,500 upon signing the Franchise Agreement for the first Franchised Store you purchase for the development and production of advertising to promote your grand opening within and around your Designated Area. Approximately $2,000 to $2,500 of this fee will be allocated to acquiring materials required for your grand opening, such as balloons, and the remaining approximately $10,000 will be expended towards media, printing and other opening period advertising in your local market. For the second and each subsequent Franchised Store, and for all other types of franchises, you will spend not less than $12,500 for Grand Opening advertising. Although our experience indicates that an initial grand opening campaign utilizing $12,500 followed by local advertising at the levels described in the Franchise Agreement is adequate in most cases, market conditions vary widely, both in terms of competition, familiarity with the take and bake concept and Figaro's, and in terms of media availability and costs. Depending on these and other conditions specific to your location, we may recommend, but will not require, that your marketing budget for the first year of operation substantially exceed levels required in the Franchise Agreement.

The individual franchise fee and the other fees listed in this section are non-refundable under any circumstances except as follows. If the Franchise Agreement represents your first Figaro's or Nick-N-Willy's franchise and if no acceptable site is found, approved by the parties and opened for business within 18 months from the date of the Agreement or if you fail to commence operations within 18 months for any reason, then, upon 30 day's prior written notice and opportunity to cure,

the Franchise Agreement may be terminated and payments received by us less $35,000 will be returned to you. If the Franchise Agreement represents an additional Figaro's or Nick-N-Willy's franchise for you, then the time to locate and approve and open an acceptable site will be an additional 18 months for the second store and 18 months for each additional store from the date of the Agreement. If no acceptable site is found and approved and opened for the additional site within that time period, the Agreement will terminate without notice by either party to the other on the expiration date, and no portion of any payment paid by you to us will be refundable or returned to you. Upon termination consistent with this provision, we will be fully and forever released from any claims or causes of action you may have under the Franchise Agreement and any right, title or interest in the Agreement, the Marks or the System will automatically revert to us.

If the franchise is terminated by either party before the opening of the store, the Grand Opening Fee, to the extent it has been paid by you, will be refunded in full, less any of our expenses (see also Item 7, footnote 7).

If required by us, you must pass aptitude, qualification and food safety tests to our exclusive satisfaction. These tests must be taken by you before you attend the mandatory training course described in Item 11, below.

If we determine in our sole discretion that you are unable to satisfactorily pass the training program, aptitude, food safety or other qualification testing or are unqualified for any other reason, We will have the right to require you to attend the training school for a second time or to terminate the Agreement. If you attend the second training and are unable to satisfactorily complete the program or remain unqualified, we will have the right to terminate the Franchise Agreement upon written notice to you. If the Agreement is terminated consistent with this paragraph, we will return to you the franchise fees you paid to us minus $15,000 to help cover the expenses incurred by us as of such date for providing training to you and other expenses incurred, and for lost opportunity. Upon return of said amount, we will be fully and forever released from any claims or causes of action you may have under the Franchise Agreement and you shall have no further right, title or interest in the Agreement, the Marks or the System.

B. Multiple or Additional Franchise Purchases

Existing franchisees with operating stores as of January 20, 2010, and until the program is terminated, may purchase up to three additional franchises for an initial franchise fee of $100 per franchise, provided such franchised stores open for business within 18 months. If you purchase a franchise under this program that has not physically opened for business within 18 months of execution of the franchise agreement, then you will then have two options: (1) You can forfeit the $100.00 franchise fee and allow the franchise to terminate as of that date, or (2) if you notify us that you still intend to open the franchised store, then you must pay us an additional initial franchise fee of $9,900, which will be due and payable within 10 days of the end of the 18 month period. We reserve the right to terminate this program at any time, at which point multiple or additional franchises will be sold at reduced initial franchise fees in accordance with the following schedule.

According to the Multiple Franchise Purchase Addendum, you as the Developer receive the right to develop a specified number of Figaro's or Nick-N-Willy's Franchised Stores within the Designated Territory. Developer will pay to us initial franchise fees for each store in accordance with the following schedule.

For the first Figaro's or Nick-N-Willy's Franchised Store to be developed within the Designated Territory (plus the Coordination and Grand Opening Fees)	$25,000
For the second Figaro's or Nick-N-Willy's Franchised Store to be developed within the Designated Territory	$10,000

if paid when the Franchise Agreement for your first franchise store is executed. The fee is $12,500 if paid at any time after the Franchise Agreement for your first franchise is executed.

For each additional Figaro's or Nick-N-Willy's Franchised Store to be developed within the Designated Territory	$5,000

if paid when the Franchise Agreement for your first franchise store is executed. The fee is $12,500 if paid at any time after the Franchise Agreement for your first franchise is executed.

Simultaneously, Developer executes a Franchise Agreement for each Franchised Store to be developed and pays to us the full initial franchise fee for the first Franchised Store, plus 100% of the aggregated initial franchise fees to be paid for the additional Franchised Stores that the Developer has agreed to establish within the Designated Territory, plus the Grand Opening fee for the first Franchised Store to be opened.

The initial fees are uniform except as described in this Item 5. We intend to raise the initial franchise fee after certain growth levels have been attained. The increased franchise fee and timing have not been determined as of this date.

Occasionally, we may grant new franchises with reduced or no initial fees as an award to a limited number of existing franchisees who have excelled in the franchise system. For example, at a franchise convention we may make such an award to the owner of the franchise store with the highest volume, highest comparative sales increase or similar achievements. Although we have never done so, we reserve the right to grant new franchises to our shareholders and their family members with reduced or no initial fees.

D. International Franchise Association Vet Fran and Minority Fran Program Discounts

We participate in the International Franchise Association Vet Fran Program. The initial franchise fee for the first unit you purchase is reduced by $5,000 for veterans who qualify under that program. We also participate in the International Franchise Association Minority Fran Program. The initial franchise fee for the first unit you purchase is reduced by 5% for individuals who qualify as minorities under that program. Individuals who qualify under both programs receive both reductions.

E. Franchisee Referral Fee

An existing franchisee who refers a new franchisee to us receives a referral fee of $1,000. We pay this referral fee after we receive the entire initial franchisee fee from the new franchisee and only for the first franchise purchased by the new franchisee. This program applies only to new franchises purchased at our Standard $25,000 initial franchise fee. If the franchisee you refer initially qualifies for the Vet Fran or Minority Fran Program Discounts, then your referral fee will be reduced pro rata. If, for example, the new franchisee pays 20% less, then you will receive 20% less. We reserve the right to terminate this program at any time.

Except as disclosed above, these Fees are uniform to all franchisees and are not refundable in whole or in part under any circumstances other than those listed above.

6.
OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Continuing Licensing Fees[1]	5% of Gross Receipts; Minimum of $150 per week from initial opening of the store	Payable no later than the Friday following the business week ending on Sunday	See Definition of Gross Receipts.[1] This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.

Name of Fee	Amount	Due Date	Remarks
Advertising Fund[2]	3% of Gross Receipts A 1% increase in your Advertising Fund fee, will automatically be triggered by your failure to spend the minimum Local Advertising requirement or to report Local Advertising contributions.	Payable at the same time and in the same manner as Continuing Licensing Fees	Contributions required by you. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Local Advertising[3]	3% of Gross Receipts; can be increased to 4% of Gross Receipts with 30 days prior written notice, with a credit for any cooperative advertising you pay. Out of this amount, we may require that at least, 0.125% of Gross Receipts be sent to us as a contribution to H.E.L.P. the charity or other charitable causes.	Monthly	Paid directly by you. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.
Cooperative Advertising[4]	Amount not to exceed 4% of Gross Receipts	Monthly	Contributions required if cooperative is established in your area.

Name of Fee	Amount	Due Date	Remarks
Rebates[5]	All rebates received. We estimate between $0 and $75,000 per year	When received	All rebates must be given to the Ad Fund.
Promotional Items[6]	Our cost plus reasonable markup. We estimate between $1,000 and $12,000 per year.	When developed	If we develop special promotional items, you must keep a representative inventory in stock.
Multi-Area Marketing and Discount Programs[7]	Marketing Kits, Commissions, discounts, or free products. We estimate between $800 to $5,000 per year.	When presented	You may be required to purchase Marketing Kits at a reasonable price (currently $100), and to participate in, extend discounts and give free products to coupon holders.
Late Fee for Failure to Submit Report or Payment on Time	$50 per incident	After due date	Applies to all Report and al Continuing Licensing Fees, advertising contributions and amounts due for purchases from us.
Late Payments[8]	Highest applicable legal rate for open account business credit, not to exceed 1.5% per month	After due date	Applies to all Continuing Licensing Fees, advertising contributions and amounts due for purchases from us.

Name of Fee	Amount	Due Date	Remarks
Tax Payments	If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay these taxes.	You will pay to us promptly and when due.	This includes the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.
Audit[9]	Cost of audit plus interest on underpayment. We estimate up to $20,000.	Immediately upon demand	Payable only if our audit shows that you understated Gross Receipts by at least 5%.
Insurance Policies[10]	Premium amounts. We estimate between $500 and $8,000 per year.	Must have the policies within 3 months after signing the Franchise Agreement, but before you acquire an interest in the real property on which you will operate the Franchised Store	Minimum amounts required.
Transfer Fee[11]	Greater of $10,000 or 2% of gross proceeds from sale of the Franchised Store	At the time of transfer	See Note 11 below.

Name of Fee	Amount	Due Date	Remarks
Additional Training and Assistance[12]	Your cost. We estimate between $3,000 and $7,000.	Time of training or assistance	Additional training is at your cost. This includes the charge for training for additional stores owned by multiple unit operators.
Additional Manager Training[13]	$900 per week per individual	Time of service	You pay for training if you request it.
Continuing Education[14]	You will be required to pay your expenses as well as your employees' expenses in attending these programs	Time of program	Attendance will not be required more than once each year and will not last more than 4 days each.
Renewal Fee	None	N/A	No renewal fee is payable, but you must be in compliance and sign a new franchise agreement.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will reimburse us for all costs in enforcing our obligations related to the Franchise Agreement.
Operation of the Franchised Store in Case of Absence, Incapacity or Death	Reasonable compensation and expenses for our representative. We estimate up to $2,500 per month.	Weekly after time of service and at the same time as Continuing Licensing Fees	Prevents harmful interruption or depreciation of the Franchised Store in case of your absence, incapacitation or death.

Name of Fee	Amount	Due Date	Remarks
Operation of the Franchised Store in Case of Your Default	$400 per day plus expenses	Weekly after time of service and at the same time as Continuing Licensing Fees	We may operate your Franchised Store if you fail to cure a default within 20 business days of receipt of written notice to cure.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Franchise.
Supplier/Supply Approval	Actual cost of test. We estimate between $6,000 and $9,000.	Time of inspection	Applies to new suppliers or supplies you wish to purchase that we have not approved.
Lost Confidential Operations Manual	$500	Time of replacement of the Confidential Operations Manual	If you lose or misplace the Confidential Operations Manual, we will issue a new one to you for a fee.
Cure Fee	$1,000	As Billed	If you breach any provision of the Franchise Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of $1,000 to help defray our administrative and corporate costs related to the breach and remedy.

Name of Fee	Amount	Due Date	Remarks
Mystery Shopper Fee	Standard Charges by Mystery Shopper Service. We estimate up to $1,200.	As Billed	We may use mystery shopper services to make periodic visits to your Franchised Store to measure performance. If your performance does not meet our specifications as outlined in the Operations Manual, you may be required to pay us the then current cost of the mystery shopper service. (Details are set forth in the Operations Manual.)

All fees are imposed by and are payable to us, unless otherwise noted. Any interest owed begins to accrue from date of underpayment. You do not pay other fees or payments to us and we will not impose or collect any other fees or payments in whole or in part on behalf of any third party.

If you are a pre-existing Figaro's franchisee and are executing the Franchise Agreement in order that you may begin to offer delivery service, you may continue paying the Continuing Licensing Fee, Minimum Continuing Licensing Fee, Advertising Fund Contribution and Local Advertising Fee in the amounts provided for in your previous franchise agreement rather than as provided for in the Franchise Agreement. The term of the Franchise Agreement will expire on the date that would have been the end of the term of your previous franchise agreement. (See the Exhibit to the Franchise Agreement entitled "Pre-Existing Franchisee Delivery Addendum")

[1] Continuing Licensing Fees. You will pay to us a weekly Continuing Licensing Fees equal to the greater of the Minimum Continuing Licensing Fee or 5% of the Gross Receipts derived from the Franchised Store. The minimum weekly Continuing Licensing Fees will be $150 a week. Fees may be lower for certain supermarket or other retail outlets, reflecting a lower level of per unit services rendered. See the Retail Premises Addendum, which is an Exhibit to the Franchise Agreement.

"Gross Receipts" includes the total of all sales of food products, beverages and other merchandise and products to your customers, whether or not sold or performed at or from the Franchised Store. "Gross Receipts" does not include customer refunds, discounts, use or service taxes paid to taxing authorities.

We have developed a program: "Figaro's Excellence Rewards program" (FERP). It is described in the Operations Manual and may be modified at any time without prior notice. Franchise Stores are graded according to the FERP. Stores receive grades based upon many factors. On an annual basis, all the grades received by a store throughout the preceding calendar year are reviewed. Stores which earn an "A" grade for an entire year may receive a cash reward based upon the

Continuing Licensing Fees paid by them during that year. The amount of the reward is established by us each year in our sole discretion. Stores earning the highest grades are also eligible for other benefits, including (if practical) being the first considered for new test programs and products.

[2] Advertising Fund. You will contribute 3% of your Gross Receipts to the Advertising Fund ("Fund"). See Item 11. Failure to spend the minimum Local Advertising requirement (described below) or to report Local Advertising contributions on two consecutive occasions automatically triggers a 1% increase in the minimum Advertising Fund fees from 3% to 4%.

[3] Local Advertising. Each calendar month, you must also spend on local advertising and promotion an amount equal to 3% of your Gross Receipts for the preceding calendar month. At our direction upon 30 days prior written notice, we can increase this amount to 4% of your Gross Receipts for the prior calendar month. On or before the 15th day of each month (or less frequently if we so direct), you will furnish to us, in a manner we approve, an accurate accounting of the previous month's expenditures on local advertising and promotion, as well as tear sheets, invoices and other supporting documents as we may specify. The aggregate of your contributions for local and cooperative advertising during any month will not exceed 4% of your Gross Receipts during that month.

Failure to spend the minimum Local Advertising requirement or to report Local Advertising contributions on two consecutive occasions automatically triggers a 1% increase in the minimum Advertising Fund fees from 3% to 4%.

[4] Cooperative Advertising. We may periodically designate a local, regional or national Advertising Coverage Area in which your business and at least one other of our franchises is located for purposes of developing a cooperative local, regional or national advertising or promotional program. Franchisor-owned outlets have a single vote per outlet, as described in Item 11. The aggregate of your contributions for local and cooperative advertising during any month will not exceed 4% of your Gross Receipts during that month.

[5] Rebates. You must submit to us all rebates received from suppliers and distributors of any merchandise, products and/or suppliers for use in or sale from the Franchised Store. With the exception of elements associated with your Initial Franchise Fee and Grand Opening Fee, we will contribute all funds we receive from supplier or distributor rebates generated as a result of franchisee purchases to the Fund for the benefit of the System after deducting any of our related costs, including the fully burdened costs of any purchasing personnel and their expenses and support. Currently, for example, the supplier of dough starter, Roma, incorporates within its product prices a charge per store per month. These funds are utilized to pay the costs to handle consumer calls received on the toll free “Figaro’s Customer Care Line” advertised to customers of the Franchised Stores as well as to conduct shopper programs. See Item 8 regarding Roma.

[6] Promotional Items. If we develop and market special promotional items, these items will be available to you at our cost plus a reasonable mark-up. You will maintain a representative inventory of these promotional items, which you may purchase from any source, provided they meet our specifications.

[7] Multi-Area Marketing and Discount Programs. Periodically we may establish Multi-Area Marketing Programs, including Internet, directories, affinity, co-branding, shows, events, gift certificate, gift card, scrip and discount or free coupon programs, designed to increase sales. We will notify you of the creation of all such programs and will advise you of the elements of these

programs. Certain Multi-Area Marketing Programs may be mandatory. For such programs, you may be required to purchase related marketing kits at a reasonable cost, which may be automatically deducted from your franchise bank account. For optional programs, you will notify us of your desire to participate within 5 days of receipt of notice from us. Should you elect to participate, you will adhere to all elements of this program including maximum pricing.

[8] Late Payments. If you fail to pay when due any Continuing Licensing Fees, advertising contributions, amounts due for purchases by you from us or other amounts due to us, this amount will bear interest at the highest applicable legal rate in your state of operation for open account business credit, not to exceed 1.5% per month from the date this payment was due. However, we are not obligated to accept payments after the due date for same, or to extend credit or financing. Failure to pay amounts when due also constitutes grounds for termination of the franchise.

We have the sole discretion to apply any payments by you to any past due indebtedness for Continuing Licensing Fees, advertising contributions, expenses, purchases from us, interest or any other indebtedness.

You will promptly make payments of invoices and statements rendered to you in accordance with the terms of these invoices and statements and make timely remittances of rent as required on your lease, Continuing Licensing Fees, advertising fees and product purchases consistent with the Franchise Agreement.

If any payments to us or vendors of Trade Secret Food Products, are late by more than 15 business days, we may order all Trade Secret Food Product deliveries withheld from you until we and relevant vendors receive payment of your account.

[9] Audit. Our representatives have the right at all reasonable times to inspect and copy your books, records and tax returns and to have an independent audit made of your books. If inspection reveals that any payments have been understated in any report by you to us or if you fail to deliver any required report of gross receipts or any required financial statement in a timely manner, then you will immediately pay us any amounts owed, as well as interest on the unreported receipts at the maximum rate permitted by law. Upon discovery of an understatement of 2% or more, you must also pay and reimburse us for all expenses connected with said inspection, including reasonable accounting and legal fees.

[10] Insurance Policies. If you fail to procure the required insurance coverage, we have the right to procure the insurance for you and charge the cost of this insurance, as well as our related expenses, to you.

[11] Transfer Fee. Upon sale of any interest in the franchise by you, you must pay a non-refundable transfer fee of the greater of $10,000 for each Franchise Agreement or other interest being transferred, or 2% of the gross proceeds from the sale. If the transfer is to one of your management team members or to another operating and fully compliant franchisee, the transfer fee may be reduced to $5,000 if we determine that no training is required for the transferee. If the transfer is to an immediate family member (spouse or children over 21 years of age) or is an assignment of interest to an affiliated entity under Section 20.2.2.1 of the Franchise Agreement, the transfer fee may be reduced to $500 if we determine that no training is required for the transferee. The transfer fee will be paid upon the transfer of each Franchise Agreement

transferred by you. In addition, you will pay us an eight-percent commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.

If Developer submits for our approval any proposed transfer, sale, assignment or conveyance of all or any part of the rights and duties under the Multiple Franchise Purchase Addendum, the transferee or Developer will be required to pay to us an assignment fee, not to exceed $10,000 for the first store and if multiple stores are sold to a single buyer in a single transaction, not to exceed $500 for the second and each additional store sold in that transaction to cover the expenses of the transfer which include legal and accounting fees, credit investigation and other evaluation charges.

[12] Additional Training and Assistance. If you are a first time purchaser and not a transferee, we, at our expense, will provide you with a representative who will spend a minimum of 7 days but no more than 11 days at your Franchised Store during the initial month of operation. If you request and receive additional assistance during the first month, you will reimburse our for our related expenses. For any additional stores or if you are a transferee, we will determine the extent to which, if any, on-site training or store opening support will be required. Such training will be provided at your expense at the current rates then published in the Operations Manual.

[13] Additional Manager Training. We will make training available, as is reasonable and necessary, for all managers designated by you at the then-current rates as published in the Confidential Operations Manual. The current rate for manager training is $900 per week per individual.

[14] Continuing Education. We may provide and conduct refresher training programs or seminars at a location we designate. Seminars and refresher training programs will be conducted at your expense. We will not require your attendance more than once each year, and attendance will not exceed 4 days in duration for each program.

[15] Refunds. Any fees paid to us are non-refundable unless otherwise noted. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

You must comply within a time we deem reasonable with any requirement we impose to modify the shop layout, furnishings, fixtures, equipment, decorations, and décor (Franchise Agreement, Paragraph 5.5). In any calendar year, such modifications will not result in direct out-of-pocket costs to franchisee of more than $20,000, with a total maximum cap of not more than $35,000 over the term of this Agreement.

7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Name of Expenditures	Actual or Estimated Amounts For Franchisee	Method of Payment	When Due	To Whom Payment Is to be Made
Initial Franchise Fee [1]	$0 - $25,000	Lump Sum	Upon Execution of Franchise Agreement	Company
Franchise Coordination Fee[1,4]	$0 -$10,000	Lump Sum	Upon Execution of Franchise Agreement	Company
Grand Opening Advertising[7]	$12,500	Lump Sum	Upon Execution of Franchise Agreement	Company
Lease Acquisition [2]	$2,000 - $20,000	As Arranged	As Arranged	Lessor
Leasehold Improvements[3]	$10,000 - $215,000	As Arranged	As Arranged (often 50% before beginning 50% upon completion)	Lessor, Contractors
Equipment & Fixtures[4]	$20,000- $150,000	As Arranged	As Arranged (often 50% on order 50% when installed)	Designated and Approved Suppliers
Opening Inventory[5]	$5,000 - $8,500	Terms	14 Days	Designated and Approved Suppliers
Training[6]	$ 500 - $5,000	As Incurred	As Incurred	Transportation Lines, Hotel & Restaurants
Signs[8]	$4,500 - $10,000	As Arranged	As Arranged	Approved Suppliers
Delivery Vehicles[12]	Note 11	Note 11	Note 11	Note 11

Name of Expenditures	Actual or Estimated Amounts For Franchisee	Method of Payment	When Due	To Whom Payment Is to be Made
Additional Funds[9]	$15,000 - $50,000	Lump Sum	Before Opening	Approved Suppliers, Employees
Miscellaneous[7,10]	$16,500 - $40,000	As Incurred	As Incurred	Suppliers, Utility & Insurance
TOTAL	**$86,000- $546,000**			

NOTES

You should anticipate the above initial expenditures in connection with the establishment of an individual Franchised Store. Additional factors related to each expenditure category are described in the notes following.

We do not offer any financing in connection with your initial investment. Financing sources may reduce your initial cash requirements, and the availability and terms of financing to any individual franchisee will depend upon factors like the availability of financing in general, your credit worthiness, the collateral security that you may have and policies of lending institutions concerning the type of business to be operated by you. The investment and expenditures required of actual franchisees may vary considerably from the projections estimated in the tables, below, depending on many factors, including geographical area, the amount of space leased by you and the capabilities of any particular management and service team. If you are purchasing multiple franchises, whether under a Multiple Franchise Purchase Addendum or not, you will incur the estimated initial expenditures for each franchise you operate.

Our franchisees are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistery.com.

* Includes both "dine-in" and "DTO – delivery/take out only" locations

[1] Initial Franchise Fee. The Initial Franchise Fee for the franchise ranges from $0 to $25,000 (not including Franchise Coordination Fee and Grand Opening Fee), depending on whether you purchase a Standard, Express, Co-Branding, Retail Premises or additional franchise, as described in Item 5. See Grand Opening Fee at note 7 and Franchise Coordination Fee at note 4, below.

Area Development. According to the Multiple Franchise Purchase Addendum, Developer receives the right to develop a specified number of Franchised Stores within the Designated Territory. Developer will pay to us initial franchise fees ranging from $5,000 to $52,500 for each store in accordance with the schedule described in Item 5.

Simultaneously, Developer executes a Franchise Agreement for each Franchised Store to be developed and pays to us the full initial franchise fee for the first Franchised Store, including the Franchise Coordination Fee, plus 100% of the aggregated initial franchise fees to be paid for the

additional Franchised Stores that the Developer has agreed to establish within the Designated Territory, plus the Grand Opening Fee for the first Franchised Store to be opened.

[2] Lease Acquisition. You must lease appropriate space if you do not own adequate space. Typical locations for Figaro's and Nick-N-Willy's stores are shopping centers or other commercial retail areas. We recommend 1,000 to 1,700 square feet and we require a minimum of 960 square feet for a Standard franchise (normally less for Express and some Co-Branding franchises). Typically, you must pay the first and last months' rent in advance so we estimate the initial expense will be $2000 to $6,000. We require that you obtain in your lease agreement language that allows us to assume the lease upon your default or termination as specified in the Franchise Agreement. If you own the premises, you must agree to rent the store location to us upon termination or expiration of the Franchise Agreement.

[3] Leasehold Improvements. The cost of construction and leasehold improvements depends upon the size and condition of the Premises, the local cost of contract work and the location of the store. The range of figures set forth for a Franchised Store is the cost of reasonable renovation or leasehold improvements, and may be less if the lessor provides a construction allowance to lessee. This includes plumbing and electrical work, possibly a drive-up window and other interior decorating before opening the store. The cost of fixtures will vary, depending on the lease or finance terms available to you, the size and layout of the facility and other relevant factors. Recent experience suggests that a full size typical Figaro's or Nick-N-Willy's store can expect total leasehold improvement costs of $42,000 to $98,000.

[4] Equipment and Fixtures. We will provide you with a list of all necessary equipment and fixtures which currently may include, depending on the type of franchise purchased, a point of sale computer system, mixer, dough roller, walk-in coolers, freezer, ovens, exhaust systems and miscellaneous small wares. You must obtain and install the equipment before the store opens for business. Fixtures include cabinets, shelves and counters. You may purchase these fixtures from local suppliers and arrange for their installation. You may use your own suppliers. However, for your first Franchised Store, certain equipment must be purchased new, and may not have been previously used or reconditioned. This estimate includes installation.

Franchise Coordination Fee. We provide assistance to franchise owners in opening their first Franchised Store as efficiently as possible. We will assist you in ordering a complete equipment package. We will obtain site location modeling services on your behalf from independent sources. Site location modeling services are not currently available for Figaro's stores that offer only unbaked pizzas (but not baked pizzas) for takeout; or transferees purchasing an existing franchise location. For your first Franchised Store, we will provide such modeling services at no additional cost to you for up to two sites as part of the Franchise Coordination Fee. If you elect to have additional sites modeled for your first store, and for all sites modeled for your second and any additional stores and for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee, you will be responsible for paying the then current rate charged by us for this site modeling service as outlined in the Operations Manual.

In addition to the above, we may, in our sole discretion, determine that on-site inspection is appropriate under the circumstances prior to granting approval of a site location. If so determined, we will perform the on-site inspection at no additional cost to you for up to one site as part of the Franchise Coordination Fee. If you desire to have additional sites inspected for your first store

(and for all sites inspected for your second and any additional stores), or for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee, or if we do not determine that an on-site inspection is warranted, you will be responsible for paying the actual out of pocket costs we incur to perform any on-site inspection.

You will pay to us $10,000 (the "Franchise Coordination Fee") which is in addition to the Initial Franchise Fee, for this assistance upon signing the Franchise Agreement for the first Franchised Store you purchase. (See Item 11 below for more information.) Except as provided above, we will pass through to you any and all rebates we receive as a direct result of equipment purchases by you, if these are received.

[5] Opening Inventory. You may purchase your initial inventory from designated products suppliers or any supplier approved in accordance with the Franchise Agreement and Item 8 of this disclosure document. Initial inventory includes various food products, the Trade Secret Food Products, beverages, paper products, cleaning supplies and other supplies utilized in the operation of the store as well as other merchandise or products sold by the store. This estimate is for the opening inventory of food and other supplies. You must purchase these inventory items before opening.

[6] Training. There is no separate charge for the training itself, but you must pay for the travel and living expenses of the persons attending the training program. The training program will be held for a minimum of two six-day weeks at an existing store selected by us. The training program is offered for up to two persons. It is mandatory for you to attend. You must complete it to our satisfaction before the store opens for business. The actual cost may vary from the estimate due to distances, methods of transportation, personal preferences and whether you must participate in the training program a second time and pay for the travel and living expenses associated with that second training. In addition, you must satisfactorily complete any aptitude, food safety or other qualification testing we require.

[7] Grand Opening Advertising. For the first Franchised Store you purchase, you will pay to us the sum of $12,500 upon signing the Franchise Agreement. We will use these fees exclusively for development and production of advertising within and around your Designated Area and for the primary benefit of you for a period that may be as short as 21 days and as long as approximately 60 days after you open your Franchised Store. If the franchise is terminated by either party before the opening of the store, this fee, if it has been paid by you to us, will be refunded in full, less any of our expenses. See Item 6 of this disclosure document. Also see footnote 9, below.

The Grand Opening media advertising campaign allocation may not prove adequate in some cases due to the wide variation in market conditions, local familiarity with the take and bake concept and the Figaro's or Nick-N-Willy's brands, as well as media availability and local costs. Before you open your store, you will review the proposed campaign with our marketing department. It is expected that the allocation will be fully expended within 21 days to 60 days from your opening of the store. For the second and each subsequent store, you will spend not less than $12,500 for Grand Opening advertising.

You will be shipped a number of promotional expendables paid for by your Grand Opening Fund that are necessary to open your store. They include banners, labels, posters, point of sale materials, balloons, product photos, frequency cards and similar promotional materials. These

cost approximately $2,000 to $2,500 and will be shipped via UPS to your home address. The remaining approximately $10,000 will be expended towards media, printing and other opening period advertising in your local market. Several mystery shopper visits may be paid from the Grand Opening Fund.

[8] Signs. This estimate is for a lighted logo sign and neon signs, which must conform to our specifications and be installed before the store opens. The $3,000 estimate assumes that you will you use a smaller, low end sign while the $11,000 estimate assumes a larger, high end sign. You must obtain your signs from vendors we specify. Sign costs may vary substantially depending upon type and style and on the location of the franchise.

[9] Additional Funds. The disclosures in this table represent anticipated costs and expenses to open and operate your franchise during its initial three months of operation. However, we recommend that you maintain an adequate cash reserve before opening the store to help meet the ordinary expenses of operating the business for approximately nine to twelve months, including salaries based upon your business plan. The estimate may not be adequate as the amount required will depend greatly upon the salary and other commitments made by you. Additional funds will be required to finance operations until a positive cash flow is produced. We have relied on our experience since our inception and ongoing reports and communications from our franchisees in preparing these estimates.

Your cash reserves should anticipate the possibility that your market conditions may dictate a longer or more extensive opening market campaign.

[10] Other Miscellaneous Expenses Before Opening The Franchised Store. Miscellaneous expenses include telephone and other utility installations and deposits, licenses and permits, registration fees, architectural services, blueprints, uniforms, menus, opening till, office and cleaning supplies, office desk and chair (if any), office computer and any related equipment, and other miscellaneous items. You are required by the Franchise Agreement to insure against claims for product liability, personal injury and property damage with minimum limits of $1,000,000 per occurrence. We have included $6,000 to cover sales taxes, $3,500 to cover freight, and $4,500 to cover set up and installation in our high estimate. Each of these expenses varies widely depending upon your location and other factors. We require you to purchase automobile liability insurance with minimum limits of $1,000,000 per occurrence in the event that you elect to offer delivery service. The premium cost may vary depending on the insurance company and the location and condition of the Figaro's store. The estimate includes an initial premium payment of $500 before the Figaro's store opens.

[11] Pizza Delivery. Pizza delivery specifications may be described in more detail in our Operations Manual. If you elect to offer pizza delivery service to residences, your initial costs will be approximately $4,450 for a newly opened store and approximately $5,300 for a presently operating store. These estimates include an initial direct mail campaign to 3500 households (approximately $1,120), initial additional insurance premium (approximately $1,100 for three months), the “hot bag” system (approximately $650) and car topper signs (approximately $440). The remaining items include driver’s safety jackets, phones, mapping software and other related items. Our high estimate assumes delivery at $4,450, while the low estimate excludes it.

[12] Delivery Vehicles. Franchised Stores offering delivery are not required to provide delivery vehicles, but instead are expected to rely on employee-owned vehicles. If you acquire

your own vehicles, costs will vary depending upon the type of vehicle and whether it is owned or leased.

We do not now, but may in the future require the vehicle to be of a specific model, style, and color and that we must approve of the vehicle before you use it. Since we do not have such requirements now, we cannot currently make an estimate as to the costs of such possible future requirements.

[13] Refunds. It is assumed that you will not be entitled to a refund for any of the above-described payments except as indicated above. There are no other fees to be paid by you to us to begin operation of the Franchised Store. Any fees paid to us are not refundable except as outlined in Item 5 and Item 6 of this disclosure document. Fees paid to any third party may be refundable depending upon the contracts, if any, between the third party and you.

8.
RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

Approved Supplies and Suppliers

Periodically, we may provide to you identities of approved manufacturers, suppliers and distributors, service providers, and approved food and non-food products, recipes for menu items, fixtures, small wares, furniture, counters, freezers, cash register, computer, equipment, signs, vehicle signage, stationery, supplies, multi-area marketing programs, and other items or services necessary to operate the Franchised Store. We may also specify that you carry or use products and services previously approved for use in the System. At any time we may specify and require you to obtain and use accounting systems and accounting/bookkeeping vendors we designate. This is especially true for renewing franchises that have been using systems and vendors that are out of date and ineffective. We may revise the approved suppliers and the approved products and services periodically in our sole discretion. We currently provide material benefits to franchisees based on use of designated or approved sources including the right to renew your franchise rights and to obtain additional franchises.

There are currently no approved suppliers in which any of our officers owns an interest.

All Menu Items and other food and beverage products and materials, containers, packaging materials, other paper and plastic products, menus, uniforms, forms, cleaning and sanitation materials, and other materials and services used in the operation of the Franchised Store will conform to the specifications and quality standards established by us periodically in the Operations Manual. You may purchase products which meet these standards from suppliers we approve as meeting our criteria for Figaro's or Nick-N-Willy’s suppliers, as applicable, and as set forth periodically in the Operations Manual. If you propose to offer for sale at the Franchised Store any brand of product, or to use in the operation of Franchised Store any brand of food ingredient or other material or supply, which is not then approved by us as meeting our minimum specifications and quality standards, or to purchase any product from a supplier that is not then designated by us as an approved supplier, you will first notify us in writing and will, upon our

request, submit samples and other information as we require for examination and/or testing or to otherwise determine whether this product, material or supply, or the proposed supplier, meets our specifications and quality standards. We may make a charge which you must pay that will not exceed the actual cost of testing. We will notify you within a reasonable time, usually within 30 days, whether it approves the product, material or supply, and/or the supplier.

We apply the following general criteria in approving a proposed supplier:

1. Taste, texture, appearance and consistency of product;

2. Product conformity with recipe or our specifications;

3. Ability to purchase product in bulk;

4. Quality of services;

5. Production and delivery capability;

6. Proximity to franchised businesses to be able to make timely deliveries of product; and

7. Dependability of the supplier.

We reserve the right to designate exclusive suppliers (including third parties, us or our affiliates) for any products or services to ensure quality and uniformity of products, services, production, shipping and storage for the benefit of the franchise system.

There are no required quotas as to quantity of purchases you must make from us or from approved vendors. You must only have enough supplies on hand to meet customer demand. If you elect to purchase equipment, inventory, and supply items from us at our then current prices, payment must be made when you place your order. The items we offer may include among other things equipment, merchandise, and supplies that bear our Service Marks. You may offer these items only at the Franchise Premises to retail customers.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. We make no express or implied warranties with respect to the products and goods, and all warranties, express or implied, including but not restricted to, the implied warranty of title and the implied warranties of merchantability and fitness for a particular purpose, are expressly disclaimed in Section 14 of the Franchise Agreement along with limitations on related damage claims. We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You, your family, employees, partners, principals, members, managers, directors and shareholders may not resell the products, supplies or equipment that you buy from us nor any of our trade secret products, regardless of the source, that are used in the operation of your

franchised business and may not use such products, supplies or equipment in the operation of any other business without our prior written approval, which may be withheld in our sole discretion.

Except as provided above, we will pass through to you or to the Advertising Fund any and all rebates we receive as a direct result of equipment purchases by you. (As more fully described in Item 6, footnote 5).

Some vendors and other companies pay money to market at our franchisee conference, for booth space and other sponsorships. We place this money in our general account and apply it entirely for conference expenses. In our latest fiscal year we received approximately $0 (no convention was held) from third parties for our conference expenses.

Our specifications and standards for purchasing are in the Confidential Operations Manual, as modified periodically.

We have negotiated and have in place group rates for purchases of products and materials with a number of suppliers. Until your store is located in a geographical market containing a minimum of ten other operating stores, you should expect to incur additional freight and charges for products and materials, which may range from as low as $150 to as much as $650 per month in the costliest areas.

There are no purchasing cooperatives in existence at this time.

Pepsi-Cola Company

Pepsi-Cola Company is currently the designated supplier of all of our soft drinks. We may change the designated supplier or deal through designated distribution brokers without prior notice to you.

Trade Secret Food Products

We have developed proprietary pizza dough starter mix, pizza sauce spice mix and calzone spice mix (ingredients prepared in accordance with a Trade Secret Process, which process includes time, unique spices and recipes, dough mixing process, portion charts and holding, handling and cooking procedures). You must use the Trade Secret Food Products and purchase these from us or our designated suppliers. The formulae for, and methods of, preparation of Trade Secret Food Products are our trade secrets. We have determined that in order to protect the trade secrets and to monitor the manufacture and sale of Trade Secret Food Products, the manufacturer will (1) manufacture and supply Trade Secret Food Products to franchisees of our System and/or (2) disclose the formulae for and methods of preparation of Trade Secret Food Products to a limited number of suppliers who we will authorize to manufacture Trade Secret Food Products to our precise specifications and sell Trade Secret Food Products to you.

Roma is currently the designated supplier of all of our Trade Secret Food Products which includes proprietary pizza dough starter mix, pizza sauce spice mix and calzone spice mix. We may change the designated supplier or deal through designated distribution brokers without prior notice to you. Your purchases of Trade Secret Food Products represent approximately 2 to 5% of all costs required to establish and approximately 3 to 5% of all costs required to operate the Franchised Store (and approximately 11% of food/packaging costs, not including Pepsi/produce). A nominal charge totaling approximately 3% of your purchases of proprietary items is added to

your price in order to provide a fund from which to pay the costs of such onetime items as development, die cut, plate fees and obsolescence, for ongoing consumer help, information, assistance, for freight adjustments and to permit us to acquire inventories of slow moving items at favorable rates to keep your costs as low as possible.

We may derive revenue, placed into the Fund, through commissions, allowances or rebate paid by certain approved suppliers and from the nominal charge described above. With respect to Nick-N-Willy's, prior to our acquisition, Nick-N-Willy's Franchise Company LLC, routinely retained such rebates, fees, commissions, etc. in its gross revenue. We will continue this practice indefinitely for the Nick-N-Willy's program, as we absorb acquisition costs. We intend to review this matter annually. We understand that we must account to our Nick-N-Willy's franchisees for these pursuant to the Hawaii, Indiana, Iowa and Washington franchise relationship laws.

For the Figaro's System, rebates are based on franchisee purchases and range from 0.25% to 20% of sales. Figaro's Italian Pizza, Inc. received such funds in its last fiscal year (2016) in the approximate amount of $149,600, which was approximately 15.06% of its total revenue of $993,706 as shown on its 2016 audited financial statement. It placed all such amounts in the Fund.

For the Nick-N-Willy's System, rebates are based on franchisee purchases and range from 0.25% to 20% of sales. Figaro's Italian Pizza, Inc. received such funds in its last fiscal year (2016) in the approximate amount of $14,300 which was approximately 1.44% of its total revenue of $993,706 as shown on its 2016 audited financial statement. It placed all such amounts in the Fund.

We employ purchasing staff for the purpose of negotiating on products to be utilized in your store. In addition, we may direct a third party firm that specializes in such procurement to negotiate on our behalf. The full costs, including travel, support, overhead and benefits, of these personnel will be deducted from any rebates, commissions, free goods or other remuneration we receive based upon your purchases and the purchases of other franchisees. The balance, if any, will be contributed to the Fund. If the cost of these personnel exceeds the rebates, commissions, free goods and other remuneration, we will absorb the excess from our own accounts.

Approximately 0% percent of our total revenues are from products purchased from us, or entities affiliated with us, by our licensees. In fiscal year 2016, this represented $0 of our total revenues of $993,706 as shown on our 2016 audited financial statements. We estimate that purchases from us will be from 0% to 1% percent of the total purchases you make to establish and from 0% to 1% percent of the total purchases you make to operate your franchise. We estimate that your total purchases that we specify or approve represent 85-95% of your total initial purchases, and 85-95% of your overall ongoing purchases.

You may elect to offer our approved methods of delivery service to your customers in your franchise territory, including homes, schools, businesses and commercial accounts. To do so, you must fully comply with our policies and procedures as outlined in the Operations Manual related to delivery and obtain delivery vehicles and insurance meeting our requirements. The estimated initial costs to implement the delivery service are footnoted in Item 7. Any unapproved delivery service or delivery methods you offer will be a violation of the Franchise Agreement and grounds for immediate termination of your franchise.

Insurance

You must obtain and maintain at your own expense insurance policies with insurers satisfactory to us covering the items specified in the Franchise Agreement, including workers' compensation, general public liability (including products and injury) and property damage insurance. We do not represent or warrant that these coverages are adequate. You should consult with your insurance advisors as to any additional types of coverage or higher limits they may recommend.

9.
FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement and other related agreements. It will help you find more detailed information about your obligations in these agreements and in other items of the Disclosure Document. (References are to the Franchise Agreement unless otherwise specified. Addenda means Co-Branding, Express or Retail Premises addenda, if applicable, attached as exhibits to the Franchise Agreement.)

INDIVIDUAL UNIT FRANCHISE AGREEMENT

Obligation		**Paragraph in the Franchise And Other Agreements**	**Item in The Disclosure Document**
a.	Site selection and acquisition/lease	Paragraph 4; Addenda, Paragraphs 3 and 5; Multiple Franchise Purchase Addendum.	Items 11 and 12
b.	Pre-Opening purchases/ leases	Paragraphs 4.1 and 4.2.	Items 6, 7 and 11
c.	Site development and other pre-opening requirements	Paragraphs 4.5 and 6; Addenda, Paragraph 3; Multiple Franchise Purchase Addendum.	Items 6, 7 and 11
d.	Initial and on-going training	Paragraph 6; Addenda, Paragraphs 3 and 5.	Items 6 and 11

Obligation		**Paragraph in the Franchise And Other Agreements**	**Item in The Disclosure Document**
e.	Opening	Paragraphs 4.4 and 14.1; Addenda, Paragraph 3; Multiple Franchise Purchase Addendum.	Item 11
f.	Fees	Paragraphs 2, 3.2.E, 4.4, 6.4, 11, 12, 13.5, 20.2.3 and 23; Addenda, Paragraph 4; Multiple Franchise Purchase Addendum, Paragraph 3.	Items 5 and 6
g.	Compliance with Standards and Policies/Operating Manual	Paragraphs 8, 9, 13, 14 and 23; Addenda, Paragraphs 3 and 5; Multiple Franchise Purchase Addendum.	Item 11
h.	Trademarks and Proprietary Information	Paragraphs 7, 8 and 9; Multiple Franchise Purchase Addendum.	Items 13 and 14
i.	Restrictions on Products/Services Offered	Paragraph 14.	Items 8 and 16
j.	Warranty and Customer Service Requirements	Paragraph 14.	N/A
k.	Territorial Development and Sales Quotas	Multiple Franchise Purchase Addendum.	Item 12
l.	On-going Product/Service Purchases	Paragraphs 4 and 14.	Items 8 and 11

Obligation		**Paragraph in the Franchise And Other Agreements**	**Item in The Disclosure Document**
m.	Maintenance, Appearance and Remodeling Requirements	Paragraphs 3.3, 4.5, 14.2 and 14.3; Addenda, Paragraphs 3 and 5.	Items 6 and 17
n.	Insurance	Paragraph 16.	Items 6, 7 and 8
o.	Advertising	Paragraph 11.	Items 6 and 11
p.	Indemnification	Paragraph 23; Multiple Franchise Purchase Addendum.	Item 6
q.	Operator's Participation/ Management/Staffing	Paragraphs 6, 14 and 17; Addenda, Paragraphs 3 and 5.	Item 15
r.	Records/Reports	Paragraph 13.	Items 9 and 11
s.	Inspections/Audits	Paragraphs 7.5 and 13.	Items 6, 11 and 13
t.	Transfer	Paragraphs 20 and 22; Multiple Franchise Purchase Addendum.	Items 9 and 17
u.	Renewal	Paragraph 3.2, 3.3 and 3.4; Addenda, Paragraph 6.	Item 17
v.	Post-Termination Obligations	Paragraphs 17 and 19; Multiple Franchise Purchase Addendum.	Item 17
w.	Non-Competition Covenants	Paragraphs 9.2 and 17; Multiple Franchise Purchase Addendum.	Item 17
x.	Dispute Resolution	Paragraphs 24.3, 24.7 and 24.8.	Item 17
y.	Licenses	Paragraphs 4.5, 14.1 and 14.15.	N/A

10.
FINANCING

We do not provide direct or indirect financing. We do not assist in providing financing for you. We are unable to predict whether you will be able to obtain financing for any part or all of your investment and, if you are able to obtain financing, we cannot predict the terms of the financing. We do not guarantee any notes or financial obligations you may incur in setting up and operating your franchise.

Our franchisees are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www.franchiseregistery.com.

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

Except as listed below, we need not provide any assistance to you.

A. Company's Obligations Before the Franchised Store Opens:

1. We will grant the right to open a Franchised Store at a specified location with a surrounding defined Delivery Area if applicable. (Franchise Agreement, Paragraph 2).

2. Provide you with written notice of approval or disapproval of the proposed site within 15 business days after receiving your written proposal. (Paragraph 4.1) If you and we cannot agree on a site for your franchise premises, we may terminate the Franchise Agreement by refunding to you all but $15,000 of the Initial Franchise Fee.

3. We will use reasonable efforts to help analyze your market area, to help determine site feasibility and to assist in the designation of the franchise location. (Paragraph 4.3) The site approval process includes review of basic site requirements and breakeven analysis, and your approval or rejection of the site based upon your review of these. A site analysis is required in order to obtain our approval of a site. With respect to the first Franchised Store you acquire, you must pay the Franchise Coordination Fee as part of the Initial Franchise Fee. In addition to the above, we may, in our sole discretion, determine that on-site inspection is appropriate under the circumstances prior to granting approval of a site location. If so determined, we will perform the on-site inspection at no additional cost to you for up to one site as part of the Franchise Coordination Fee. If you desire to have additional sites inspected for your first store (and for all sites inspected for your second and any additional stores), or for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee, or if we do not

determine that an on-site inspection is warranted, you will be responsible for paying the actual out of pocket costs incurred by us to perform any on-site inspection.

4. Approve the lease for the Premises. At our option, the lease will contain provisions that we require, including those outlined in the Franchise Agreement. We may, but are not required, to assist in lease negotiations. (Paragraph 4.2)

5. Provide to you our basic generic architectural plans and specifications related to the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Franchised Store. (Paragraph 4.5)

6. Approve a site survey and any modifications to our basic generic architectural plans and specifications for your Franchised Store (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating). You must cause these to be prepared and submit these to us promptly after obtaining possession of the site for the Franchised Store. You may modify our basic plans and specifications only if required to comply with all applicable ordinances, building codes and permit requirements and only with prior notification to us and our written approval. Also, promptly after obtaining possession of the site for the Franchised Store you must obtain all required zoning changes; all required building, utility, health, sanitation, and sign permits and licenses and any other required permits and licenses. We are not required to assist with these obligations. (Paragraph 4.5)

7. We, or the relevant Master Franchisee and staff, will provide a training and familiarization course to address the material aspects of the operation of a franchise as detailed in this Item 11. (Paragraph 6.1)

8. We will designate uniforms to be worn by your employees. (Paragraph 14.9)

9. We will provide to you the Confidential Operations Manual, which details the procedures incidental to the operation of a Figaro's store. (Paragraph 8.1)

10. We will review all promotional materials and advertising to be used by you, including newspaper, radio and television advertisements, specialty and novelty items, signs, boxes, napkins, etc. You will obtain our approval before using any advertising materials. (Paragraph 11.1)

11. All of the specifications, approved manufacturers, distributors and suppliers lists, approved merchandise, products, materials and supplies lists, and training and operations manuals to be provided by us to you consistent with the Franchise Agreement will be available within the later of 3 months after execution of the Franchise Agreement or when you attend training. (Paragraph 15.6)

12. Although not bound by agreement, we may provide other supervision, assistance or services before the opening of the Figaro's store, including assisting in obtaining financing, purchasing, advertising and selecting inventory.

Our obligations may be reduced for Express, Co-Branding and Retail Premises franchises (Exhibits 2, 3 and 4 respectively, to Franchise Agreement)

B. Company's Obligations During the Operation of the Franchised Store:

Some or all of the duties and obligations of Figaro's to an individual unit franchisee as described in this Disclosure Document may be fulfilled by an approved master franchisee. Each master franchisee must provide the same or higher level of quality control within the relevant designated territory as required of or actually provided by Figaro's to franchise stores directly serviced by Figaro's, including ongoing training, quality control and field support service.

1. To facilitate the opening of your Franchised Store, We will send one of our representatives to your facility for 9 to 14 days during the first one to two months of operation to assist you in establishing and standardizing procedures and techniques essential to the operation of your Franchised Store and will assist in training personnel. If you request additional assistance from us in order to facilitate the opening of the Franchised Store during the first month, and if we deem it necessary and appropriate to comply with the request and can reasonably allocate the necessary staff, you will reimburse us for the expense of us providing such additional assistance. Otherwise, you are responsible for hiring and training employees as prescribed in our Confidential Operations Manual (these training programs will be conducted under the direction of you or your designated manager). (Paragraphs 6.2 and 6.4)

2. We will loan you a copy of the Confidential Operations Manual which contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. If you lose or misplace the Confidential Operations Manual, we will charge you a fee of $500 to replace it. We may modify this manual. (Paragraph 8.1) The Table of Contents of the Confidential Operations Manual is attached to this disclosure document as Exhibit E.

3. We will provide you with a list of approved sources of equipment, foods, supplies and containers necessary for the operation of the Franchised Store and provide specifications for these products if requested. We may also coordinate product distribution for local, regional and national suppliers and regulate quality standards of service and products throughout the network of Franchised Stores. (Paragraph 15.2 and 15.3) We will make periodic visits to your store to consult, assist, and guide. (Paragraph 15.5)

4. You will submit to us or our designated agency, for prior approval, all promotional materials and advertising to be used by you, including newspapers, radio and television advertising, specialty and novelty items, signs, containers and boxes. If we do not disapprove in writing any advertising or promotional item submitted to us within 20 days of receipt, the particular materials will be considered approved. (Paragraph 11.1)

5. You must contribute to the Advertising Fund ("Fund") an amount equal to 3% of your Gross Receipts. Failure to spend the minimum Local Advertising requirement or to report Local Advertising contributions on two consecutive occasions automatically triggers a 1% increase in the minimum Advertising Fund fees from 3% to 4%. Your Local Advertising requirement is 3% of Gross Receipts per month, subject to an increase to 4% of Gross Receipts upon 30 days' notice from us. (See Franchise Agreement, Section 11.3) We will direct all advertising programs with sole discretion over the creative concepts, materials and media used in these programs and their placement and allocation. The media used may include print, television, radio, Internet, or other media and may be local, regional, national or international in scope. You must participate in

and redeem all promotional and marketing materials that we authorize. We will, however, undertake no obligation in administering the Fund to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly pro rata from the placement of advertising. We will, for each of our company-owned stores offering products and services similar to the Franchised Store, make contributions to the Fund equivalent to the contribution percentage required of Franchised Stores within the System. The funds may be used to: (i) meet any costs of maintaining, administering, directing and preparing advertising including consumer and media research, and the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns, and other public relations activities; or (ii) employ advertising agencies to assist in preparing this advertising; or (iii) provide promotional brochures and other marketing materials to franchisees in the System.

Summary of Figaro's Advertising Fund Additions and Deductions for FY2016					
Additions:					
A.	Advertising Fees				
	Figaro's	$ 486,060			72.03%
	Total		$ 486,060		
B.	Other Additions				
	Figaro's	$ 188,781			27.97%
	Total		$ 188,781		
	Total Additions			$674,841	100.00%
C.	Corporate overhead and preparation of advertising				
	Figaro's	$ 411,136			70.80%
	Total		$ 411,136		
D.	Production of commercials and market research (Social Media)				
	Figaros'	$ 18,000			3.10%
	Total		$ 18,000		
E.	Market level advertising				
	Figaro's	$ 151,536			26.10%
	Total		$ 151,536		
	Total Deductions			$580,672	100.00%
F.	Accumulated Earnings			$ 94,169	

Summary of NNW Advertising Fund Additions and Deductions for FY2016					

Additions:					
A.	Advertising Fees				
	Nick-N-Willy's	$ 40,308			72.89%
	Total		$ 40,308		
B.	Other Additions				
	Nick-N-Willy's	$ 14,989			27.11%
	Total		$ 14,989		
	Total Additions			$ 55,297	100.00%
C.	Corporate overhead and preparation of advertising				
	Nick-N-Willy's	$ 9,977			46.96%
	Total		$ 9,977		
D.	Production of commercials and market research (Social Media)				
	Nick-N-Willy's	$ 23			0.11%
	Total		$ 23		
E.	Market level advertising				
	Nick-N-Willy's	$ 11,247			52.94%
	Total		$ 11,247		
	Total Deductions			$ 21,247	
F.	Accumulated Earnings - Consolidated			$ 34,050	100.00%

Allocations are subject to change. We will be compensated for all personnel who conduct and develop advertising and all Fund related administrative support personnel. We will make an accounting of the operation of the Fund annually and will make such accounting available to you upon request. We reserve the right, at our option, to require that this annual accounting include an audit of the operation of the Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the Fund. We anticipate that all contributions to the Fund will be expended for advertising and promotional purposes during our fiscal year within which all expenditures were made. Any monies not used in the fiscal year in which they were contributed will be applied and used for Fund expenses in the following year. We may terminate the Fund at any time once we expend all monies in the Fund for advertising and promotional purposes. We will not use any monies from the Fund to solicit new franchisees, except to the extent franchise solicitation is incorporated into promotional materials and supplies. For example, we may offer franchises for sale and our contact information on any branded materials used in the franchise system at no cost to us. We presently use an advisory council known as the FNAB ("Figaro's National Advisory Board") consisting of franchisees that have been elected by the our franchisees (or in certain cases appointed by other FNAB members as provided in the FNAB by-laws) to assist in developing policies relating to the Fund as well as to review products, operations and other issues relevant to franchisees. The members of the council attend regularly scheduled

meetings to discuss the direction of advertising and the materials to be used. We may change, or dissolve the advisory council.

6. Periodically, we may designate a local, regional or national Advertising Coverage Area ("Advertising Coverage Area") in which your business and at least one other Franchised Store of the same brand is located for purposes of developing a cooperative local, regional or national advertising or promotional program. An Advertising Coverage Area is an area covered by the particular advertising medium (television, radio or other medium) as recognized in the industry. You must participate in and contribute your share to cooperative advertising and promotional programs in your Advertising Coverage Area, but the aggregate of your contribution during any month will not exceed 4% of your monthly Gross Receipts. Each franchisee's share will be in proportion to its sales. Contributions to cooperative advertising promotional programs will be credited to the local advertising requirement and will not exceed the amounts required to be paid in Item 6 for local advertising. We may establish a Franchisee Local Advertising Committee ("FLAC") to administer the cooperative advertising program, which would be comprised of representatives from franchisees and our company-owned stores in the Advertising Coverage Area that operate under the same brand(s). At the time a program is submitted, and upon your request, we will submit a list to you of all operating Franchised Stores in your FLAC. We will have the sole power to form, change, merge or dissolve these FLAC's and cooperative advertising promotional programs. These FLAC's may operate from a written governing document which we will make available to you for review if we prepare such a document. The FLAC's will prepare annual unaudited financial statements which will be made available to you for your review. (Paragraph 11.4)

7. We will update the Approved Supplies List and Approved Suppliers List, as we deem necessary. (Paragraph 14.7)

8. We will modify the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, recipe changes, new Menu Items, new products, new equipment or new techniques. We will allow adequate replacement time for all major changes regarding the Marks and signage for the System. (Paragraph 10)

9. We will provide you with a comprehensive list of established sources of equipment, foods, supplies and containers necessary for the operation of the Franchised Store and provide specifications for these products, with the exception of proprietary items. (Paragraph 15.2)

We may, at our sole discretion, provide you with: (Paragraph 15.3)

a. Coordination of product distribution for local, regional and national suppliers; and

b. Regulation of quality standards and products in conformance throughout the network of Franchised Stores.

10. We may periodically advise or offer guidelines to you relative to prices for the food and other products offered for sale by the Franchised Store that in our judgment, constitute good business practice. You will not be obligated to accept this advice or guidance and will have the sole right to determine the prices to be charged by the Franchised Store. (Paragraph 15.1)

11. We will advise you of problems arising out of the operation of the Franchised Store as disclosed by reports submitted by you or by inspections we conduct of the Franchised Store. We may furnish you with this assistance in connection with the operation of the Franchised Store as we reasonably determined to be necessary periodically concerning: (Paragraphs 7.5 and 15.4)

a. Proper utilization of procedures developed by us regarding the service and sale of all Menu Items and other food and menu items, and related items and materials as approved by us;

b. Training, dress, general appearance and demeanor of Franchised Store employees;

c. Additional products and services authorized for Franchised Stores;

d. Purchase of ingredients and other food and beverage items, materials and supplies;

e. The institution of proper administrative, bookkeeping, inventory control, supervisory and general operating procedures for the effective operation of a Franchised Store; and

f. Advertising and promotional programs.

12. We will make periodic visits to the Franchised Store for your consultation, assistance and guidance in all aspects of the operation and management of the Franchised Store. Our representatives who visit the Franchised Store will prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Store or detailing any defaults in the operations which become evident as a result of any visit. A copy of each written report will be provided to you. (Paragraph 15.5)

13. In certain regions of the United States, we may contract with independent agents or Master Franchisees to perform certain of our duties, including training and inspections.

14. We may develop new services or programs, including assistance in resolving operating problems. (Paragraphs 1.3 and 11.6).

15. We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in the Franchise Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale. We may suggest prices to you and to the public for the sale of products and services, but you will not be required at any time to sell at or above our suggested prices (Paragraph 15.1).

16. Currently, we require that you purchase the following specific brands or types of point of sale computer hardware or software:

In Figaro's and Nick-N-Willy's stores, you must use either a SpeedLine (SpeedLine Solutions) or Revention approved point of sale (POS) computer system (Express Units may use a Samsung ER650 cash register instead of Speedline or Revention). If you obtain the Samsung ER650, the

estimated cost will range from $1,900 to $2,750, depending largely upon whether you desire 3 or 4 registers.) The estimated cost to purchase the Speedline or Revention system ranges from $15,000 to $23,000 depending upon the number of stations you desire. You also are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

The point of sale computer system consists of hardware components (such as computer, monitors, receipt printers and accessories) and software programs.

None of these items is our proprietary property.

The Samsung cash register is Model ER650. Samsung's full business name, address, and telephone number is: Samsung Electronics USA, 105 Challenger Road, Ridgefield Park, NJ 07660, 201-229-4029.

Although equivalent components or software programs that perform similar functions are available, none have been approved, except on a limited test basis, by us.

We have the right to require you to utilize an information processing and communication system, and computer-based point-of-sale cash registers which are fully compatible with any program or system which we, in our sole discretion, may employ. If we require you to install a particular system, you also may be required to purchase hardware and software support from suppliers we specify. If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors. We may require you to upgrade your hardware or software, at your expense. The estimated annual cost of any optional or required maintenance, updating, upgrading, or support contracts is from approximately $1,400 to $1,600 per year. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, system and related information by means of direct access whether in person, or by telephone/modem. We will have access to all of your data and there will be no contractual limitation on our right to access your information or data. All of your franchise operations and sales information, including customer identification, revenue and credit data will be made available to us, our employees and our relevant franchised Master Franchisees.

There is no other specific hardware or software required. However, you must obtain a static IP address from your telephone or cable service provider. All forms of electronic media, including the Internet, and e-commerce must be coordinated through us and approved by us. You may not market independently using any digital, electronic or computerized form or any form of media now or in the future developed (e.g. materials to be made available through the internet, interactive electronic transmissions, etc.) except as otherwise allowed by us in the Operations Manual. (Franchise Agreement, Paragraphs 7.6 and 11.12)

None of this hardware or software is proprietary to us. You may, but are not obligated to, update or upgrade hardware and software during the term of the agreement. This hardware and software is used for communications, accounting and record keeping. We do not now have, but may in the future require, independent access to and use of the information and data on your computer systems. There are no contractual limits on such access and use.

Although not bound by agreement, we may provide other supervision, assistance or services during the operation of the Figaro's store, including providing you with promotional materials and bulletins on new products or promotional techniques; revising and updating the Confidential Operations Manual; providing refresher training programs and seminars; developing and marketing special promotional items; and advising you relative to prices for food products offered for sale by the Figaro's store.

Our obligations may be reduced for Express, Co-Branding and Retail Premises franchises (Exhibits 2, 3 and 4, respectively, to Franchise Agreement).

C. Methods Used to Select the Location of the Franchised Store:

You must select the site for the Franchised Store within the area designated in the applicable Agreement. The designated area and store site are identified in Exhibit 1 to the Franchise Agreement. They must be in the United States of America, legally available according to state and federal franchise disclosure and registration laws and according to contractual commitments with other Figaro's or Nick-N-Willy's franchisees, as applicable, and in compliance with our franchise placement, market development and demographic criteria. We will use reasonable efforts to aid in the designation of the franchise location. Our prior approval of the site is required. (Paragraph 4.1)

The methods we use to review your selection of the location for your store include evaluating access, road visibility, ingress and egress, square footage available, cost of lease, proximity of competing pizza stores, proximity of one or more shopping areas, condition of shopping center, sign readability, the amount of traffic flow at acceptable speed adjacent to the proposed location and general population demographics.

You must locate a site acceptable to us. If this Agreement represents your first Franchised Store, and no acceptable site is found and approved within 18 months after signing the Franchise Agreement or if you fail to commence operations within 18 months for any reason, then, upon 30 day's prior written notice and opportunity to cure, the Franchise Agreement may be terminated, and payments we received for this first franchise, less the sum of $35,000, will be returned to you. (Paragraph 4.4)

D. Typical Length of Time Before Operation:

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your Franchised Store ranges from three to 10 months. Factors affecting this length of time may include your ability to select a site, prepare a site survey, make modifications to our basic store layout plan for our approval, arrange leasing and financing, make leasehold improvements and decor and furnishing modifications, meet local ordinances or community requirements, complete delivery of equipment and signs, hire and train personnel, obtain necessary licenses, permits and approvals and purchase initial inventory.

Should you fail to begin operations within 18 months of signing the Franchise Agreement, unless precluded from doing so by war or civil disturbance, natural disaster, organized labor dispute or other events beyond your reasonable control upon 30 day's prior written notice and opportunity to

cure, this Agreement may be terminated. (Paragraph 14.1). The time limits for opening are extended for Developers under the Multiple Franchise Purchase Addendum, see Item 12, below.

E. Training

We, or the relevant master franchisee and staff, will train you and your designated manager before beginning operations of your first Franchised Store for a minimum of two six-day weeks as described in the tabular chart below. If you are a multiple franchise owner, we are not obligated to provide any training for your additional franchises unless you pay to us a training fee according to our then current training fee schedule. See Item 6, above. You will attend training at an existing store at a location designated by us. Our obligations may be reduced for Express, Co-Branding and Retail Premises franchises (Exhibits 2, 3 and 4, respectively, to Franchise Agreement). These agreements state that our training may be of shorter duration at our discretion, taking into account the reduced fee, your experience, and the reduced space.

Figaro's Pizza or Nick-N-Willy's
Training Program

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
❑ Orientation	**1.5**	**0**	**Existing Store Designated By Us (For All Subjects)**
❑ Store Tour	**0**	**.5**	
❑ Mentoring	**.5**	**0**	
❑ Your Store Opening	**1.25**	**0**	
❑ WOW Service	**2**	**0**	
❑ WOW Tools	**.5**	**0**	
❑ Staffing	**2.5**	**0**	
❑ Developing Staff	**1**	**0**	
❑ Pizza Making 101	**2**	**0**	
❑ Checklists	**.5**	**1**	
❑ Pre-Rush Checklist	**.25**	**2**	
❑ Flow of Operations	**.5**	**0**	

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
❑ Lead Position	**1**	**2**	
❑ Hiring a Manager	**1**	**0**	
❑ Management Duties	**.75**	**0**	
❑ Key Indicators of Success	**.75**	**0**	
❑ Food Cost Controls	**1**	**1**	
❑ Labor Controls	**1**	**1**	
❑ Insurance Basics	**.5**	**0**	
❑ Door Hanging	**3**	**0**	
❑ Pizza Olympics	**.5**	**.5**	
❑ Pre-Rush Checklist	**.25**	**2**	
❑ Opening Checklist	**.5**	**2**	
❑ Dough Basics (Theory)	**1**	**0**	
❑ Dough Rolling 101	**1**	**2**	
❑ Calzone 101	**.25**	**.25**	
❑ Over Tender 101	**.5**	**2**	
❑ Register 101	**1**	**2**	
Subject:	**Class**	**On The Job**	
❑ Phones 101	**.5**	**2**	
❑ Positional Training	**.25**	**2**	
❑ Dough 101	**0**	**2**	
❑ Prep 101	**.5**	**2**	
❑ Pizza Delivery Set Up	**.5**	**1**	
❑ Delivery 101	**.5**	**1**	

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
❑ E-Ordering	**.5**	**1**	
❑ Becoming “The Place to Work”	**.5**	**0**	
❑ Signage	**.5**	**0**	
❑ Positional Training (Shadowing)	**.25**	**2**	
❑ Week 1 – Individual Evaluations	**1**	**0**	
❑ Dough Rolling 101 (Continued)	**.25**	**2**	
❑ Mystery Shops	**.5**	**0**	
❑ IFX	**.5**	**0**	
❑ Reports (Week Start/Week End)	**1.25**	**2.25**	
❑ Menu Test	**.5**	**.5**	
❑ Positional Training (Shadowing)	**.25**	**2**	
❑ Closing the Store	**.5**	**2**	
❑ Scheduling	**1**	**2**	
❑ Coupons/Daily Specials	**.5**	**.5**	
❑ HACCP/MSDS	**.5**	**2**	
❑ Food Handlers Permits	**.5**	**0**	
❑ Positional Training (Shadowing)	**.25**	**2**	
❑ Inventory	**1**	**1**	
❑ Dough 101	**1**	**2**	
❑ Competition	**1**	**2**	
❑ Rotation	**.5**	**.5**	
❑ Positional Training (Shadowing)	**.25**	**2**	
❑ Invite Night	**1**	**0**	

Subject	Hours Of Classroom Training	Hours Of On The Job Training	Location
❑ Local Store Marketing	**3**	**0**	
❑ Role Playing/Order Taking	**.5**	**1**	
❑ WOW Training	**.5**	**0**	
❑ Ron Berger Call	**.5**	**0**	
Subject:	**Class**	**On The Job**	
❑ Forecasting Sales	**.5**	**2**	
❑ REVIEW	**1.5**	**0**	
❑ Final Test	**1**	**0**	
❑ Positional Training	**.25**	**2**	
❑ Final Review	**2.5**	**0**	
❑ Recommendation to FIP (Addn'l Training or Mentoring)	**2**	**0**	
❑ **Total Hours**	**55**	**59**	

NOTE: All times approximate.

Your training will be conducted by Rick Glenn, who has supervised franchisee training for us since 2001 and who has experience in the pizza restaurant field since 1996. The training materials are the Manual.

The cost for the initial training program for you and your designated manager is included in the initial franchise fee. However, you must pay all other expenses incurred by you and your representatives while attending the program. (Paragraph 6.1) If we determine in our sole discretion that you are unable to satisfactorily complete the training program, refuse or fail to satisfactorily complete and pass any aptitude, food safety or other qualification testing we require, or are unqualified for any other reason, we will have the right to require you to attend the training school for a second time or to terminate this Agreement. If you attend the second training and are unable to satisfactorily complete the program or remain unqualified, we will have the right to terminate the Franchise Agreement. If the Agreement is terminated consistent with this Paragraph, we will return to you the franchise fees you paid to us minus $15,000 to help cover the expenses incurred by us as of such date for providing training to you and other expenses incurred, and for lost opportunity. Upon return of said amount, we will be fully and forever released from any claims or causes of action you may have under the Franchise Agreement and you shall have no further right, title or interest in the Agreement, the Marks or the System. (Paragraph 6.3)

To facilitate the opening of your first Franchised Store, we will send one of our representatives to your Franchised Store, at our expense, for a minimum of 9 days, but no more than 14 days, during the first one to two months of operation. This representative will assist you in establishing and standardizing procedures and techniques essential to the operation of a Franchised Store, and in training personnel. If we determine additional time and assistance is required because the store is not properly prepared for operation, we will have our representative remain at the store for the necessary and appropriate amount of time, at your expense. We may, in our discretion, provide additional assistance in order to facilitate the opening of the Franchised Store during the first month if you so request, at your expense. (Paragraph 6.2)

If you purchase any additional Franchised Stores or transfer to a buyer who is a fully trained Figaro's or Nick-N-Willy's (as applicable) manager or owner, we will determine the extent to which, if any, on-site or store opening support will be required. Any such training will be provided by us, one of our master franchisees, or a qualified franchisee at your expense, at your location, and at our rates then published in the Operations Manual. If we determine that you or any other individuals require attendance at the initial training program described above, this training will be completed to our satisfaction at a location we designate. You will pay us at our initial training program rates then published in the Operations Manual (currently $1,500) and you will pay the cost of travel and living expenses for the persons attending the training. (Paragraph 6.4)

In addition to the above training, we or the relevant master franchisee may deem it appropriate or necessary to provide additional training and supervision to you at the location of your franchise store. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Manual in the future.

We, or the relevant master franchisee and staff, may provide and conduct refresher training programs or seminars at a location we designate. We will conduct seminars and refresher training programs at your expense. We will not require your attendance more than once a year and such programs will not exceed 4 days each. (Paragraph 6.5) We will provide training for your managers where reasonable and necessary, at our then-current published rates. (Paragraph 14.18)

Each of your employees must complete a training program under the direction of you or your designated manager, and your managers must complete a yearly certification test as prescribed in the Confidential Operations Manual. (Paragraph 6.3)

12.
TERRITORY

FRANCHISE AGREEMENT

If you are purchasing a Standard Figaro's or Nick-N-Willy's franchise, we will grant you a geographic area ("Designated Area"). The Designated Area is a one-mile radius from the authorized street address. The franchise will be only for the specific authorized location approved

by us. If a portion of the territory has previously been assigned, the specific territory will be identified in Exhibit 1 to the Agreement and may be smaller than the one-mile radius.

There is normally not a geographic area for Express, Co-Branding, or Retail Premises franchises.

Statement Required by Federal and State Franchise Laws: *You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control*. However, if you purchase a Figaro's franchise, then while the Franchise Agreement is in effect and you are not in default, we will not establish nor license anyone other than you to establish any Figaro's facility in the Designated Area. If you purchase a Nick-N-Willy's franchise, then while the Franchise Agreement is in effect and you are not in default, we will not establish nor license anyone other than you to establish any Nick-N-Willy's facility in the Designated Area.

The additional exceptions to your geographic area are as follows: First, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located. Second, we reserve the right to solicit, sell, establish or service stores within or adjacent to the following locations whether or not they are in your Designated Area: schools and colleges, entertainment and sports complexes, convention centers, airports, hospitals, train and bus stations, military bases and government facilities, trade shows, in-office or plant food facilities, department stores, grocery stores, mobile units and hotels, off-site sales accounts, and 100-unit or larger chains in which we use space that is less than 50% of the retail space available. For so long as a store is in operation in your Designated Area using our retail trade dress or Marks, you may deduct 40% from each weekly continuing licensing fee due to us. If we operate two or more stores within your Designated Area using our retail trade dress or Marks, you may deduct 80%.

We reserve the right to sell products and services under the Marks you will use under the Franchise Agreement within and outside your Designated Area through any method of distribution other than a dedicated Franchised Store reserved to you in the Franchise Agreement, including sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Area. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in your Franchise Agreement or the Operations Manual. You will receive no compensation for our sales through alternative distribution channels except as described in the above paragraph.

You may operate the Franchised Store only at the location specified in Paragraph 2 of the Franchise Agreement. You may only propose relocation if you meet the criteria in Paragraph 4.6 of the Franchise Agreement. In any event, you may not relocate without our approval. If we consent to the relocation, we will notify you of the date by which you must open the replacement Franchised Store location. In any event, you must open the replacement Franchised Store location for business within 12 months after closure of the existing Franchised Store. Any failure to commence operation of the replacement Franchised Store caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is deemed reasonable by us under the circumstances.

We do not operate or franchise the operation of, or have any presently formulated plans or policy to operate or franchise the operation of, any business selling or leasing under different trade names or trademarks, goods or services similar to or competitive with those offered under the

Marks, but we reserve the right to do so. We can use alternative channels of distribution to make sales within your Designated Area of products or services under trademarks different from the Marks.

Schmizza International, Inc.

Our affiliate Schmizza International, Inc. operates and franchises to others the right to operate businesses that offer and sell at retail pizza by the slice and related products, beverages, merchandise and services under the "Schmizza" marks and logos. This concept is distinguishable from the Figaro's and Nick-N-Willy's concepts because the Figaro's and Nick-N-Willy's concepts focus on take and bake, takeout and delivery of pizza, while the Schmizza concept focuses on pizza by the slice. Schmizza outlets may be located within your Designated Area. Schmizza's principal business address is the same as ours. Figaro's, Nick-N-Willy's, and Schmizza may share offices and training facilities.

Delivery

If you have a Figaro's franchise or a Nick-N-Willy's franchise, you may elect to provide delivery as an additional service to consumers within an area that we approve (the Delivery Area). The Delivery Area is defined in Paragraph 1.4 of the Franchise Agreement. It generally encompasses an area in which you can make deliveries within a period of five driving minutes from your franchise store. As long as you are providing Adequate Delivery Service (as defined in the Franchise Agreement) throughout the Delivery Area and as long as, in our sole and reasonable discretion, consumers cannot be better serviced by modifying your Delivery Area, then we will not provide delivery service, and will not allow any other licensee or franchisee to provide delivery service, for Menu Items using the Marks to any point within the Delivery Area. Adequate Delivery Service means delivery service in accordance with our standards for delivery. Among other factors, our standards for delivery include customer satisfaction, potential sales volume and the physical and geographical characteristics of the Delivery Area. There is no minimum sales quota. You maintain rights to your Delivery Area as long as you comply with our current standards for delivery as described in the Operations Manual and as long as, in our sole and reasonable discretion, consumers cannot be better serviced by modifying your Delivery Area. If you do not, we may limit or terminate your right to do delivery or we may allow others to provide delivery service in your area.

At any time, we may consider whether you are providing Adequate Delivery Service to your entire Delivery Area. If we preliminarily determine that you are not providing Adequate Delivery Service throughout your Delivery Area, we will give you written notice of the areas within the Delivery Area that are not receiving Adequate Delivery Service. You may, within 90 days, submit a written explanation to us that identifies the geographic boundaries of the area to which you contend that you are providing Adequate Delivery Service. If you fail to timely submit a written explanation, our preliminary determination will become immediately effective. We will consider any written explanation timely submitted by you but we will in our sole discretion make the final determination of the area to which you are providing Adequate Delivery Service. We will give you written notice of our final determination within 90 days after receipt of your written explanation, at which point it will be effective. The Delivery Area will be re-defined to include only the areas to which we finally determine you are providing Adequate Delivery Service.

If the Delivery Areas of more than one franchisees overlap, we divide the overlapping area equally between the affected franchisees. In this case, that portion of your Delivery Area that overlaps with another franchisee's Delivery Area may be less than the five driving minutes from your franchise store.

In order to minimize consumer confusion regarding the availability of delivery service, if you elect not to offer delivery service, upon written notice from us, we may require you to include in your advertising, in a manner and copy size specified by us, language designed to effectively communicate that your store does not offer delivery service.

Continuation

Continuation of a franchisee's Designated Area is not dependent on the achievement of a certain sales volume, market penetration or other contingency. If you are not in default, we cannot alter your Designated Area. You do not receive the right to acquire additional franchises, except as specified in a Franchise Agreement and the Multiple Franchise Purchase Addendum.

MULTIPLE FRANCHISE PURCHASE ADDENDUM

According to the Multiple Franchise Purchase Addendum, you are granted the right to develop a specified number of Franchised Stores within a Designated Territory. Your Designated Territory will vary in size and dimensions, based upon population, growth trends, affluence of nearby population, topographics, geographics, density, and demographics.

Except as stated above, if the Multiple Franchise Purchase Addendum is for Figaro's stores, we will not establish nor license anyone other than you to establish any Figaro's facility in the Designated Territory from the date of the Addendum until expiration or termination of the development schedule set forth in the Addendum. If the Multiple Franchise Purchase Addendum is for Nick-N-Willy's stores, we will not establish nor license anyone other than you to establish any Nick-N-Willy's facility in the Designated Territory from the date of the Addendum until expiration or termination of the development schedule set forth in the Addendum. However, Schmizza may establish Schmizza outlets within your Designated Area.

If the Addendum is for co-branded Figaro's stores, we will not establish nor license anyone other than you to establish any Figaro's facility in the Designated Territory from the date of the Addendum until expiration or termination of the development schedule set forth in the Addendum. Except, we may establish or grant franchises for Nick-N-Willy's stores in the Designated Territory. In addition, Schmizza may establish Schmizza outlet within your Designated Territory.

If you fail to develop your Designated Territory in accordance with the schedule agreed upon as specified in the Multiple Franchise Purchase Addendum, or fail to comply with the terms and conditions of any individual Franchise Agreement between you and us, or make an attempt to transfer or assign a franchise agreement or Multiple Franchise Purchase Addendum in violation of their transfer provisions, you are deemed in default. Upon default, we, in our discretion, may do one of the following:

a. Terminate the relevant franchise agreement and multiple franchise purchase addendum and all rights granted under the multiple franchise purchase addendum

without affording you any opportunity to cure the default, effective immediately upon receipt of written notice by you of this default; or

b. Reduce the number of units granted to you in the Multiple Franchise Purchase Addendum; or

c. Terminate the territorial exclusivity granted to you, or reduce the area of territorial exclusivity granted to you under the Multiple Franchise Purchase Addendum.

Continuation

Continuation of your Designated Territory is not dependent on the achievement of a certain sales volume, market penetration or other contingency, except as specified in the Multiple Franchise Purchase Addendum:

The time limit to open each Franchised Store will be:

1st Franchised Store	18 months
2nd Franchised Store	36 months
3rd Franchised Store	54 months
4th Franchised Store	72 months
5th Franchised Store	90 months
6th Franchised Store	108 months
7th Franchised Store	126 months
8th Franchised Store	144 months
9th Franchised Store	162 months
10th Franchised Store	180 months
11th Franchised Store	198 months
12th Franchised Store	216 months
13th Franchised Store	234 months

from the date of the initial franchise agreement. If no acceptable site is found and approved by the parties for a site and the relevant franchise store opened for business within the time period specified in the preceding sentence, the Franchise Agreement will terminate without notice by either party to the other on the expiration date, and no portion of any payment you paid to us will be refundable or returned to you.

If, within two years of your successful completion of the development schedule set forth above:

a. We determine that it is desirable to establish additional Franchised Stores in the Designated Territory, and

b. You are then in compliance with all terms and conditions of the Franchise Agreement and all other agreements between you and us, and

c. You meet our then current standards for new or renewing franchisees,

You will have a right of first refusal to purchase additional franchise agreements to establish the additional Franchised Stores within the Designated Territory upon our then-current terms and conditions. If you do not exercise this right of first refusal, we may then elect to establish additional Franchised Stores or grant franchise agreements to others to do so in the Designated Territory.

13.
TRADEMARKS

We will grant you the right to use the name "FIGARO'S PIZZA" or "NICK-N-WILLY'S" depending on the type of franchise that you purchase.

Figaro's Italian Pizza, Inc. is the owner of the trade names and service marks "FIGARO'S" and "NICK-N-WILLY'S." We claim common law rights to the Marks and any other marks we use in interstate commerce in the United States. This claim is based upon our widespread use of the names in interstate commerce.

FIGARO'S MARKS:

We have registrations of the Marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO") and in various international jurisdictions as follows:

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S	75/176,658	2,086,079	October 3, 1996 August 5, 1997	Restaurant and take out services	Renewal due 8/5/17
FIGARO'S (Australia)	948435	948435	March 26, 2003 March 26, 2003	Retail pizza store services*	Renewal due 3/26/23
FIGARO'S (Canada)	1,151,915	673,772	September 6, 2002 September 29, 2006	Retail pizza store services*	Renewal due 9/29/21

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S (China)	TRW0549	12544650	May 8, 2013 October 7, 2014	Class 30 - Baked and unbaked freshly prepared pizza and breadsticks; unbaked freshly prepared calzone, lasagna and garlic bread	Renewal due 10/6/24
FIGARO'S (India)	1189612		April 4, 2003	Retail pizza store services*	Held up by opposition proceedings listed below Advertised 2/23/06
FIGARO'S (Indonesia)	J002003.9602-9697	IDM 000003018	April 24, 2003 April 12, 2004	Retail pizza store services*	Renewal due 4/22/23
FIGARO'S (Malaysia)	2003/03266	03003266	March 21, 2003 August 2, 2007	Retail pizza store services*	Renewal due 3/21/23
FIGARO'S (Mexico)	1503087	1490421	July 4, 2014 October 24, 2014	Class 43	Registered Declaration of Use due July 4, 2017
FIGARO'S (Mexico)	675442	855715		Class 43	Renewal due 9/6/24
FIGARO'S (New Zealand)	675855	675855	March 27, 2003 October 6, 2003	Retail pizza store services*	Renewal due 3/27/24

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S (Panama)	126226	126226	March 24, 2003 March 24, 2003	Retail pizza store services*	Renewal due 3/24/23
FIGARO'S (Singapore)	T03/04342B	T03/04342B	March 26, 2003 March 26, 2003	Retail pizza store services*	Renewal due 3/26/23
FIGARO'S (Taiwan)	092013893	01081316	March 21, 2003 January 16, 2004	Retail pizza store services*	Renewal due 1/15/24
FIGARO'S (Thailand)	514734	BOR22140	March 28, 2003 June 4, 2004	Retail pizza store services*	Renewal due 3/27/23
FIGARO'S (United Kingdom)	2646241	UK00002646241	December 18, 2012 April 5, 2013	Retail pizza store services	Renewal Date 12/18/22
FIGARO'S (UAE)	69875		May 21, 2005	Retail pizza store services*	Pending
FIGARO'S (Bahrain)	53578	53578	February 14, 2007	Retail pizza store services*	Renewal due 2/14/17
FIGARO'S (Cyprus)	76671		October 17, 2008	Retail pizza store services*	Pending

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S (Ecuador)	158429	861-07	June 14, 2005 June 18, 2007	Retail pizza store services*	2/22/17
FIGARO'S (Egypt)	195978		January 11, 2007	Retail pizza store services*	Pending
FIGARO'S (Israel)	180745	180745	May 22, 2005 January 21, 2007	Retail pizza store services*	Renewal due 5/22/25
FIGARO'S (Kuwait) (cl. 35)	82489	69031	January 17, 2007 January 17, 2007	Retail pizza store services*	Renewal due 1/6/17
FIGARO'S (Kuwait) (cl. 42)	88124	74489	August 26, 2007 August 26, 2007	Retail pizza store services*	Renewal due 8/26/17
FIGARO'S (Oman) (cl. 35)	43073	43073	January 8, 2007 January 8, 2007	Retail pizza store services*	Renewal due 1/8/17
FIGARO'S (European Community)		011434231	December 18, 2012 May 16, 2013	Retail pizza store services	Renewal due December 18, 2022
FIGARO'S PIZZA (China)	12544650		May 8, 2013	Pizza	Pending

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S (Pakistan)	238516		June 2007	Retail pizza store services*	Renewal due 6/29/17
FIGARO'S (Qatar)	35822	35822	May 24, 2005 June 19, 2008	Retail pizza store services*	Renewal due 5/24/25
FIGARO'S (Saudi Arabia)	104769	920/63	June 27, 2016 June 27 2016	Retail pizza store services*	Renewal pending
MISC. DESIGN (CHEF HEAD) (Canada)	1,151,916	645848	September 6, 2002 August 17, 2005	Retail pizza store services*	Renewal due 8/17/20
WHERE MAMA AND PAPA GO FOR GREAT PIZZA	76/279,682	2,664,461	July 2, 2001 December 17, 2002	Retail pizza store services*	Renewal due 12/17/22
FIGGY	76/279,134	2,664,457	July 2, 2001 December 17, 2002	Retail pizza store services*	Renewal due 12/17/22
FIGARO'S ULTIMATE PIZZA	76/335,854	2,692,452	November 8, 2001 March 4, 2003	Retail pizza store services*	Renewal due 3/4/23

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S PIZZAZZ (as amended)	76/383,793	2,860,824	March 15, 2002 July 6, 2004	Pizza	Renewal due 7/6/24
FIGARO'S PIZZAZZ (Canada)	1,151,917	673770	September 6, 2002 September 29, 2006	Pizza	Renewal due 9/29/21
FIGARO'S	76/005,778	2,433,573	March 21, 2000 March 6, 2001	Baked and unbaked freshly prepared pizza and breadsticks; unbaked freshly prepared calzone, lasagna and garlic bread	Renewal due 3/6/21
FIGARO	76/475,510	2,827,308	December 16, 2002 March 30, 2004	Retail pizza store services*	Renewal due 3/30/24
MAMA'S FAVORITE	78/286,985	2,865,283	August 13, 2003 July 20, 2004	Retail pizza store services*	Renewal due 7/20/24
PAPA'S SUPREME	78/287,114	2,939,700	August 13, 2003 April 12, 2005	Restaurant and take-out services…	Renewal due 4/12/25
DON CALZONE	78/466,791	3,125,739	August 12, 2004 August 8, 2006	Baked and unbaked calzone	Renewal due 8/8/16

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
DESIGN MISC. (New Face)	78/469,072	3,004,272	August 17, 2004 October 4, 2005	Retail pizza store services*	Renewal due 10/4/25
DESIGN MISC. (New Face) (UAE)	89280	91255	January 8, 2007 August 28, 2008	Retail pizza store services*	Renewal due 1/8/17
DESIGN MISC. (New Face) (Bahrain)	53579	53579	February 14, 2007	Retail pizza store services*	Renewal due 2/14/17
DESIGN MISC. (New Face) (Canada)	1,247,637	704104	February 17, 2005 January 8, 2008	Retail pizza store services*	Renewal due 1/8/23
DESIGN MISC. (New Face) (Cyprus)	76672		October 17, 2008	Retail pizza store services*	Pending
DESIGN MISC. (New Face) (Egypt)	195977	195977	January 2007 July 26, 2009	Retail pizza store services*	Renewal due 1/27/17
DESIGN MISC. (New Face) (Kuwait)	82490	82490	January 17, 2007 January 17, 2007	Retail pizza store services*	Renewal due 1/16/17

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
DESIGN MISC. (New Face) (Mexico)	1503088	1490422	July 4, 2014 October 24, 2014	Class 29	Registered Declaration of Use due July 4, 2017
DESIGN MISC. (New Face) (Mexico)	1503089	1490423	July 4, 2014 October 24, 2014	Class 32	Registered Declaration of Use due July 4, 2017
DESIGN MISC. (New Face) (Oman)	43074	43074	January 8, 2007 September 30, 2007	Retail pizza store services*	Renewal due 1/8/17
DESIGN MISC. (New Face) (Qatar)	42759	42759	January 11, 2007 September 19, 2009	Retail pizza store services*	Renewal due 1/11/2017
DESIGN MISC. (Mexico)	685849	873711		32	Renewal due 11/3/24
DESIGN MISC. (Mexico)	685852	870769		29	Renewal due 11/3/24

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
DESIGN MISC. (Mexico)	288129	545107		43	Renewal due 2/29/17
FLAVORS THAT SING	78/685,824	3,120,341	August 4, 2005 July 25, 2006	Retail pizza store services*	Renewal due 7/25/16
FLAVORS THAT SING! (Canada)	1,286,425	734008	January 13, 2006 February 5, 2009	Retail pizza store services*	Renewal due 2/5/24
FIGARO'S PIZZA	77/365913	3,585,499	January 7, 2008 March 10, 2009	Retail pizza store services*	Renewal due 3/10/19
DESIGN MISC. (Figgy's Moustache)	77/460030	3,741,577	April 28, 2008 January 26, 2010	Retail pizza store services*	8 & 15 due 1/26/16

***** Retail pizza store services featuring baked and unbaked pizza, breadsticks, calzone, lasagna and garlic bread, cookies and soft drinks, all for customer take-out or consumption on premises.

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
FIGARO'S FRESH-TO-BAKE PIZZA AND MORE/ Design	73/598,550	1,427,937	May 13, 1986 February 3, 1987	Carryout restaurant services featuring unbaked prepared pizzas and lasagna	
FIGARO'S ITALIAN		T/S 28450	August 10, 1994	Restaurant services, prepared foods	

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
KITCHEN					

NICK-N-WILLY'S MARKS:

Nick-N-Willy's Franchise Company, LLC or its predecessor registered the Marks listed below, and owned all rights to the following Marks registered on the Principal Register of the United States Patent and Trademark Office. On January 23, 2012, we acquired the rights of Nick-N-Willy's Franchise Company, LLC related to its names and marks, including its common law rights to the names and marks "Nick-N-Willy's" and "Nick-N-Willy's Pizza" and the others listed below:

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
NICK-N-WILLY'S	74/609998	1,971,025	December 12, 1994 April 30, 1996	Restaurant and carry-out restaurant services	Renewal due 4/30/16
NICK-N-WILLY'S	75/022742	2,025,374	December 23, 2016	Pizza	Renewal Pending
START YOUR OVENS!	75/263054	2,158,651	March 24, 1997 May 19, 1998	Restaurants, carry-out restaurants and restaurants featuring home delivery	Renewal due 5/19/18
AEGEAN	76/378370	2,663,039	March 4, 2002 December 17, 2002	Unbaked pizza prepared for off-premises baking and consumption	Renewal due 12/17/22

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
NICK-N-WILLY'S PIZZA & Design	77/303193	3,448,772	October 12, 2007 June 17, 2008	Pizza	Renewal due 6/17/18
NICK-N-WILLY'S PIZZA & Design	77/303234	3,448,775	October 12, 2007 June 17, 2008	Restaurant and carry-out restaurant services	Renewal due 6/17/18
NICK-N-WILLY'S WORLD FAMOUS TAKE-N-BAKE PIZZA AND DESIGN	74/609992	1,972,484	December 12, 1994 May 7, 1996	Restaurant and carry-out restaurant services	Registered
NICK-N-WILLY'S WORLD FAMOUS TAKE-N-BAKE PIZZA AND DESIGN	75/022743	2,043,043	November 11, 1995 March 11, 1997	Pizza	Registered
NICK-N-WILLY'S WORLD FAMOUS TAKE-N-BAKE PIZZA	75/022741	2,047,307	November 11, 1996 March 25, 1997	Pizza	Registered

Mark	Serial No.	Reg. No.	Filing Date/Issue Date	Goods/Services	Status
NICK-N-WILLY'S WORLD FAMOUS TAKE-N-BAKE PIZZA	74/609991	1,971,024	December 12, 1994 Aril 30, 1996	Restaurant and carry-out restaurant services	Registered
NICK-N-WILLY'S PIZZA	78/909898	3,354,307	June 16, 2006 January 30, 2007	Pizza	Registered
NICK-N-WILLY'S PIZZA	78/909907	3,363,736	June 16, 2006 January 30, 2007	Restaurant and carry-out restaurant services	Registered

By not having a Principal Register federal registration for some of the Marks above, we do not have certain presumptive legal rights granted by a registration.

We will grant you the right, consistent with the Franchise Agreement, to use some or all the above described Marks and other Marks as we will in the future designate.

There are no effective registrations or pending applications for registration of the Marks in any other state.

There are no presently effective determinations of the USPTO, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding, or any pending material litigation involving these trademarks, service marks, trade names, logotypes or other commercial symbols which are relevant to their use in this state or the state in which the Figaro's store is to be located.

There are no agreements currently in effect which significantly limit our rights to use or license the use of these trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise.

There are no infringing uses actually known to us that could materially affect your use of these trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the Figaro's stores are to be located.

All usage of the marks by you and any goodwill established from their use will exclusively benefit us.

You derive all of your rights regarding the Marks solely from the Franchise Agreement, and any unauthorized use of the Marks constitutes a breach of the Franchise Agreement. You are prohibited during or after the term of the Franchise Agreement from contesting the validity or ownership of the Marks or any of our future marks and/or assisting another in contesting the validity or ownership of the Marks or our future marks.

We may change or modify the System presently identified by the Marks, including the adoption and use of new or modified trade names, service marks, trademarks or copyrighted materials, new menu items, new products, new equipment or new techniques and you will accept, use and display any changes in the System, as if they were part of the Franchise Agreement at the time of its execution.

We have the right to control any administrative proceedings or litigation involving a Mark licensed by us to you. You will promptly notify us of any claim, demand or cause of action based upon or arising from any attempt by any other person or legal entity to use the Marks or any colorable imitation of the Marks. You will notify us of any action, claim or demand against you concerning the Marks, and we will have the sole right and duty to defend any such action. We will have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and will exercise this right in our sole discretion. In any defense or prosecution of any litigation concerning the Marks or components of the System undertaken by us, you will cooperate with us and execute all documents and take all actions as may be desirable or necessary in the opinion of our counsel, to carry out this defense or prosecution. Both parties will make every effort consistent with this Item 13 to protect, maintain and promote the names "FIGARO'S" and “NICK-N-WILLY’S” and their distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System) as standing for the System and only the System. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks.

We are not obligated by the terms of the Franchise Agreement or otherwise to indemnify you for damages or expenses incurred as a result of any proceedings involving the Marks.

You may not use any Mark as part of any legal entity name, or in any modified form, in connection with the sale of any unauthorized product or service or in any unauthorized manner. You will give trademark and service mark registration notices, and obtain fictitious or assumed name registration where required by law. You will comply within a reasonable time if we notify you that the use of any Mark be discontinued or modified.

You may not establish a presence on the Internet or on any other electronic, national or international medium, using any domain name or address containing any of the Marks or any similar mark or word or any other names or marks owned by us. We retain the sole right to advertise on the Internet and create a Web site using the Marks in the domain name. We are the owner of all rights to domain names and directory addresses as we designate or use.

14.
PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We do not have any patents or pending patent applications that are material to the franchise. We have no patents or pending patent applications that are material to your franchise. If it becomes advisable at any time in our sole discretion to acquire a patent, you must use this patent as we require.

We affix a statutory notice of copyright to our Operations Manual, to most of our advertising products, and to our pizza, calzone, and pasta products, and to all modifications and additions to them. The Operations Manual is described in Item 11.

There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights other than you are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to and interest in our copyrights and other proprietary information.

You will be able to use our proprietary, confidential and trade secret information only through and in direct relation to your franchise operations under your franchise agreement. We will require you to maintain the confidentiality of this information unless authorized in writing by us.

You will divulge confidential information only to employees who must know it to operate the Franchised Store. All information, knowledge and know-how which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, except information which you can demonstrate lawfully came to your attention before disclosure of it by us; or which, at the time of disclosure by us to you, had lawfully become a part of the public domain, through publication or communication by others; or which, after disclosure to you by us, lawfully becomes a part of the public domain, through publication or communication by others.

Any employees having access to confidential information will have to sign confidentiality agreements. We will be entitled to equitable remedies, including injunctive relief, to protect our confidential information, Confidential Operations Manual and proprietary Marks.

You can also use the copyrighted materials in the Confidential Operations Manual, in training, and in electronic and other form, as described in Item 11 of this disclosure document. Although we have not filed an application for copyright registration for the Confidential Operations Manual, we claim common law copyrights and trade secret protection, to the Confidential Operations Manual, and to other systems, information, lists, materials, software, and electronic communications, in whatever form. You must promptly notify us when you learn of an unauthorized use of the

confidential information, copyrighted material, or manuals. In any event, we are not obligated to, and we will not obligate you to, take any action against any infringer, but will respond to this information as we think appropriate. We will exclusively control any legal or business actions related to protection of our copyrighted materials and confidential information. We are not obligated to participate in your defense of or indemnify you for your expenses, losses or damages resulting from actions or claims brought by a third party concerning your use of these materials and this information. We may require you at any time to modify or discontinue use of any of our copyrighted materials or confidential information and the franchise agreement requires you to follow our directions in this regard immediately and without any remuneration or liability from us to you and from you to us.

You must keep the Confidential Operations Manual updated and at the Franchised Store. If there is a dispute with the contents of the Confidential Operations Manual, the terms of our master copy will control.

You will not divulge to any person or any legal entity any information, trade secrets, ingredients, recipes, cooking techniques or processes used in the Trade Secret Food Products, Menu Items and other food and beverage products used in the System or any information stated in the Confidential Operations Manual.

We may delegate to independent agents or master franchisees performance of any of our duties, including pre-opening and opening assistance and all other initial and ongoing training and site acquisition services and inspections. Master franchisees are given specific assignments by us and if a master franchisee has been assigned to a territory containing a franchisee's franchise store, any and all data ever received by us from franchisees, including but not limited to franchise purchase applications, payment histories, sales reports, audit reports, performance evaluations, etc. will be shared with and made available on an ongoing basis to the master franchisee. Each master franchisee is required to keep all franchise and franchisee information and data confidential and to use it only for purposes related to the evaluation, service and support of franchisees.

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

Each Franchised Store that you own is to be at all times under the direct on-premises supervision of you, or a trained and competent employee acting as a crew leader or manager. You will at all times faithfully, honestly and diligently perform your obligations and will not engage in any business or other activities that will conflict with these obligations.

You, any owner who owns 50.1% or more of any franchisee legal entity, any general partner (if you are a partnership) or your full-time manager, must devote full-time energy and best efforts to the management and operation of the franchised business. This requirement may be waived for Express, Co-Branding and Retail Premises franchises.

For your first individual unit Franchised Store, we (or the relevant master franchisee and staff) will make training available to you and to your designated manager. You and your designated manager are required to attend and successfully complete the training to our satisfaction. This must be done before you open your franchise for business. The cost of this initial training is included in the Initial Franchise Fee. After this initial training, we (or the relevant master franchisee and staff) will make training available, as is reasonable and necessary, for all managers designated by you. We will provide this training at the then-current published rates. Your full-time manager is not required to have equity interest in the franchisee legal entity. You must train each of your employees and managers.

You are not our agent, legal representative, joint venturer, partner, employee or servant. You will be an independent contractor and are in no way authorized to make any contract, agreement, warranty or representation, or to create any obligation for us.

Nothing under any agreement you make with us authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name. We assume no liability for you in your conduct of the franchised business. You must indemnify and hold us harmless against claims resulting from or in connection with your operations under any Franchise Agreement as well as any costs in defending them.

Your employees that have access to proprietary information must sign confidentiality agreements, and your managers must sign non-competition agreements.

Our Step-In Rights Under Individual Unit Franchise Agreements. To prevent any interruption of the Franchise Store that would cause harm to the franchise and to the franchise system and lessen their value, we may step in to operate the franchise when we deem necessary. Reasons - may include our determination that: you are incapable of operating the franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; you have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time.

All Revenue derived from our operation of the franchise will be for your account. We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the franchise. We will keep in a separate account all Revenue generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

30 days after exercising our step-in rights, we will re-evaluate the current status of the franchisee. At our discretion, we will either operate the store for an additional 30-day period of time or turn the store back over to the franchisee. In turning the store back over to the franchisee we do not waive our rights to step back in the future.

Owner's Agreements. If you are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owner's Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement:

1. Your owners (“Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our Oregon headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Agreement.

2. The term "operations and management" includes, but is not limited to, questions relating to:

1. Allocations of management responsibilities between the Owners;
2. Contributions to capital for purposes of business operations, repairs and remodeling;
3. The reasonable salaries of the Owners;
4. Marketing efforts;
5. The termination of the employment of an Owner;
6. Procedures for making and implementing management decisions;
7. Whether an Owner has performed duties with respect to the operation or management of the franchise business.

3. Unless the Owners and the arbitrator agree in writing otherwise, “operation and management” does not include questions relating to:

1. Allocations. computations or distributions of profit or loss:
2. Accounting issues;
3. Elections of officers of the entity;
4. Investments of cash not necessary for the operation of the business;
5. Determining whether an Owner is disabled or incompetent within the meaning of the agreement;
6. The fair market value of the Owners’ interests in the entity;
7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under 2.g., above;
8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
9. Matters relating to the winding up of the entity after a dissolution;
10. Matters relating to the legal validity of the Agreement.

4. The Owner's Agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

5. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owner’s Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.

6. Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will offer for sale and sell at your Franchised Store all of the Menu Items, Trade Secret Food Products and other categories of food products that we periodically approve for the specific type of franchise that you purchase (Figaro's or Nick-N-Willy's). You will not offer for sale or sell at the Store or the Premises which it occupies any other category of products or use these Premises for any purpose other than as described in the Franchise Agreement. At our discretion, we may allow you to sell items other than those contemplated in the Franchise Agreement.

There are no limits on the area in which you or we may solicit, accept orders or sell goods or services, except as limited by multi-area programs as defined in the Franchise Agreement; delivery and catering services as defined in the Franchise Agreement and the Operations Manual; or as otherwise limited by the Franchise Agreement or Operations Manual.

You must cooperate with our Multi-Area Marketing Programs.

You may deliver Menu Items only within your approved Delivery Area, or, in the case of "catering" (as defined in the Franchise Agreement), within your Designated Area.

You are prohibited from installing or maintaining on the Premises any video games, juke boxes, gaming machines, games, rides, vending machines or other similar devices without our written approval.

You will refrain from any merchandising, advertising or promotional practice which is unethical or may be injurious to our business and/or other Figaro's or Nick-N-Willy's stores or to the goodwill associated with the Marks.

You must prominently display, by posting a sign within public view on or in the Premises and on any delivery vehicles that you use, a statement that clearly indicates that the Franchised Store and any delivery vehicles you use are independently operated by you as our Figaro's or Nick-N-Willy's franchisee and not as our agent.

We have the right to add additional authorized services or to modernize current services that you must to offer. There are no limits on our right to do so.

17.
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

(All references are to Franchise Agreement, unless otherwise specified. "Addenda" means the Co-Branding, Express or Retail Premises Addenda, if applicable, attached as exhibits to the Franchise Agreement. The "Multiple Franchise Purchase Addendum" is attached as an exhibit to the Franchise Agreement.)

THE FRANCHISE RELATIONSHIP

Provision	Paragraph	Summary
a. Length of the franchise term	Paragraph 3.1; Addenda, Paragraph 6; Exhibit 8 to Franchise Agreement.	The term is 10 years from the date the Franchise Agreement is signed. We are willing to give a different length of term upon your reasonable request ranging from 5 years to 20 years. If you are a pre-existing franchisee and are executing the Franchise Agreement in order to offer delivery service, you may continue paying the Continuing Licensing Fee, Minimum Continuing Licensing Fee, Advertising Fund Contribution and Local Advertising Fee in the amounts provided for in your previous franchise agreement rather than as provided for in the Franchise Agreement. The term of the Franchise Agreement will expire on the date that would have been the end of the term of your previous franchise agreement. (See Exhibit 8 to Franchise Agreement)
b. Renewal or extension of term	Paragraph 3.2; Multiple Franchise Purchase Addendum.	You can renew for additional successive terms of 10 years if all of the conditions in the Franchise Agreement have been met. We are willing to give a different length of renewal term upon your reasonable request ranging from 5

Provision	Paragraph	Summary
		years to 20 years. Those conditions relate to compliance with all provisions in the Franchise Agreement; compliance with all standards and policies of the System; providing us notice of your intent to renew; fulfillment of monetary obligations; execution of our then-current form of franchise agreement; compliance with our then-current qualification and training requirements; execution of a general release; and related conditions We are willing to give a different length of renewal term upon your reasonable request. If you continue to operate the Franchise with our express or implied consent following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon thirty days written notice. Otherwise, all provisions of the Franchise Agreement will apply while operations continue.
c. Requirements for you to renew or extend	Paragraphs 3.2, 3.3 and 3.4.	You must: a. Comply with all of the Franchise Agreement provisions. b. Bring the Franchised Store into compliance with our current standards. c. Give timely notice of renewal to us. d. Satisfy all monetary obligations owed to us. e. Meet current training requirements. f. Sign a mutual release. g. Sign a new agreement similar to our current form. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Paragraph 18.5; Multiple Franchise	Upon 90 days' notice only for material breach by us. Post-termination covenants still apply.

Provision	Paragraph	Summary
	Purchase Addendum.	
e. Termination by Company without cause	Addenda, Paragraph 6.	None in Franchise Agreement. In Addenda, we can give 3 years' notice of our intent to discontinue the program.
f. Termination by Company with cause	Paragraphs 18.1 and 18.2; Multiple Franchise Purchase Addendum.	Upon delivery of notice to you if you default under the terms of the Franchise Agreement. Inspection and probation procedures are set forth in Section 14.23.
g. "Cause" defined (curable defaults)	Paragraphs 6 and 18.2.	You do not successfully pass training or any aptitude tests or fail or refuse to make payments due to us, our suppliers and do not cure within 5 business days or fail to comply with the Franchise Agreement and mandatory specifications and do not cure within applicable notice periods or 5 or 30 days.
h. "Cause" defined (non-curable defaults)	Paragraph 18.1.	Non-curable defaults include: failure to timely commence business or complete training; making a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to certain crimes; misuse of the Confidential Operations Manual system; abandonment of business for 5 consecutive business days in any 12-month period; surrender of control of business; submission of reports understating Continuing Licensing Fees by more than 2% for periods totaling 3 or more weeks more than twice during the term of the franchise; submission of reports late on 2 occasions in any 12-month period; insolvency, bankruptcy or receivership; continued violation of any health, safety or sanitation law or operation in a manner that presents a health or safety hazard; failure to comply with federal, state, or local laws after 10-day notice period; failure to comply with the

Provision	Paragraph	Summary
		franchise agreement after second of two notice periods; failure to pay any franchise, royalty, advertising fees after 5-day written notice period; your misuse of Marks; or your failure to submit reports on three occasions.
i. Your obligation on termination/non-renewal	Paragraph 19; Addenda, Paragraph 6.	Your obligations include: stop operations of the Franchised Store; assign lease to us; stop using the Marks and items bearing the Marks; assign any assumed names to us; de-identify the Premises from any confusingly similar decoration, design or other imitation of a Figaro's or Nick-N-Willy's store, as applicable; stop advertising as a Franchised Store; pay all sums owed to us, our suppliers; pay all damages and costs incurred by us in enforcing the termination provisions of the Franchise Agreement; return all manuals and other confidential information to us; return all signs to us; assign your telephone and facsimile numbers, electronic mail and Internet addresses and domain names to us; and comply with the covenants not to compete. In addition, we may claim and recover damages from you for any material breach, including ongoing Continuing Licensing Fees, Advertising Funds and other payments required by the Franchise Agreement. The Continuing Licensing Fees payable will be computed as an average of the Continuing Licensing Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Continuing Licensing Fees for less than six months, the average will be of the weekly Continuing Licensing Fees payable by you during the period of operation. The calculated Continuing Licensing Fees will be due for the

Provision	Paragraph	Summary
		balance of the term of the Franchise Agreement.
j. Assignment of contract by Company	Paragraph 20.1; Multiple Franchise Purchase Addendum.	No restriction on our right to assign.
k. "Transfer" by you definition	Paragraph 20.2; Multiple Franchise Purchase Addendum.	Includes transfer of any assets, contract, and any interest in the contract or change of ownership.
l. Company's approval of transfer	Paragraph 20.2.	We have the right to approve all transfers by you, but will not unreasonably withhold or delay approval.
m. Conditions for Company's approval of transfer	Paragraph 20. 2, 20.3 and 20.4.	For a transfer to a third party, including family members and management team members, the transferee must meet our qualifications, successfully complete the training program and sign the current form of Franchise Agreement. You will pay all sums owed to us and sign a general release. The transferee must pay a transfer fee of the greater of $10,000 or 2% of the gross proceeds from the sale. In addition, you will pay us an 8 percent commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you. If the transfer is to one of your management team members or to another operating and fully compliant Figaro's or Nick-N-Willy's franchisee, the transfer fee may be reduced to $5,000 if we determine that no training is required for the transferee. If the transfer is to an immediate family member (spouse or children over 21 years of age) or is an assignment of interest to an affiliated entity under Section 20.2.2.1 of the Franchise Agreement, the transfer fee may be reduced to $500 if we

Provision	Paragraph	Summary
		determine that no training is required for the transferee. The transfer fee will be paid upon the transfer of each Franchise Agreement transferred by you.
n. Company's right to acquire your business	Paragraph 22; Multiple Franchise Purchase Addendum.	We have the right of first refusal to purchase a Franchised Store which is for sale and for which you have received a bona fide offer to purchase. We have 30 days from notice of the offer to purchase the Franchised Store or its assets at the same terms as contained in the offer.
o. Company's option to purchase your business	Paragraphs 19.10 and 22.	We have the right to purchase your business at fair market value for 30 days from the date of delivery of the written offer, and after termination. This may be waived for certain Co-Branding and Retail Premises franchises.
p. Your death or disability	Paragraphs 21.	Your heirs, beneficiaries, devisees or legal representative can apply to us to continue operation of the Franchised Store, or sell or otherwise transfer interest in the Franchised Store within 180 days of death or incapacity. If they fail to do so, the Franchise Agreement will terminate and we will have the option to buy the Franchised Store.
q. Non-competition covenants during the term of the franchise	Paragraph 17.2.	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; employ or seek to employ any person then employed by us or another franchisee of ours or otherwise cause that person to leave his or her employ; or own or otherwise have any interest in any business (including a business you currently operate) specializing in dispensing, promoting or selling prepared food products the same as or similar to any product or service provided through the System.
r. Non-competition	Paragraph 17.3.	You must not directly or indirectly own

Provision	Paragraph	Summary
covenants after the franchise is terminated or expires		or operate a business which sells prepared food products or services the same as or similar to any other product or service provided through the System for 2 years after the Franchise Agreement is terminated within a 10-mile radius of the Franchised Store, within a 10-mile radius of any other business using the System or within a reasonable distance of any other location where we could reasonably expect to establish a franchise territory or company store during the two-year period after the franchise is terminated or expires.
s. Modification of the agreement	Paragraphs 10. and 24.4.	The Franchise Agreement can be modified only by written agreement between you and us. We can modify or change the System through changes in the Confidential Operations Manual.
t. Integration/merger clause	Paragraphs 24.4 and 24.5.	Only the terms of the Franchise Agreement are binding (subject to relevant federal or state law) and may only be modified to the extent required by an appropriate court to make the Franchise Agreement enforceable. However, nothing in the Franchise Agreement is intended to disclaim the representations we make in this disclosure document.
u. Dispute resolution by arbitration or mediation	Paragraph 24.8.	No dispute is required to be arbitrated. Except for certain claims regarding confidential information or the Marks, if a dispute arises between the Parties, the dispute will first be the subject of good faith negotiation between the parties. If negotiations are unsuccessful, then the Parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. The Parties agree to equally share the costs of mediation. All

Provision	Paragraph	Summary
		disputes must be negotiated and mediated in Marion County, Oregon.
v. Choice of forum	Paragraph 24.7.	Disputes will be mediated, tried, heard, and decided in Salem, Marion County, Oregon, except as limited by state law and as stated in State Addenda to this Franchise Disclosure Document.
w. Choice of law	Paragraph 24.7.	Oregon law applies (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

18.
PUBLIC FIGURES

We do not use any public figures to promote the franchise.

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.

While we make financial performance representations related to individual unit Figaro's franchises, we do not make any representations about future financial performance or the past financial performance of Nick-N-Willy's operations. 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 our Chairman/CEO, Ron Berger, c/o Figaro's Italian Pizza, Inc., 1500 Liberty Street SE, Salem, Oregon 97302, (503) 371-9318, Ron@Figaros.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

FINANCIAL PERFORMANCE REPRESENTATIONS: INDIVIDUAL UNIT FIGARO'S FRANCHISES

The following table provides average store gross revenues for individual unit Figaro's stores that have been open for at least one year as of December 31, 2016. The average revenues are for the 12 months ended December 31, 2016. The table does not include any financial performance information for any other types of franchises and does not include any stores of any type that had not been open for at least one year on December 31, 2016. See the notes following the table for additional information.

The table provides the average revenues for our top 10% revenue producing stores; our top 25% revenue producing stores (which includes the stores that are in the top 10%); and our second, third and bottom 25% revenue producing stores.

	TOP 10% (5 stores)	**TOP 25%** (12 stores)	**SECOND 25%** (12 stores)	**THIRD 25%** (12 stores)	**BOTTOM 25%** (11 stores)
AVERAGE GROSS REVENUES (for 12 Months Ended December 31, 2016)	$666,950.48	$580,954.48	$417,913.49	$287,811.13	$165,104.61

NOTES

As of December 31, 2016, there were 50 Unit Franchised Stores and no company-owned stores. Of the 50 Franchised Stores, 47 were Figaro's stores that had been open for at least 12 months as of December 31, 2016. Of these 47 stores, all reported sufficient financial performance information to be included in this financial performance representation. Of the 47 stores whose financial performance information was used in this table, the following attained or surpassed the stated results:

- Top 10% 2 or 40% attained or surpassed the stated results
- Top 25% 3 or 25% attained or surpassed the stated results
- Second 25% 6 or 50% attained or surpassed the stated results
- Third 25% 3 or 25% attained or surpassed the stated results

- Bottom 25% 6 or 55% attained or surpassed the stated results

FINANCIAL PERFORMANCE REPRESENTATIONS: INDIVIDUAL UNIT NICK-N-WILLY'S FRANCHISES

The following table provides average store gross revenues for individual unit Nick-N-Willy's stores that have been open for at least one year as of December 31, 2016. The average revenues are for the 12 months ended December 31, 2016. The table does not include any financial performance information for any other types of franchises and does not include any stores of any type that had not been open for at least one year on December 31, 2016. See the notes following the table for additional information.

The table provides the average revenues for our top 10% revenue producing stores; our top 25% revenue producing stores (which includes the stores that are in the top 10%); and our second, third and bottom 25% revenue producing stores.

	TOP 10% (1 store)	**TOP 25%** (2 stores)	**SECOND 25%** (2 stores)	**THIRD 25%** (2 stores)	**BOTTOM 25%** (1 store)
AVERAGE GROSS REVENUES (for 12 Months Ended December 31, 2015)	$402,338.98	$357,761.74	$288,725.21	$192,211.22	$152,472.51

NOTES

As of December 31, 2016, there were 7 Unit Franchised Stores and no company-owned stores. Of the 7 Franchised Stores, all 7 were Nick-N-Willy's stores that had been open for at least 12 months as of December 31, 2016. Of these 7 stores, all reported sufficient financial performance information to be included in this financial performance representation. Of the 7 stores whose financial performance information was used in this table, the following attained or surpassed the stated results:

- Top 10% 1 or 100% attained or surpassed the stated results
- Top 25% 1 or 50% attained or surpassed the stated results
- Second 25% 1 or 50% attained or surpassed the stated results
- Third 25% 1 or 50% attained or surpassed the stated results
- Bottom 25% 1 or 100% attained or surpassed the stated results

CHARACTERISTICS OF THE INCLUDED FRANCHISED STORES MAY DIFFER SUBSTANTIALLY FROM YOUR STORE DEPENDING ON YOUR PREVIOUS BUSINESS AND MANAGEMENT EXPERIENCE, COMPETITION IN YOUR AREA, LENGTH OF TIME THAT THE INCLUDED STORES HAVE OPERATED AS COMPARED TO YOUR STORE, AND THE SERVICES OR GOODS SOLD AT YOUR STORE AS COMPARED TO THE INCLUDED STORES. THE SALES, PROFITS AND EARNINGS OF AN INDIVIDUAL FRANCHISEE MAY VARY GREATLY DEPENDING ON THESE AND A WIDE VARIETY OF OTHER FACTORS, INCLUDING THE LOCATION OF THE DESIGNATED TERRITORY, POPULATION DEMOGRAPHICS, ECONOMIC AND MARKET CONDITIONS, LABOR AND PRODUCT COSTS, ETC.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable, and consult with an attorney and other advisors prior to executing the franchise agreement.

Substantiation of the Financial Performance Representations Data

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

SOME OUTLETS HAVE EARNED THIS AMOUNT. YOUR INDIVIDUAL RESULTS MAY DIFFER. THERE IS NO ASSURANCE THAT YOU WILL EARN AS MUCH.

20.
OUTLETS AND FRANCHISEE INFORMATION

SYSTEM-WIDE OUTLET SUMMARY
AS OF DECEMBER 31, 2014, 2015 and 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Figaro's Franchised Stores	2014	65	57	-8
	2015	57	55	-2
	2016	55	50	-5
Co-Branded Figaro's Franchised Stores	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Nick-N-Willy's	2014	12	9	-3

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Stores	2015	9	7	-2
	2016	7	7	0
Figaro's Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Nick-N-Willy's Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	**2014**	**77**	**66**	**-11**
	2015	**66**	**62**	**-4**
	2016	**62**	**57**	**-5**

FIGARO'S FRANCHISED STORES
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
AS OF DECEMBER 31, 2014, 2015 and 2016

State	Year	Number of Transfers
California	2014	0
	2015	0
	2016	0
Oregon	2014	0
	2015	2
	2016	2
Washington	2014	0
	2015	1
	2016	0
Total	**2014**	**0**
	2015	**3**
	2016	**2**

NICK-N-WILLY'S FRANCHISED STORES
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
AS OF DECEMBER 31, 2014, 2015 and 2016

State	Year	Number of Transfers
California	2014	1
	2015	1
	2016	0
Colorado	2014	0
	2015	1
	2016	0
Total	**2014**	**1**
	2015	**2**
	2016	**0**

STATUS OF FIGARO'S FRANCHISED OUTLETS
AS OF DECEMBER 31, 2014, 2015 and 2016*

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
California	2014	3	0	0	0	0	2	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Florida	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	1	0
	2016	0	0	0	0	0	0	0
Idaho	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Montana	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1

Ohio	2014	1	0	0	0	0	1	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Oregon	2014	42	0	0	0	0	6	36
	2015	36	0	0	0	0	2	34
	2016	34	1	0	0	0	2	33
South Carolina	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Washington	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	1	0	0	0	3
Wisconsin	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
International	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Termin-ations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations – Other Reasons**	**Outlets at End of the Year**
Cyprus	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Mexico	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
United Arab Emirates	2014	7	2	0	0	0	1	8
	2015	8	1	0	0	0	0	9
	2016	9	0	0	0	0	4	5
Total	**2014**	**65**	**2**	**0**	**0**	**0**	**10**	**57**
	2015	**57**	**1**	**0**	**0**	**0**	**3**	**55**
	2016	**55**	**2**	**1**	**0**	**0**	**6**	**50**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

STATUS OF FIGARO'S
CO-BRANDED FRANCHISED OUTLETS
AS OF DECEMBER 31, 2014, 2015 and 2016*

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Oregon	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Total	**2014**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

STATUS OF NICK-N-WILLY'S FRANCHISED OUTLETS
AS OF DECEMBER 31, 2014, 2015 and 2016*

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Arizona	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
California	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Colorado	2014	6	0	0	0	0	1	5
	2015	5	0	0	0	0	1	4
	2016	4	0	0	0	0	0	4
Illinois	2014	2	0	0	0	0	1	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Iowa	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2016	0	0	0	0	0	0	0
Minnesota	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	1	0
	2016	0	0	0	0	0	0	0
Washington	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Wisconsin	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	1	0
	2016	0	0	0	0	0	0	0
TOTAL	**2014**	**12**	**0**	**0**	**0**	**0**	**3**	**9**
	2015	**9**	**0**	**0**	**0**	**0**	**2**	**7**
	2016	**7**	**0**	**0**	**0**	**0**	**0**	**7**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

A list of the names, addresses and telephone numbers of all System franchises under a Franchise Agreement with us as of the end of our last fiscal year (unless another date is specified) is attached as Exhibit F.

STATUS OF COMPANY-OWNED FIGARO'S OUTLETS
AS OF DECEMBER 31, 2014, 2015 and 2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Oregon	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total	**2014**	**0**	**0**	**0**	**0**	**0**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**

STATUS OF COMPANY-OWNED NICK-N-WILLY'S OUTLETS
AS OF DECEMBER 31, 2014, 2015 and 2016

State	Year	Outlet at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlet Closed	Outlets Sold to Franchisees	Outlet at End of the Year
Oregon	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total	**2014**	**0**	**0**	**0**	**0**	**0**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

PROJECTED OPENINGS OF INDIVIDUAL FIGARO'S STORES
AS OF DECEMBER 31, 2016

STATE	FRANCHISE AGREEMENT SIGNED BUT STORE NOT OPEN AS OF **December 31, 2016**	PROJECTED NEW FRANCHISED STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY-OWNED OPENINGS IN NEXT FISCAL YEAR
Arizona	4	0	0
California	1	0	0
Oregon	1	0	0
Texas	1	1	0
Washington	9	0	0
Wisconsin	5	0	0
Totals	**21**	**1**	**0**

PROJECTED OPENINGS OF INDIVIDUAL NICK-N-WILLY'S STORES
AS OF DECEMBER 31, 2016

STATE	FRANCHISE AGREEMENT SIGNED BUT STORE NOT OPEN AS OF **December 31, 2016**	PROJECTED NEW FRANCHISED STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY-OWNED OPENINGS IN NEXT FISCAL YEAR
Totals	**0**	**0**	**0**

Exhibits F and K list the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees, which restrict such franchisees from communicating with prospective franchisees concerning their experience in the franchise system. However, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

The following is a list, to the extent known by us, of the names, addresses, telephone numbers, email address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed:

Franchisee National Advisory Board ("FNAB")
For information, contact:
Ron Berger, Chair/CEO
Figaro's Italian Pizza, Inc.
1500 Liberty Street SE, Suite 160
Salem, Oregon 97302
(503) 371-9318
Ron@Figaros.com

Franchisee Local Advertising Committee ("FLAC")
FLAC's have been formed in various areas. For information, contact:
Ron Berger, Chair/CEO
Figaro's Italian Pizza, Inc.
1500 Liberty Street SE, Suite 160
Salem, Oregon 97302
(503) 371-9318

Ron@Figaros.com

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **NONE**.

21.
FINANCIAL STATEMENTS

The fiscal year end for Figaro's Italian Pizza, Inc. is December 31. Attached to this disclosure document as Exhibit A are Figaro's Italian Pizza, Inc.'s audited financial statements for fiscal years ending December 31, 2016, 2015, and 2014.

22.
CONTRACTS

The Franchise Agreement is attached to this disclosure document as Exhibit C, and the Multiple Franchise Purchase Addendum is attached as Exhibit 5 to the Franchise Agreement.

We will ask you to sign the State and Provincial Addenda attached as Exhibit I (if applicable) and the Conditional Assignment of Telephone and Directory Listings attached as Exhibit J. Upon transfer or renewal of your franchise we may require you to sign the Transfer Agreement and Release or the Renewal Agreement and Release attached as Exhibit J.

23.
RECEIPT

Attached to this disclosure document are two duplicate Acknowledgments of Receipt that evidence your receipt of this disclosure document. Sign each copy; one is to be retained by you, the other by us. You must sign and date the Receipt and deliver it to us at least 14 calendar days before execution of the Franchise Agreement or payment of any fee by you.

EXHIBIT A

TO

FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

FIGARO'S PIZZA®

Financial Statements
Salem, Oregon
Years Ended December 31, 2016 and 2015

FIGARO'S PIZZA®

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Years Ended December 31, 2016 and 2015

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Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS

The right people. The right answers.

1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

www.bcsllc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Figaro's Italian Pizza, Inc.
Salem, Oregon

We have audited the accompanying financial statements of Figaro's Italian Pizza, Inc. (an Oregon corporation), which comprise the balance sheets as of December 31, 2016 and 2015 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Figaro's Italian Pizza, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boldt Carlisle & Smith

Boldt Carlisle+ Smith
Certified Public Accountants
Salem, Oregon
March 09, 2017

FIGARO'S PIZZA

BALANCE SHEETS
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 405,425	$ 438,589
Accounts receivable (net of allowance for doubtful accounts of $8,886 and $4,747 in 2016 and 2015, respectively)	47,771	43,954
Prepaid expenses and other assets	32,528	33,217
Current portion trade notes receivable	19,114	18,004
Other receivables	7,896	2,273
Receivable from Schmizza International, Inc.	109,432	118,380
Receivable from Schmizza Restaurant Group, Inc.	182,511	63,372
Deferred tax asset	40,930	27,900
Total current assets	845,607	745,689
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	12,477	20,250
OTHER ASSETS		
Notes receivable from stockholders	715,701	836,571
Trade notes receivable	57,523	76,636
Deferred tax asset	58,560	66,830
Intangibles, net	622,609	634,972
Total other assets	1,454,393	1,615,009
Total assets	$ 2,312,477	$ 2,380,948

Continued on next page

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 34,307	$ 34,200
Payable to advertising fund	511,756	405,704
Current portion of notes payable	19,370	73,247
Accrued compensation	48,619	61,008
Taxes payable	1,223	1,877
Deferred revenue	196,610	200,219
Total current liabilities	811,885	776,255
NOTES PAYABLE	57,515	76,885
Total liabilities	869,400	853,140
STOCKHOLDERS' EQUITY		
Preferred stock - $100 par value, annual dividends of $2 per share accruing monthly at 16.67 cents per share, 50,000 shares authorized, 24,189.7 shares issued and outstanding	2,418,970	2,418,970
Common stock -		
Voting shares, $1 par value, 5,000 shares authorized, 1,267 shares issued and outstanding	1,267	1,267
Non-voting shares, $1 par value, 50,000 shares authorized, 494 shares issued and outstanding	494	494
Paid-in capital in excess of par-common stock	2,805,423	2,805,423
(Accumulated deficit)	(3,783,077)	(3,698,346)
Total stockholders' equity	1,443,077	1,527,808
Total liabilities and stockholders' equity	$ 2,312,477	$ 2,380,948

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF INCOME
Years Ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Royalties	$ 917,943	$ 945,539
Franchise sales	20,000	19,500
Other	55,763	24,751
Total revenues	993,706	989,790
EXPENSES	1,048,205	1,091,299
INCOME (LOSS) FROM OPERATIONS	(54,499)	(101,509)
OTHER INCOME (EXPENSE)		
Interest income	20,213	20,244
Interest expense	(6,817)	(9,851)
Total other income (expense)	13,396	10,393
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(41,103)	(91,116)
PROVISION (BENEFIT) FOR INCOME TAXES	(4,760)	(21,170)
NET INCOME (LOSS)	$ (36,343)	$ (69,946)

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2016 and 2015

	Preferred Stock		Common Stock Voting		Common Stock Non-voting			
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Contributed Capital	Accumulated Deficit
BALANCE - January 1, 2015	24,189.7	$ 2,418,970	1,267	$ 1,267	494	$ 494	$ 2,805,423	$ (3,580,010)
Net (loss)	-	-	-	-	-	-	-	(69,946)
Dividends on preferred stock	-	-	-	-	-	-	-	(48,390)
BALANCE - December 31, 2015	24,189.7	2,418,970	1,267	1,267	494	494	2,805,423	(3,698,346)
Net (loss)	-	-	-	-	-	-	-	(36,343)
Dividends on preferred stock	-	-	-	-	-	-	-	(48,388)
BALANCE - December 31, 2016	24,189.7	$ 2,418,970	1,267	$ 1,267	494	$ 494	$ 2,805,423	$ (3,783,077)

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (36,343)	$ (69,946)
Adjustments to reconcile net income (loss) to net cash		
provided by (used in) operating activities:		
Depreciation and amortization	24,824	31,184
Bad debt expense	8,299	3,088
Net trade notes receivable (issued) collections	18,002	(82,501)
Deferred taxes	(4,760)	(21,170)
(Increase) decrease in asset accounts		
Accounts receivable	(12,115)	5,033
Other receivables	(5,623)	1,887
Prepaid expenses and other assets	689	7,814
Receivable from Schmizza International, Inc.	8,948	(72,692)
Receivable from Schmizza Restaurant Group, Inc.	(119,139)	(63,372)
Increase (decrease) in liability accounts		
Accounts payable	107	(1,986)
Payable to advertising fund	106,052	208,109
Accrued compensation	(12,389)	(8,729)
Taxes payable	(654)	(10,447)
Deferred revenue	(3,609)	(12,500)
Net cash provided by (used in)operating activities	(27,711)	(86,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangibles	(4,689)	(10,296)
Collections of notes receivable from stockholders	120,870	117,741
Purchase of equipment and leasehold improvements	-	(5,780)
Net cash provided by (used in) investing activities	116,181	101,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable issued	-	101,000
Payments on notes payable	(73,246)	(62,103)
Dividends paid on preferred stock	(48,388)	(48,390)
Net cash provided by (used in) financing activities	(121,634)	(9,493)
Increase (decrease) in cash	(33,164)	5,944
Cash and equivalents at beginning of year	438,589	432,645
Cash and equivalents at end of year	$ 405,425	$ 438,589
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Taxes paid	$ 2,927	$ 10,508
Interest paid	6,849	9,768

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

1. **Business of Figaro's Italian Pizza, Inc. and summary of significant accounting policies**

Nature of the Company's Business

FIGARO'S ITALIAN PIZZA, INC. (FIGARO'S) is in the business of selling franchises for stores using its methods of preparing and marketing a limited menu of pizzas, beverages and other food products and providing ongoing management support to the franchisees. Franchisees are identified by one of the following names: "FIGARO'S" or "FIGARO'S PIZZA". There were 50 and 55 FIGARO'S franchise stores in operation as of December 31, 2016 and 2015, respectively. FIGARO'S franchisees are operating in 6 states and 3 foreign countries as of December 31, 2016 and 2015. Franchises have been sold, but not yet in operation, in an additional 2 states.

FIGARO'S also sells franchises under the NICK-N-WILLY'S (NNW) trademark. NNW is a business primarily engaged in the sale and management of pizza franchises. There were 7 NNW franchise stores at December 31, 2016 and 2015. NNW franchisees are located in 4 states as of December 31, 2016 and 2015.

Prior to opening a location, franchisees pay for the use of the trademark name. Once operations commence, franchisees pay royalties and advertising fees based on net sales.

Use of Estimates

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

Cash and cash equivalents

Cash includes checking accounts. For purposes of the statement of cash flows, the Company considers all highly-liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company accounts for potential losses in accounts receivable utilizing the allowance method. In reviewing aged receivables, management considers their knowledge of customers, historical activity, and current economic conditions to establish an allowance for doubtful accounts. A trade account receivable is charged to the allowance when management determines the receivable is uncollectible.

1. Business of Figaro's Italian Pizza, Inc. and summary of significant accounting policies (continued)

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost less accumulated depreciation. Depreciation is computed using accelerated and straight-line methods over estimated useful lives of 5 to 20 years.

Intangibles

Intangibles consist of trademarks, franchise rights and goodwill. Trademarks are amortized using the straight-line method over their estimated useful lives. Franchise rights and goodwill are not amortized since there is no estimated useful life. The recoverability of intangibles is periodically reviewed to determine whether adjustments to carrying values are needed.

Deferred Revenue

The Company has received payments for additional franchises. Revenue from sales of individual franchises is recognized when the Company has provided substantially all significant services.

Concentration of Credit Risk

The Company's cash funds are held at two financial institutions. Cash in depository accounts exceeded federally insured limits during 2016 and 2015; however management believes that its credit risk with respect to these balances is minimal due to the financial strength of the financial institution.

Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when the advertising first takes place. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising costs charged to operations amounted to $32,257 and $28,167 for the years ended December 31, 2016 and 2015, respectively.

Income Taxes

Management has evaluated tax positions taken and has determined that any uncertainty in those positions would not have a material effect on the financial statements.

Subsequent Events

Management has evaluated events subsequent to year end through March 09, 2017, which is the date these financial statements were available to be issued, for possible disclosure in the financial statements.

2. Equipment and leasehold improvements

	December 31, 2016	December 31, 2015
Office equipment	$ 350,514	$ 350,514
Leasehold improvements	20,851	20,851
Furniture and fixtures	28,109	28,109
	399,474	399,474
Accumulated depreciation	386,997	379,224
Total equipment and leasehold improvements, net	$ 12,477	$ 20,250

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to $7,773 and $8,541, respectively.

3. Notes receivable from stockholders

Stockholder notes receivable represent amounts paid by the Company on behalf of the current stockholders to the former stockholders as part of a stock purchase agreement. The notes bear interest at a rate of 2.05 percent with no stated due date. See Note 7, related party transactions.

4. Trade notes receivable

Trade notes receivable represent amounts loaned by the Company to a franchisee associated with the franchisee's remodeling costs associated with the closing of a Figaro's unit and reopening as a Schmizza Pub & Grub. This remodeling agreement calls for weekly payments of $445, is due on or before August 31, 2020, and bears interest at 6%.

5. Intangibles

	December 31, 2016			
	Life	Carrying Amount	Accumulated Amortization	Net Book Value
Franchise Rights	N/A	$ 416,500	$ -	$ 416,500
Goodwill	N/A	150,000	-	150,000
Trademarks	5 - 10	387,526	331,417	56,109
		$ 954,026	$ 331,417	$ 622,609

	December 31, 2015			
	Life	Carrying Amount	Accumulated Amortization	Net Book Value
Franchise Rights	N/A	$ 416,500	$ -	$ 416,500
Goodwill	N/A	150,000	-	150,000
Trademarks	5 - 10	382,838	314,366	68,472
		$ 949,338	$ 314,366	$ 634,972

5. Intangibles (continued)

Amortization expense related to trademarks was $17,051 and $22,644 for the years ended December 31, 2016 and 2015, respectively. Amortization expense for the next five years is estimated to be approximately $16,500 per year.

6. Advertising funds

Advertising fees are collected from franchisees for the purpose of developing advertising and promotional materials and programs. The following table contains information related to the advertising funds of Figaro's and NNW.

Assets and liabilities of the advertising funds are as follows:

	December 31, 2016	December 31, 2015
Assets		
Cash	$ 53,046	$ 30,545
Receivables (net of allowance for doubtful accounts of $1,000 and $1,605 in 2016 and 2015, respectively)	44,024	40,967
Inventory and other assets	33,315	37,490
Equipment, net	2,756	5,022
Due from FIGARO'S	511,756	405,704
Total assets	644,897	519,728
Liabilities		
Accounts payable and accrued liabilities	14,511	17,561
Net assets	$ 630,386	$ 502,167

Activity in the advertising funds was as follows:

Additions		
Advertising fees	$ 526,368	$ 536,579
Other	203,770	179,491
Total additions	730,138	716,070
Deductions		
Advertising	180,806	148,239
Marketing administration, supplies and equipment	421,113	352,030
Total deductions	601,919	500,269
Change in net assets	128,219	215,801
Net assets - beginning of year	502,167	286,366
Net assets - end of year	$ 630,386	$ 502,167

In addition, new franchisees pay a specific amount for advertising for their store only, typically in its first sixty days of operations.

7. Related party transactions

Certain stockholders of FIGARO'S own Schmizza International Inc. and its subsidiary Schmizza Restaurant Group. FIGARO'S provides accounting, administrative and marketing services which are to be paid by Schmizza. The cost of these services was $257,444 and $212,502 during 2016 and 2015, respectively.

A stockholder of the Company is on the Board of Directors of a non-profit organization (H.E.L.P.). The Company matched contributions to H.E.L.P. made by its franchisees through April 1, 2015 amounted to $5,902. There were no matching contributions during 2016. The Company also provides marketing and administrative services which are paid for by H.E.L.P. The cost of these services was $6,402 and $7,246 during 2016 and 2015, respectively.

Stockholders owe the Company $715,701 and $836,571 at December 31, 2016 and 2015, respectively, in the form of notes receivable at 2.05 percent interest. During the years ended 2016 and 2015, no additional principal amounts were borrowed from the Company by the stockholders. Principal and interest payments of $135,600 were made during both 2016 and 2015.

Figaro's incurred $50,000 of expenses during both 2016 and 2015 related to consulting services provided by a stockholder.

8. Notes payable

The Company borrowed $350,000 in connection with the purchase of the assets of NNW. The total amount due on this note as of December 31, 2015 of $54,986 was paid during 2016. The note was payable in monthly installments of $5,130 including interest at 6.0% per annum and matured in 2016. Total interest expense under this note was $6,817 and $6,419 for the years 2016 and 2015 respectively. The note was secured by all assets, accounts, equipment and intangibles of NNW.

During 2015 the Company borrowed $101,000 to finance a loan to a franchisee for remodeling as discussed in note 4 above. The total amount due on this note as of December 31, 2016 is $76,885. The note is payable in monthly installments of $1,945 including interest at 5.75% per annum and matures in 2020. Total interest expense under this note was $5,048 and $3,432 for the years 2016 and 2015 respectively. The note is secured by all assets, accounts, equipment, intangibles and all royalty payments related to the franchise.

	December 31,	
	2016	2015
NNW acquisition loan	$ -	$ 54,986
Franchisee remodeling loan	76,885	95,146
	76,885	150,132
Less: Current portion	(19,370)	(73,247)
	$ 57,515	$ 76,885

Future maturities of the notes payable are as follows:

2017	19,370
2018	20,530
2019	21,759
2020	15,226

9. Operating leases

The Company leases office and warehouse space and certain office equipment under operating leases. Rent expense under lease agreements was $28,647 and $19,352 for 2016 and 2015, respectively.

The future minimum lease payments as of December 31, 2016, are as follows:

2017	$ 30,115
2018	4,419
2019	4,419
2020	4,043
2021	2,918

10. Retirement plan

After one year of service, full-time employees are eligible to participate in the Company sponsored 401(k) retirement plan. Participants may defer compensation into the plan up to Internal Revenue Service prescribed limits and the Company can make discretionary contributions. Discretionary contributions during 2016 and 2015 were $21,388 and $21,010, respectively.

11. Income taxes

The provision (benefit) for income taxes for 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Deferred		
Federal	$ (4,740)	$ (16,930)
State	(20)	(4,240)
	$ (4,760)	$ (21,170)

Reconciliation between the provision (benefit) for taxes on income and the expected provision from applying federal statutory rates to income before taxes is as follows:

Expected federal tax at statutory rates	$ -	$ -
State taxes, net of federal benefit	-	-
Tax effect of net operating loss	(8,355)	(26,850)
Temporary timing differences	3,595	5,680
	$ (4,760)	(21,170)

The deferred tax effect of each significant item that created deferred taxes benefits is as follows:

Allowance for bad debts	$ 3,080	$ 1,050
Net operating loss carryforwards	37,850	26,850
Charitable contribution carryforwards	16,700	20,060
Depreciation and amortization	41,860	46,770
	$ 99,490	$ 94,730

11. Income taxes (continued)

At December 31 2016 and 2015, the deferred amounts included in the balance sheets consist of the following:

Deferred tax asset - current	$ 40,930	$ 27,900
Deferred tax asset - non-current	$ 58,560	$ 66,830

The Company has unused net operating loss carryforward in the amount of $78,985 and $30,336 which will expire in 2035 and 2036, respectively.

12. Obligations under guarantees

The Company has issued a Corporate guaranty in association with a lease for a store owned by Schmizza Restaurant Group. The agreement with Schmizza calls for payment of a quarterly guarantee fee in the amount of $500 as long as the guarantee of Schmizza's performance of the lease is in effect. The lease agreement covered by this guarantee expires on July 31, 2022 and has minimum future rental payments as follows:

Year Ended December 31	
2017	$ 109,250
2018	112,250
2019	115,250
2020	118,250
2021	121,250
2022	71,750

Financial Statements
Salem, Oregon
Years Ended December 31, 2015 and 2014

FIGARO'S PIZZA®

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FIGARO'S PIZZA®

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Figaro's Italian Pizza, Inc.
Salem, Oregon

We have audited the accompanying financial statements of Figaro's Italian Pizza, Inc. (an Oregon corporation), which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Figaro's Italian Pizza, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boldt Carlisle & Smith

Boldt Carlisle+ Smith
Certified Public Accountants
Salem, Oregon
March 2, 2016

FIGARO'S PIZZA

BALANCE SHEETS
December 31, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 438,589	$ 432,646
Accounts receivable (net of allowance for doubtful accounts of $4,747 and $1,500 in 2015 and 2014, respectively)	43,954	52,074
Prepaid expenses and other assets	33,217	41,031
Current portion trade notes receivable	18,004	4,608
Other receivables	2,273	4,160
Receivable from Schmizza International, Inc.	118,380	45,688
Receivable from Schmizza Restaurant Group, Inc.	63,372	-
Deferred tax asset	27,900	510
Total current assets	745,689	580,717
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	20,250	23,011
OTHER ASSETS		
Notes receivable from stockholders	836,571	954,312
Trade notes receivable	76,636	7,531
Deferred tax asset	66,830	73,050
Intangibles, net	634,972	647,319
Total other assets	1,615,009	1,682,212
Total assets	$ 2,380,948	$ 2,285,940

Continued on next page

LIABILITIES AND STOCKHOLDERS' EQUITY

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 34,200	$ 36,186
Payable to advertising fund	405,704	197,595
Current portion of notes payable	73,247	54,605
Accrued compensation	61,008	69,737
Income taxes payable	1,877	12,324
Deferred revenue	200,219	212,719
Total current liabilities	776,255	583,166
NOTES PAYABLE	76,885	56,630
Total liabilities	853,140	639,796
STOCKHOLDERS' EQUITY		
Preferred stock - $100 par value, annual dividends of $2 per share accruing monthly at 16.67 cents per share, 50,000 shares authorized, 24,189.7 shares issued and outstanding	2,418,970	2,418,970
Common stock -		
Voting shares, $1 par value, 5,000 shares authorized, 1,267 shares issued and outstanding	1,267	1,267
Non-voting shares, $1 par value, 50,000 shares authorized, 494 shares issued and outstanding	494	494
Contributed capital	2,805,423	2,805,423
(Accumulated deficit)	(3,698,346)	(3,580,010)
Total stockholders' equity	1,527,808	1,646,144
Total liabilities and stockholders' equity	$ 2,380,948	$ 2,285,940

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF INCOME
Years Ended December 31, 2015 and 2014

	2015	2014
REVENUES		
Royalties	$ 945,539	$ 1,016,505
Franchise sales	19,500	25,000
Other	24,751	33,923
Total revenues	989,790	1,075,428
EXPENSES	1,091,299	1,031,455
INCOME (LOSS) FROM OPERATIONS	(101,509)	43,973
OTHER INCOME (EXPENSE)		
Interest income	20,244	20,505
Interest expense	(9,851)	(8,506)
Other	-	(202,729)
Total other income (expense)	10,393	(190,730)
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(91,116)	(146,757)
PROVISION (BENEFIT) FOR INCOME TAXES	(21,170)	(54,428)
NET INCOME (LOSS)	$ (69,946)	$ (92,329)

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2015 and 2014

	Preferred Stock		Common Stock					
			Voting		Non-voting			
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Contributed Capital	Accumulated Deficit
BALANCE - January 1, 2014	24,189.7	$ 2,418,970	1,267	$ 1,267	494	$ 494	$ 2,805,423	$ (1,824,967)
Net (loss)	-	-	-	-	-	-	-	(92,329)
Distribution of Schmizza International, Inc. to stockholders	-	-	-	-	-	-	-	(1,614,324)
Dividends on preferred stock	-	-	-	-	-	-	-	(48,390)
BALANCE - December 31, 2014	24,189.7	2,418,970	1,267	1,267	494	494	2,805,423	(3,580,010)
Net (loss)	-	-	-	-	-	-	-	(69,946)
Dividends on preferred stock	-	-	-	-	-	-	-	(48,390)
BALANCE - December 31, 2015	24,189.7	$ 2,418,970	1,267	$ 1,267	494	$ 494	$ 2,805,423	$ (3,698,346)

See accompanying notes

FIGARO'S PIZZA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (69,946)	$ (92,329)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	31,184	39,631
Bad debt expense	3,088	15,335
Net trade notes receivable (issued) collections	(82,501)	2,753
Deferred taxes	(21,170)	(64,720)
Goodwill impairment	-	200,001
(Increase) decrease in asset accounts		
Accounts receivable	5,033	(26,597)
Prepaid expenses and other assets	7,814	(9,317)
Receivable from Schmizza International, Inc.	(72,692)	(45,688)
Receivable from Schmizza Restaurant Group, Inc.	(63,372)	-
Other receivables	1,887	1,237
Increase (decrease) in liability accounts		
Accounts payable	(1,986)	(32,541)
Payable to advertising fund	208,109	119,856
Payable to Schmizza International, Inc.	-	(6,222)
Accrued compensation	(8,729)	10,568
Income taxes payable	(10,447)	(26,943)
Deferred revenue	(12,500)	12,500
Net cash provided by operating activities	(86,228)	97,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangibles	(10,296)	(14,837)
Collections of notes receivable from stockholders	117,741	115,689
Purchase of equipment and leasehold improvements	(5,780)	(13,575)
Net cash provided by investing activities	101,665	87,277
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable issued	101,000	-
Payments on notes payable	(62,103)	(53,112)
Dividends paid on preferred stock	(48,390)	(48,389)
Net cash (used in) financing activities	(9,493)	(101,501)
Increase (decrease) in cash	5,944	83,300
Cash and equivalents at beginning of year	432,645	349,345
Cash and equivalents at end of year	$ 438,589	$ 432,645

See accompanying notes

STATEMENTS OF CASH FLOWS (Continued)

SUPPLEMENTAL CASH FLOW DISCLOSURES

	2015	2014
Taxes paid	$ 10,508	$ 73,219
Interest paid	9,768	8,537

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

1. Business of Figaro's Italian Pizza, Inc. and summary of significant accounting policies

Nature of the Company's Business

FIGARO'S ITALIAN PIZZA, INC. (FIGARO'S) is in the business of selling franchises for stores using its methods of preparing and marketing a limited menu of pizzas, beverages and other food products and providing ongoing management support to the franchisees. Franchisees are identified by one of the following names: "FIGARO'S" or "FIGARO'S PIZZA". There were 55 and 57 FIGARO'S franchise stores in operation as of December 31, 2015 and 2014, respectively. FIGARO'S franchisees are operating in 6 states and 2 foreign countries as of December 31, 2015. Franchises have been sold, but not yet in operation, in an additional 2 states.

FIGARO'S also sells franchises under the NICK-N-WILLY'S (NNW) trademark. NNW is a business primarily engaged in the sale and management of pizza franchises. There were 7 and 9 NNW franchise stores at December 31, 2015 and 2014, respectively. NNW franchisees are located in 4 states as of December 31, 2015.

Franchisees pay the Company prior to opening a location for the use of its name and pay royalties and advertising fees based on net sales.

Use of Estimates

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

Cash and cash equivalents

Cash includes checking accounts. For purposes of the statement of cash flows, the Company considers all highly-liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company accounts for potential losses in accounts receivable utilizing the allowance method. In reviewing aged receivables, management considers their knowledge of customers, historical activity, and current economic conditions to establish an allowance for doubtful accounts. A trade account receivable is charged to the allowance when management determines the receivable is uncollectible.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Business of Figaro's Italian Pizza, Inc. and summary of significant accounting policies (continued)

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost less accumulated depreciation. Depreciation is computed using accelerated and straight-line methods over estimated useful lives of 5 to 20 years.

Intangibles

Intangibles consist of trademarks, franchise rights and goodwill. Trademarks are amortized using the straight-line method over their estimated useful lives. Franchise rights and goodwill are not amortized since there is no estimated useful life. The recoverability of intangibles is periodically reviewed to determine whether adjustments to carrying values are needed.

Deferred Revenue

The Company has received payments for additional franchises. Revenue from sales of individual franchises is recognized when the Company has provided substantially all significant services.

Concentration of Credit Risk

The Company's cash funds are held at two financial institutions. Cash in depository accounts exceeded federally insured limits during 2015 and 2014; however management believes that its credit risk with respect to these balances is minimal due to the financial strength of the financial institution.

Advertising Costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when the advertising first takes place. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising costs charged to operations amounted to $28,167 and $22,481 for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

Management has evaluated tax positions taken and has determined that any uncertainty in those positions would not have a material effect on the financial statements.

Subsequent Events

Management has evaluated events subsequent to year end through March 2, 2016, which is the date these financial statements were available to be issued, for possible disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Equipment and leasehold improvements

	December 31, 2015	December 31, 2014
Office equipment	$ 350,514	$ 345,929
Leasehold improvements	20,851	19,656
Furniture and fixtures	28,109	28,109
	399,474	393,694
Accumulated depreciation	379,224	370,683
Total equipment and leasehold improvements, net	$ 20,250	$ 23,011

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to $8,541 and $10,695, respectively.

3. Notes receivable from stockholders

Stockholder notes receivable represent amounts paid by the Company on behalf of the current stockholders to the former stockholders as part of a stock purchase agreement. The notes bear interest at a rate of 2.05 percent with no stated due date. See Note 7, related party transactions.

4. Trade notes receivable

Trade notes receivable represent amounts loaned by the Company to a franchisee associated with the franchisee's remodeling costs associated with the closing of a Figaro's unit and reopening as a Schmizza Pub & Grub. This remodeling agreement calls for weekly payments of $445, is due on or before August 31, 2020, and bears interest at 6%.

5. Intangibles

	December 31, 2015			
	Life	Carrying Amount	Accumulated Amortization	Net Book Value
Franchise Rights	N/A	$ 416,500	$ -	$ 416,500
Goodwill	N/A	150,000	-	150,000
Trademarks	5 - 10	382,838	314,366	68,472
		$ 949,338	$ 314,366	$ 634,972

	December 31, 2014			
	Life	Carrying Amount	Accumulated Amortization	Net Book Value
Franchise Rights	N/A	$ 416,500	$ -	$ 416,500
Goodwill	N/A	150,000	-	150,000
Trademarks	5 - 10	372,542	291,723	80,819
		$ 939,042	$ 291,723	$ 647,319

5. Intangibles (continued)

Amortization expense related to trademarks was $22,644 and $28,936 for the years ended December 31, 2015 and 2014, respectively. Amortization expense for the next five years is estimated to be approximately $18,200 per year.

6. Advertising funds

Advertising fees are collected from franchisees for the purpose of developing advertising and promotional materials and programs. The following table contains information related to the advertising funds of Figaro's and NNW.

Assets and liabilities of the advertising funds are as follows:

	December 31, 2015	December 31, 2014
Assets		
Cash	$ 30,545	$ 17,310
Receivables (net of allowance for doubtful accounts of $1,605 and $500 in 2015 and 2014, respectively)	40,967	39,669
Inventory and other assets	37,490	43,531
Equipment, net	5,022	6,773
Due from FIGARO'S	405,704	197,595
Total assets	$ 519,728	304,878
Liabilities		
Accounts payable and accrued expenses	17,561	18,512
Net assets	$ 502,167	$ 286,366

Activity in the advertising funds was as follows:

Additions		
Advertising fees	$ 536,579	$ 551,653
Other	179,491	193,168
Total additions	716,070	744,821
Deductions		
Advertising	148,239	287,512
Marketing administration, supplies and equipment	352,030	344,169
Total deductions	500,269	631,681
Change in net assets	215,801	113,140
Net assets - beginning of year	286,366	173,226
Net assets - end of year	$ 502,167	$ 286,366

In addition, new franchisees pay a specific amount for advertising for their store only, typically in its first sixty days of operations.

7. Related party transactions

Certain stockholders of FIGARO'S own Schmizza International Inc. and its subsidiary Schmizza Restaurant Group. FIGARO'S provides accounting, administrative and marketing services which are to be paid by Schmizza. The cost of these services was $204,405 and $289,304 during 2015 and 2014, respectively.

A stockholder of the Company is on the Board of Directors of a non-profit organization (H.E.L.P.). The Company matched contributions to H.E.L.P. made by its franchisees through April 1, 2015. These matching contributions amounted to $5,902 and $17,703 during 2015 and 2014, respectively. The Company also provides marketing and administrative services which are paid for by H.E.L.P. The cost of these services was $7,246 and $7,155 during 2015 and 2014, respectively.

Stockholders owe the Company $836,571 and $954,312 at December 31, 2015 and 2014, respectively, in the form of notes receivable at 2.05 percent interest. During the years ended 2015 and 2014, no additional principal amounts were borrowed from the Company by the stockholders. Principal and interest payments of $135,600 were made during both 2015 and 2014.

Figaro's incurred $50,000 of expenses during both 2015 and 2014 related to consulting services provided by a stockholder.

8. Long-term obligations

The Company borrowed $350,000 in connection with the purchase of the assets of NNW. The total amount due on this note as of December 31, 2015 is $54,986. The note is payable in monthly installments of $5,130 including interest at 6.0% per annum and matures in 2016. Total interest expense under this note was $6,419 and $8,396 for the years 2015 and 2014 respectively. The note is secured by all assets, accounts, equipment and intangibles of NNW.

During 2015 the Company borrowed $101,000 to finance a loan to a franchisee for remodeling as discussed in note 4 above. The total amount due on this note as of December 31, 2015 is $95,146. The note is payable in monthly installments of $1,945 including interest at 5.75% per annum and matures in 2020. Total interest expense under this note was $3,432 for the year 2015. The note is secured by all assets, accounts, equipment, intangibles and all royalty payments related to the franchise located in Lebanon, Oregon.

	December 31, 2015	December 31, 2014
NNW acquisition loan	$ 54,986	$ 111,235
Franchisee remodeling loan	95,146	-
	150,132	111,235
Less: Current portion	(73,247)	(54,605)
	$ 76,885	$ 56,630

Future maturities of the notes payable are as follows:

2016	$ 73,247
2017	19,370
2018	20,530
2019	21,759
2020	15,226

9. Operating leases

The Company leases office and warehouse space and certain office equipment under operating leases. Rent expense under lease agreements was $19,352 and $20,007 for 2015 and 2014, respectively.

The future minimum lease payments as of December 31, 2015, are as follows:

2016	$ 29,515
2017	3,291
2018	1,277

10. Retirement plan

After one year of service, full-time employees are eligible to participate in the Company sponsored 401(k) retirement plan. Participants may defer compensation into the plan up to Internal Revenue Service prescribed limits and the Company can make discretionary contributions. Discretionary contributions during 2015 and 2014 were $21,010 and $17,863, respectively.

11. Income taxes

The provision (benefit) for income taxes for 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Current		
Federal	$ -	$ 6,992
State	-	3,300
Deferred		
Federal	(16,930)	(51,770)
State	(4,240)	(12,950)
	$ (21,170)	$ (54,428)

Reconciliation between the provision (benefit) for taxes on income and the expected provision from applying federal statutory rates to income before taxes is as follows:

Expected federal tax at statutory rates	$ -	$ -
State taxes, net of federal benefit	-	-
Tax effect of net operating loss carryforwards	(26,850)	-
Tax effect of non-deductible expenses	-	1,862
Temporary timing differences	5,680	(56,290)
	$ (21,170)	(54,428)

The deferred tax effect of each significant item that created deferred taxes (benefits) is as follows:

Allowance for bad debts	$ 1,050	$ 510
Net operating loss carryforwards	26,850	-
Charitable contribution carryforwards	20,060	22,980
Depreciation and amortization	46,770	50,070
	$ 94,730	$ 73,560

11. Income taxes (continued)

At December 31 2015 and 2014, the deferred amounts included in the balance sheets consist of the following:

Deferred tax asset - current	$ 27,900	$ 510
Deferred tax asset - non-current	$ 66,830	$ 73,050

The Company has unused net operating loss carryforward in the amount of $78,985 which will expire in 2035.

12. Spin off

Schmizza International, Inc. (Schmizza) was wholly-owned by the Company prior to January 1, 2014. Effective January 1, 2014, Schmizza was no longer a wholly-owned subsidiary of Figaro's Italian Pizza, Inc. as a result of a dividend declared by the Board of Directors of Figaro's in the form of shares of stock in Schmizza. This resulted in the ownership of Schmizza stock being transferred to the Company's common stockholders of record as of December 16, 2013.

13. Obligations under guarantees

The Company has issued a Corporate guaranty in association with a lease for a store owned by Schmizza Restaurant Group. The agreement with Schmizza calls for payment of a quarterly guarantee fee in the amount of $500 as long as the guarantee of Schmizza's performance of the lease is in effect. The lease agreement covered by this guarantee expires on July 31, 2022 and has minimum future rental payments as follows

Year Ended December 31	
2016	$ 106,250
2017	109,250
2018	112,250
2019	115,250
2020	118,250
2021	121,250
2022	71,750

EXHIBIT C

TO

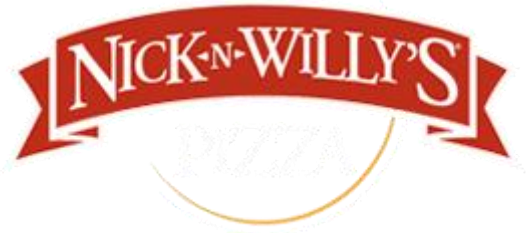
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

UNIT FRANCHISE AGREEMENT

STANDARD FRANCHISE AGREEMENT

FIGARO'S OR NICK-N-WILLY'S CONCEPT



Figaro's Italian Pizza, Inc.
1500 Liberty Street SE
Salem, Oregon 97302
(503) 371-9318

UNIT FRANCHISE AGREEMENT

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3. CO-BRANDING ADDENDUM
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5. MULTIPLE FRANCHISE PURCHASE ADDENDUM
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7. PRE-EXISTING FRANCHISEE DELIVERY ADDENDUM

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made this _____ day of _____, 201__. This Agreement is by and between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") and _____ _____ (jointly and severally "you").

Check the appropriate blank:

____ This Agreement is for a Figaro's franchise.

____ This Agreement is for a Nick-N-Willy's franchise.

RECITALS:

Over a period of several years and as the result of the expenditure of time, skill, effort and capital, we have developed and own unique systems (the "System").

If this Agreement is for a Figaro's franchise, the System relates to the establishment, development and operation of businesses for the retail sale of a limited menu of pizzas, lasagna, calzones, beverage products and other menu items prepared in accordance with specified recipes and procedures (the "Menu Items") using the Trade Secret Food Products as defined in this Agreement and utilizing the Trade Secret Process as defined in this Agreement and the name and mark "Figaro's."

If this Agreement is for a Nick-N-Willy's franchise, the System relates to the establishment, development and operation of businesses for the retail sale of a limited menu of pizzas, salads, desserts, beverage products and other menu items prepared in accordance with specified recipes and procedures (the "Menu Items") using the Trade Secret Food Products as defined in this Agreement and utilizing the Trade Secret Process as defined in this Agreement and the name and mark "Nick-N-Willy's."

The distinguishing characteristics of the System include distinctive exterior and interior layouts, designs and color schemes; exclusively designed signage, decorations, furnishings and materials; special recipes, formulae, menus and food and beverage designations; the Trade Secret Process; the Trade Secret Food Products; our Confidential Operations Manuals; Local Store Marketing Manual; food and beverage storage, preparation and service procedures and techniques; operating procedures for sanitation and maintenance; and methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising. We may change, improve and further develop the System.

We are the owner of the right, title and interest together with all the goodwill connected to the above mentioned trade names, service marks and trademarks and associated logos and commercial symbols, and other trade names, service marks, and trademarks as are now designated (and in the future may be designated by us in writing) as part of the System (the "Mark(s)"). We continue to develop, use and control these Marks for our benefit and use and for the benefit and use of our franchisees in order to identify for the public the source of the Menu Items and other food products and services marketed through the System, and to represent the

System's high standards of Menu Items, other food and non-food products, operations, quality, appearance and service.

We grant to qualified persons franchises to own and operate Franchised Stores offering and selling Menu Items using the Trade Secret Food Products, other food products and services authorized and approved by us and utilizing our System and Marks. You desire to operate a Franchised Store under the System and using the Marks. You have applied for a franchise and we have approved your application in reliance upon all of the written representations you made.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Maryland, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin). In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You acknowledge the importance of our high and uniform standards of quality and service and the necessity of operating your Franchised Store in conformity with our standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You realize that there is a risk in owning any business venture, including this one, and that running a business can be very hard work. If you operate your franchise below the standards we require, customers who patronize that franchise will be less likely to patronize our other franchised and company-owned stores. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective franchise purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of, and you acknowledge that you have 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 Franchise Agreement, except those representations specifically disclosed in Item 19 of the Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document. You acknowledge that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales,

costs, income or profits of any Figaro's or Nick-N-Willy's operation. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

We may delegate to independent agents or master franchisees performance of any of our duties, including training and inspections. Master franchisees are given specific assignments by us. To the extent a master franchisee has been assigned to a territory containing your Franchised Store, any and all data ever received by us from you, including franchise purchase applications, payment history, sales reporting, audit reports, performance evaluations, etc. will be shared with and made available on an ongoing basis to the master franchisee. Each master franchisee is required to keep all franchise and franchisee information and data confidential and to use it only for purposes related to the evaluation, service and support of franchisees.
The parties agree as follows:

1. DEFINITIONS

The terms and phrases specified below will have, for purposes of this Agreement, the following meanings:

1.1 "Adequate Delivery Service" means delivery of Menu Items and service in accordance with our then-current standards for delivery, taking into account geographic characteristics of the Delivery Area. This includes providing consumers with the optimum in service and product quality. We determine whether or not you are providing Adequate Delivery Service in our sole and reasonable discretion.

1.2 "The Agreement" or "This Agreement" refers to this Franchise Agreement executed the first date written above for the operation of a single Franchised Store (as defined below).

1.3 "Confidential Operations Manual" and "Operations Manual" means the materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of the Franchised Store, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

A. manual or manuals, and

B. any Intranet or password protected portion of an Internet site, and

C. any other embodiment of the Methods of Operation, including notices of new standards and techniques, including all media we identify as part of the Operations Manual, and

D. any amendments, supplements, derivative works, and replacements, whether embodied in electronic or other media.

1.4 "Delivery Area" means the area(s) described in Exhibit 7, including modifications if we change your Delivery Area as permitted in this Agreement. The Delivery Area can only be established if this Agreement includes the Figaro's System.

1.5 “Designated Area” means the geographic area defined in Section 2 and identified in Exhibit 1. If either the Designated Area or the location for your Franchised Store has not been determined when this Agreement is executed, you are responsible for selecting the site for the Franchised Store within the area designated in Exhibit 1. The Designated Area and store site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

1.6 “Franchised Store” and “store” mean the entire enterprise that you are authorized to conduct under this Agreement. The first paragraph of this Agreement designates the concept(s) to which this Agreement relates. Some Franchised Stores may be placed at a location where another, separate business is operated under another business name, such as a convenience store or gas station. Conversely, you may decide to operate another franchise out of the Franchised Store. If the Franchised Store is at that type of location, it will be deemed “co-branded” for the purposes of this Agreement. Exhibit 3 to this Agreement is the “Co-branding Addendum” related to operation of the Franchised Store in a co-branding environment.

1.7 “Franchised Store location” means the physical store premises at which you are authorized to conduct the Franchised Store.

1.8 “Gross Receipts” means and includes the total of all sales of food products, beverages and other merchandise and products to your customers, whether or not sold or performed at or from the Franchised Store, less any sales tax, use tax, or service taxes collected from the consumer and paid to the appropriate taxing authority and discounts and customer refunds. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in “gross receipts.” If the Franchised Store is located in the premises of a convenience store or other co-branded location, the exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Confidential Operations Manual to take into consideration the needs and requirements of the co-branded location. If the Franchised Store is in a co-branded location you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location although gross receipts will be limited to Figaro’s related sales.

1.9 “Marks” means those selected trademarks, service marks, trade names, logotypes, slogans and other commercial symbols we own or for which we have obtained the right to use. If this Agreement is for a Figaro’s store, the Marks include “FIGARO’S”, “FIGARO’S, plus the design”, and other trade names, designs, service marks and trademarks that are now designated (and in the future may be designated by us in writing) as part of the System. If this Agreement is for a Nick-N-Willy's store, the Marks include “NICK-N-WILLY'S”, “NICK-N-WILLY'S, plus the design”, and other trade names, designs, service marks and trademarks that are now designated (and in the future may be designated by us in writing) as part of the System.

We continue to develop, use and control the Marks for our benefit and use and for the benefit and use of our franchisees. The Marks identify for the public the source of the Menu Items and other food products and services marketed and represent the System’s high standards of Menu Items, other food products, operations, quality and services.

You may only use the Marks that are associated with the operation of the type of Franchised Store indicated in this Agreement. If you have purchased only a Figaro’s Franchised Store, you

may not use the Nick-N-Willy's Marks, or other associated marks or marks not yet developed in the operation of your Figaro's Franchised Store. If you have purchased only a Nick-N-Willy's Franchised Store, you may not use the Figaro's or other associated marks or marks not yet developed in the operation of your Nick-N-Willy's Franchised Store.

1.10 If this Agreement is for a Figaro's store, "Menu Items" means an assortment of uniform and high quality pizzas and other menu items which are prepared using the Trade Secret Food Products and the Trade Secret Process. If this Agreement is for a Nick-N-Willy's store, "Menu Items" means an assortment of uniform and high quality pizzas, salads, desserts and other menu items using the Trade Secret Food Products and the Trade Secret Process.

1.11 "Multi-Area Marketing Programs" means one or more mandatory or voluntary programs, such as multi-area customer, Internet, gift certificate, gift card, scrip, show, event, directory, affinity, vendor, and co-branding programs. These programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or fees), and adherence to maximum pricing to the extent permitted by law. All of these programs are our proprietary trade secrets.

1.12 "System" means business concepts, systems, formats, methods, procedures, designs, layouts, specifications, the use of the Marks, the Confidential Operations Manual, the Local Store Marketing Manual, copyrighted materials, trade secrets, recipes, Menu Items, the Trade Secret Food Products, the Trade Secret Process, information, lists, materials, software, web pages, electronic communications, techniques, systems, Multi-Area Marketing Programs, training programs and seminars, in whatever form. We may change, improve or further develop the System.

1.13 "Trade Secret Food Products" means the proprietary pizza dough starter mix, calzone dough spice, pizza sauce spice mix ingredients and ingredients we develop and own and includes any proprietary products that we may develop in the future.

1.14 "Trade Secret Process" means the secret process for preparing the Trade Secret Food Products and Menu Items, which process includes, without limitation, time, unique spices and recipes, dough mixing process, components, portion charts, holding, handling and cooking procedures.

1.15 "Trade Secrets" includes any information, manuals, contracts, customer data, supplier data, financial data, price lists, know-how, methods, techniques, processes, compilations, formulas, programs or patterns related to the operation of a Franchised Store and its products and services.

1.16 Unless otherwise specified in this Agreement, the term "you" includes, collectively and individually, all owners, managers, officers, directors, partners, principals and holders of a beneficial interest of five percent or more of you, and of any legal entity directly or indirectly controlling you. If you are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") must contain the following provisions which will supersede any contrary provisions in that agreement:

A. Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the Franchised Store to arbitration by our president or his designee. If the arbitration submission is accepted by our

president, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Agreement.

B. The term "operations and management" includes, but is not limited to, questions relating to:

1. Allocations of management responsibilities between the Owners;
2. Contributions to capital for purposes of business operations, repairs and remodeling;
3. The reasonable salaries of the Owners;
4. Marketing efforts;
5. The termination of the employment of an Owner;
6. Procedures for making and implementing management decisions;
7. Whether on Owner has performed duties with respect to the operation or management of the Franchised Store.

C. Unless the Owners and the arbitrator agree in writing otherwise, “operation and management” does not include questions relating to:

1. Allocations. computations or distributions of profit or loss:
2. Accounting issues;
3. Elections of officers of the entity;
4. Investments of cash not necessary for the operation of the business;
5. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
6. The fair market value of the Owners’ interests in the entity;
7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under 2, above;
8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
9. Matters relating to the winding up of the entity after a dissolution;
10. Matters relating to the legal validity of the Owners Agreement.

D. The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the Franchised Store must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

E. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days

before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.

F. Inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the Franchised Store to an entity.

2. APPOINTMENT AND FRANCHISE FEE

2.1 We grant to you the nonexclusive right to use the Marks and System that correlate with the type or types of Franchised Store indicated in the first paragraph of this Agreement, above, at the Franchised Store location; to promote and sell Menu Items and related services from the Franchised Store location using the Trade Secret Products and Trade Secret Process, and using the System; and, if applicable, to deliver Menu Items produced at the Franchised Store location throughout the Delivery Area (subject to you providing Adequate Delivery Service). The Trade Secrets, Trade Secret Process and Trade Secret Products are licensed, not sold, to you.

The Franchised Store location is or will be described in Exhibit 1 once it is known. You will not relocate your store facility without our prior written approval. You covenant that you will use your best efforts to promote sales of Menu Items from your Franchised Store location and throughout the Delivery Area.

You may only use the Marks that are associated with the operation of the type of Franchised Store indicated in the first paragraph of this Agreement, above.

2.2 If this Agreement is for a Figaro’s or Nick-N-Willy's Franchised Store, you receive a geographic area consisting of a one-mile radius of the authorized store location, referred to as the Designated Area. If a portion of this one-mile radius has previously been assigned, the actual area will be specified in Exhibit 1, and may be less than a one-mile radius. If this Agreement is for a Figaro’s Franchised Store, we will not operate a Figaro’s store, or grant to ourselves or another person a Figaro’s franchise within the Designated Area. If this Agreement is for a Nick-N-Willy's Franchised Store, we will not operate a Nick-N-Willy's store, or grant to ourselves or another person a Nick-N-Willy's franchise within the Designated Area.

If not determined when this Agreement is executed, you are responsible for selecting the site for the Franchised Store within the area designated in Exhibit 1 and in accordance with Section 4.1, below.

2.3 We have the right, in our sole discretion, to operate and to grant other franchises to operate outside of the Designated Area as we, in our sole and exclusive discretion, deem appropriate.

2.4 You may, in your sole discretion, elect to provide delivery as an additional service to consumers within a territory that we approve (the Delivery Area). The election, once made, is irrevocable and is applicable to the Franchised Store location, regardless of possible subsequent ownership changes or transfers of ownership.

After electing to offer delivery, you will undergo additional training by us. You will comply in all respects with our standards for delivery, which we may modify at any time. You may not make deliveries until after you make the election to offer delivery; successfully complete our delivery training program; and fully comply with all delivery standards that we establish. This may include

the use of approved delivery bags, driver uniforms, car toppers, promotional and other materials, and binding the required insurance.

In order to minimize consumer confusion regarding the availability of delivery service, if you elect not to offer delivery service, upon written notice from us, we may require you to include in your advertising, in a manner and copy size specified by us, language designed to effectively communicate that your store does not offer delivery service.

The restrictions on delivery outlined above refer strictly to delivery to consumer residences, hotels, motels and other places of lodging, and individual or group orders delivered to small businesses. The restrictions do not apply to "catering." Catering refers to wholesale sales to schools and other institutions. You may provide catering to locations within the Designated Area. You also may provide catering to accounts outside the Designated Area when approved by us in advance in writing. You will fully adhere to all operations, insurance and other standards for catering that are more fully described in the Operations Manual.

2.5 The Delivery Area initially will be determined by using Microsoft Maps and Streets or other reliable sources to establish a five-minute one-way drive time from the Franchised Store location. This represents the Delivery Area unless and until we modify it in writing.

2.6 The site of the Franchised Store location and the boundaries of the Delivery Area are based on the physical location of the references used to describe the Franchised Store location or the boundaries of the Delivery Area on the date of this Agreement. If a street address is used to describe a Franchised Store location, the renumbering of the address will not serve to move the location. If a specified boundary of the Delivery Area is described as a street, the center line of the street is intended; if the boundary is described as a political dividing line (such as a city limit), the line utilized by the appropriate political jurisdiction is intended. The area and physical location of any Franchised Store location or of the Delivery Area will not be altered by a subsequent movement of the references originally used to describe the Franchised Store location or the Delivery Area. Also, it is only those points to the "inside" of the boundary that form a part of the Delivery Area (for example, if a Delivery Area is bounded on the north by Main Street, only the area south of the center line of Main Street is within the Delivery Area).

For all calculations based upon a distance (for example, the boundaries of your Designated Area), the measurement will be made in a straight line between the nearest points; if any portion of an object is within the prescribed distance from a point, the entire object is considered to be within that distance.

2.7 You will provide Adequate Delivery Service to the entire Delivery Area. At any time during the term of this Agreement, we may consider whether you are providing Adequate Delivery Service to the entire Delivery Area. If we preliminarily determine that you are not providing Adequate Delivery Service throughout the Delivery Area, we will give you written notice of the areas within the Delivery Area that are not receiving Adequate Delivery Service. You may, within 90 days, submit a written explanation to us that identifies the geographic boundaries of the area to which you contend that you are providing Adequate Delivery Service. If you fail to timely submit a written explanation, our preliminary determination will become immediately effective. We will consider any written explanation timely submitted by you but we will in our sole discretion make the final determination of the area to which you are providing Adequate Delivery Service. We will give you written notice of our final determination within 90 days after receipt of your written explanation, at which point it will be effective. The Delivery Area will be re-defined to include only the areas to which we finally determine you are providing Adequate Delivery Service.

2.8 You may not deliver products produced at the Franchised Store or using the Marks except within the Delivery Area.

2.9 In consideration of the franchise granted, you have paid to us, the sum of **$35,000** upon execution of this Agreement as an Initial Franchise Fee. You pay it in consideration of our sales expenses, administrative overhead, return on investment, and for our lost or deferred opportunity to sell franchises in the Designated Area to others. This fee is non-refundable upon execution of this Agreement. It is paid as consideration for expenses we incur in furnishing assistance and services to you and for our lost or deferred opportunity to franchise others. The Initial Franchise fee includes the **$10,000** non-refundable Franchise Coordination Fee. You pay it in addition to, and at the same time as, all other costs and fees associated with the initiation of this Agreement and commencement of your Franchised Store.

2.10 You agree that because complete and detailed uniformity under the many varying conditions encountered by our franchisees may not be possible or practical, we specifically reserve the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any of our franchisees based upon the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition that we deem to be of importance to the successful operation of the franchisee's business.

We may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights or an excuse for you not to perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the System. We will not be required to disclose or grant any variance to you under any circumstances.

2.11 The provisions of Section 2.2, above, are subject to and limited by the following:

A. We may purchase or be purchased by, or merge with, competing businesses wherever located;

B. We or our designee may solicit, sell, establish, or service stores within or adjacent to the following types of locations: schools and colleges, entertainment and sports complexes, convention centers, airports, hospitals, train and bus stations, military bases and government facilities, trade shows, in-office and in-plant food facilities, department stores, grocery stores, mobile units, retail chains, hotels, off-site sales accounts, and 100-unit or larger chains in which the Store uses space that is less than 50% of the retail space available.

C. For so long as we or our affiliates operate a store in your Designated Area using:
- our Figaro's retail trade dress or the Figaro's Marks if this Agreement is for a Figaro's franchise, or
- our Nick-N-Willy's retail trade dress of the Nick-N-Willy's Marks if this Agreement is for a Nick-N-Willy's franchise, then:

you may deduct 40% from each weekly continuing licensing fee due to us. If we or our affiliates operate two or more stores within your Designated Area using our retail trade dress or marks, you may deduct 80%.

3. TERM AND RENEWAL

3.1 This Agreement will be effective and binding from the date of its execution for an initial term of [ten years] [___ years]commencing on the date of this Agreement.

3.2 You will have the right to renew this franchise before the expiration of the initial term of the franchise for successive [ten-year] [___- year] terms, without being required to pay a renewal fee, providing all of the following conditions have been fulfilled:

A. You have substantially complied with all the provisions of this Agreement during its entire term. You must have fully complied with the then current agreement and system standards prior to any renewal.

B. You maintain possession of the Franchised Store location. Before the expiration date of this Agreement you must bring the Franchised Store location into full compliance with the specifications and standards we then apply for new or renewing Franchised Store facilities. You must present evidence satisfactory to us that you have the right to remain in possession of the Franchised Store premises for the duration of any renewal term. If you are unable to maintain possession of the premises, or in our judgment the Franchised Store should be relocated, you must secure substitute premises we approve and you must furnish, stock and equip the premises to bring the Franchised Store at your substituted premises into full compliance with our then-current specifications and standards before the expiration date of this Agreement.

C. You have given notice of renewal to us as provided in this Agreement.

D. You have satisfied all monetary obligations owed by you to us and to our subsidiaries and affiliates and you have timely met these obligations throughout the term of this Agreement.

E. You execute upon each renewal our then-current form of Franchise Agreement (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). The renewal agreement will supersede in all respects this Agreement (except as to remaining renewal terms) and its terms may differ from the terms of this Agreement, including, without limitation, a different percentage Continuing Licensing Fees and advertising contribution.

F. You have complied with our then-current qualification and training requirements.

G. You and we, prior to renewal, must execute a general release, in a form we prescribe.

3.3 If you desire to renew, you will give us written notice of your desire to renew at least nine months, but not more than 15 months, prior to the expiration of this Agreement. Within 60 days after our receipt of the timely notice, we will furnish you with written notice of: (1) reasons that could cause us not to accept the renewal notice including any deficiencies that require correction and a schedule for correction by you; and (2) our then-current requirements relating to the image, appearance, decoration, furnishing, equipping and stocking of Franchised Store facilities, and a schedule for effecting upgrading or modifications in order to bring the Franchised Store in compliance as a condition of renewal. Renewal will be conditioned upon your compliance with these requirements within 60 days and continued compliance with all the terms and conditions of this Agreement up to the date of termination of the initial term, or as we otherwise set forth in writing.

3.4 If you do not comply with our notice, we will give you written notice of our election not to renew the franchise at least three months prior to the expiration of this Agreement. The notice will specify the reasons for non-renewal and will otherwise comply with applicable state laws.

3.5 You have no automatic right to continue operation of the Franchised Store following expiration or termination of this Agreement. If you continue to operate the franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

4. STORE AND LOCATION

4.1 You will operate the Franchised Store only at the location specified in this Agreement. You will be responsible for purchasing or leasing a suitable site for the Franchised Store. Prior to the acquisition by lease or purchase of any site for the premises of the Franchised Store, you will submit a description of the proposed site to us, together with a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. We will provide you written notice of approval or disapproval of the proposed site within 15 business days after receiving your written proposal. The store site must be in the United States of America, legally available pursuant to state and federal franchise disclosure and registration laws and pursuant to our commitments to our franchisees, and in compliance with our franchise placement, market development and demographic criteria.

4.2 After receiving our written approval of the location of the Franchised Store as provided in this Agreement, you will, subject to our prior written approval of terms, execute a lease (if the premises are to be leased) or a binding agreement to purchase the site. Our approval of the lease will be conditioned upon inclusion in the lease of terms acceptable to us, and at our option, will contain provisions that we require, including:

A. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement.

B. A provision which expressly permits the lessor of the premises to provide us all sales and other information lessor may have related to the operation of the Franchised Store, as we may request.

C. A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not obligation) to cure any deficiency under the lease, if you fail to do so within 15 business days after the expiration of the period in which you had to cure the default.

D. A provision which evidences your right to display the Marks in accordance with the specifications required by the Confidential Operations Manual, subject only to the provisions of applicable law.

E. A provision that the premises be used for the operation of a Figaro's or Nick-N-Willy's facility (depending on the type of Franchised Store to be operated at the location).

F. A provision that prohibits the establishment within the shopping center of any retail entity 25% or more of whose business will be derived from the sale of pizza.

G. A provision containing an express right of de-identification in the following form:

Upon termination or non-renewal of this Lease, Lessee/Tenant may de-identify the leased premises. If Lessee/Tenant fails to do so, Figaro's Italian Pizza, Inc. is given the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Figaro's Italian Pizza, Inc. in conjunction with Figaro's or Nick-N-Willy's franchises (depending on the type of franchise contemplated by this Agreement); and any other steps necessary (in the sole discretion of Figaro's Italian Pizza, Inc. to effectively distinguish the formerly leased premises from Figaro's Italian Pizza, Inc.'s proprietary design(s) that relate to Figaro's or Nick-N-Willy's franchises (depending on the type of franchise contemplated by this Agreement). All de-identification will be done at the expense of Franchisee/Lessee/Tenant or Lessor.

H. A provision containing an express statement that any default by you under the lease will be considered a default by you under this Agreement and any default by you under this Agreement will be considered a default by you under the lease.

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Approval will not be withheld unreasonably. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in

Salem, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

4.3 It will be your responsibility to undertake site selection activities and otherwise secure the premises for your Franchised Store. We agree to use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in the designation of the franchise location, which we must approve. We may, in our sole discretion, determine that on-site inspection is appropriate under the circumstances prior to granting approval of a site location. If we so determine, we will perform the on-site inspection at no additional cost to you for up to one site as part of the Franchise Coordination Fee. If you desire to have additional sites inspected for your first store (and for all sites inspected for your second and any additional stores or for other types of franchises for which the Franchise Coordination Fee is not included in the Initial Franchise Fee), or if we do not determine that an on-site inspection is warranted, you will be responsible for paying the actual out of pocket costs incurred by us to perform any on-site inspection. Site model forecasting services are NOT available for: Figaro's locations that offer only unbaked pizzas (but not baked pizzas) for takeout and transferees purchasing existing franchise locations.

Nothing contained in this Agreement will be interpreted as a guarantee of success for any location nor will any site recommendation or approval made by us, or the outside consultant retained by us, be deemed a representation that any particular site is available or legally appropriate for use as a Franchised Store facility. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements. We will not be liable for any consequences of your choice of any franchise site.

4.4 If the Agreement represents your first Franchised Store and if no acceptable site for your Franchised Store is found and approved by the parties and opened for business within 18 months from the date of this Agreement we may terminate this Agreement and, in such an event, we will return to you payments received by us for this Agreement less $15,000, or if you fail to commence operations within 18 months for any other reason, then, upon 30 day's prior written notice from us and opportunity for you to cure, we may terminate this Agreement and we will return to you payments received by us for this Agreement less $35,000. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that we deem reasonable under the circumstances.

If this Agreement represents an additional Franchised Store, then the time to locate and approve and open for business an acceptable site will be ___ months from the date of this Agreement. If no acceptable site is found and approved by the parties for the additional site within this time period, or if your first Franchised Store has not opened within the time frames required by your franchise agreement for your first franchise, this Agreement will terminate without notice by either party to the other as of the expiration of the relevant time period. No portion of any payment paid by you to us for this Agreement will be refundable or returned to you. Upon termination pursuant to this Section 4.4, each party will be fully and forever released from any claims or causes of action the other party may have under or pursuant to this Agreement and any right, title or interest in this Agreement, the Marks or the System will automatically revert to us. Any failure to

commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that we deem reasonable under the circumstances.

4.5 You agree that promptly after obtaining possession of the site for the Franchised Store you will:

A. cause to be prepared and submit for our approval a site survey and any modifications to our basic generic architectural plans and specifications for your Franchised Store (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating). You may modify our basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes and permit requirements and only with prior notification to us and our written approval.

B. obtain all required zoning changes; all required building, utility, health, sanitation, and sign permits and licenses and any other required permits and licenses.

C. purchase or lease equipment, fixtures, furniture and signs as provided in this Agreement.

D. complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Franchised Store in full and strict compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements.

E. obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services.

F. otherwise complete development of and have the Franchised Store ready to open and commence the conduct of your business in accordance with the provisions of this Agreement, including those related to standards of quality and performance.

4.6 You will not relocate your Franchised Store without our prior written approval. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchised Store location. If we consent to the relocation, we will notify you of the date by which you must open the replacement Franchised Store location. In any event, you must open the replacement Franchised Store location for business within 12 months after closure of the existing Franchised Store. Any failure to commence operation of the replacement Franchised Store caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is deemed reasonable by us under the circumstances.

You may decide to relocate the Franchised Store location if:

- The lease for the site of the Franchised Store expires or terminates and cannot be renewed during the term of this Agreement;
- The site is destroyed, condemned or otherwise rendered unusable;
- In your and our judgment there is a change in character of the location of the Franchise Store sufficiently detrimental to your business potential to warrant its relocation; or
- You reasonably decide to relocate the Franchised Store location for cause.

If so, you may relocate the Franchised Store to another site within the Franchise Territory, if:

A You are not in breach of this Agreement;

B. Your lease was not ended by the lessor because of your breach of the lease agreement;

C. You evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;

D. You develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then current specifications and standards;

E. You pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchised Store" will include the relocated business site; and

F. You satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

4.7 We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

A. To use or license the use of the Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement.

B. To operate and grant to others the right to operate businesses outside the Designated Area on the terms and conditions that we deem appropriate.

C. To sell products or services anywhere, including within the Designated Area, through channels of distribution other than the Figaro's or Nick-N-Willy's retail business currently reserved to you in the Designated Area, including Internet, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

D. To establish, operate, own or franchise any business, including competitive businesses outside of the Designated Area.

E. To establish multi-area marketing plans, but you will have the option to deliver Figaro's products and services (if this Agreement is for a Figaro's franchise) within the Designated Area.

We and our parents, affiliates, predecessors and subsidiaries may establish, operate, own or franchise any business, including competitive businesses, anywhere, including within your Designated Area, using marks different than the "Marks" as defined in this Agreement. This includes outlets operated or franchised by our affiliate Schmizza International, Inc., using the Schmizza marks.

4.8 There are no limits on the area in which you or we may solicit, accept orders or sell goods or services, except as limited by any multi-area programs we establish (as defined in this Agreement); delivery and catering services as defined in this Agreement; our reservations of rights in the preceding subsection; or as otherwise limited by this Agreement.

5. EQUIPMENT, FIXTURES, FURNITURE AND SIGNS

5.1 We will provide you with specifications for brands and types of food and beverage preparation, identities of certain suppliers and service providers, approved products, recipes for certain menu items, cash registers, computer, equipment, fixtures, small wares, furniture, counters, freezers, signs, stationery, supplies, Multi-Area Marketing Programs, and certain other items and services. Our specifications may include minimum standards for performance, warranties, design and appearance and local zoning, sign and other restrictions. Except as otherwise provided in this paragraph and this Agreement, you may purchase or lease original and replacement equipment, fixtures, furniture, signs and decorating materials and services meeting our specifications from any source. However, all equipment that you purchase (except for items identified in the Operations Manual approved to be acquired used) must be newly manufactured, and not previously used or reconditioned. If you propose to purchase or lease any item of equipment or furniture or any fixture, sign or decorating materials not approved by us as meeting our specifications, you will first notify us. We then may require submission of sufficient specifications, photographs, drawings and/or other information and samples to determine whether the item of equipment or furniture or fixture, sign or decorating material meets our specifications. We will advise you in writing within a reasonable time whether the item of equipment or furniture or the fixture, sign or decorating material meets our specifications and may be used by you. You are required to purchase your initial interior and exterior signage from vendors we specify. Notwithstanding anything in this paragraph or this Agreement to the contrary, we reserve the right to designate exclusive suppliers (including third parties, us or our affiliates) for any products or services to ensure quality and uniformity of products, services, production, shipping and storage for the benefit of the franchise system.

5.2 You will comply with all specifications for brand and type of equipment used in the Franchised Store as provided in the provisions of this Agreement related to standards of quality and of performance.

5.3 Upon execution of this Agreement, if it represents your first Standard Figaro's or Nick-N-Willy's franchise unit purchase, you have paid to us $10,000 for the assistance (the "Franchise Coordination Fee") which was included in your Initial Franchise Fee. The Franchise Coordination Fee is not refundable under any circumstances. We will assist you in obtaining a complete equipment package. For any stores other than the first franchise unit you open, your purchase of our franchise coordination assistance is at your discretion. If you elect to obtain this assistance, you will pay the then effective fee to us prior to receiving our services. We will derive income from the Franchise Coordination Fee.

5.4 We will furnish to you standard construction plans and a schedule of interior finishes and equipment packages for the Franchised Store. Final construction and site plans

must be prepared by an architect we approve. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us prior to construction. All approvals will be solely within our discretion to maintain a uniform image and decor, consistent with Franchised Store system concepts.

5.5 You will comply within a time we deem reasonable with any requirement we impose to modify the layout, furnishings, fixtures, equipment, decorations, and décor of the Franchised Store. In any calendar year, the modifications will not result in direct out-of-pocket costs to you of more than **$**20,000, with a total maximum cap of not more than **$**35,000 over the term of this Agreement.

6. TRAINING AND ASSISTANCE

6.1 For your first Franchised Store, we (or the relevant master franchisee and its staff) will make training available to you and to your designated manager. You and your designated manager are required to attend and successfully complete the training to our satisfaction. This must be done before you open your franchise for business. The training course is two six-day weeks in duration and is conducted at a place that we will designate. The training program will cover material aspects of the operation of a Franchised Store, including financial controls, general bookkeeping procedures, food preparation, service and operational techniques, familiarization with recipes, marketing and advertising techniques, sanitation and maintenance procedures, deployment of labor, and maintenance of quality standards. If your designated manager ceases for any reason to be employed by you, you will appoint a new manager. We may require your new manager to attend and successfully complete the training course, at our then-published rates. All expenses incurred by you and your employees in attending any training, including without limitation, travel, room and board expense, will be your sole responsibility.

6.2 For a minimum of nine days but no more than fourteen days during the first one to two months of operation of your first Franchised Store (provided that store was not acquired by transfer), we will furnish to you, at your premises and at our expense, one of our representatives (which for all purposes under this Agreement may be one of our master franchisees) for the purpose of facilitating the opening of that Franchised Store. During this period, our representative also will assist you in establishing and standardizing procedures and techniques essential to the operation of your Franchised Store and will assist in training personnel. If you request additional assistance from us in order to facilitate the opening of the Franchised Store during the first month, and if we deem it necessary and appropriate to comply with the request and can reasonably allocate the necessary staff, you will reimburse us for the expense of us providing such additional assistance.

6.3 If we require, you must pass aptitude, qualification and food safety tests to our exclusive satisfaction. You must take these tests when we specify. If we determine in our sole discretion that you are unable to satisfactorily complete and pass the mandatory training program, any aptitude or other qualification testing we require, or are unqualified for any other reason, we will have the right to require you to attend the training school for a second time or to terminate this Agreement. You will pay to us $1,500 for attending the training school for a second time, and you will pay the cost of travel and living expenses for the persons attending the training. If you attend the second training and are unable satisfactorily to complete the program or remain unqualified, we will have the right to terminate this Agreement. If we terminate this Agreement pursuant to this paragraph, we will return to you the franchise fees you paid to us less $15,000 to help cover the expenses incurred by us and our lost opportunity costs. Upon return of this amount, we will be fully and forever released from any claims or causes of action you may have under or pursuant to

this Agreement and you will have no further right, title or interest in this Agreement, the Marks or the System.

6.4 For all of your Franchised Stores (including the first and all subsequent stores), each of your employees will complete a training program as prescribed in the Confidential Operations Manual. All such training programs will be conducted under the direction of you or your designated manager.

For your second franchised store, any additional stores, and transfers to a buyer who is a fully trained Figaro's manager/owner:

A. We will determine the extent to which, if any, on-site training and/or store opening support will be required. If we determine that such training is required, we or one of our master franchisees, or a qualified franchisee will provide the training at your expense, at your location, at our rates then published in the Operations Manual.

B. If we determine that attendance at our training school outlined in Section 6.1, above, is required for one or more individuals, this training will be completed to our satisfaction at a location we designate. You will pay us at our rates then published in the Operations Manual (currently $1,500) for attending training school and will pay the cost of travel and living expenses for the persons attending the training.

6.5 We may provide and may require that you and your managers and employees attend and successfully complete refresher training programs or seminars. These may be conducted at a location that we designate, and at your expense, at our then-published rates. However, attendance will not be required at more than one such program in any calendar year and will not exceed four days in duration for each program.

6.6 We may designate qualified franchisees or master franchisees to conduct some or all of your training.

6.7 In addition to the above training, we or the relevant master franchisee may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your Franchise Store location. If so, you will fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future.

7. PROPRIETARY MARKS

7.1 You acknowledge that we are the owner of all right, title and interest together with all the goodwill of the Marks. Your right to use the Marks is derived solely from this Agreement. Your rights are limited to the conduct of business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights in and to the Marks. You agree that all usage of the Marks by you and any goodwill established by your use of the Marks will inure to our exclusive benefit. This Agreement does not confer to you any goodwill or other interests in the Marks. You will never contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of the Marks. All provisions of this Agreement applicable to the Marks apply to any and all additional

trademarks, service marks, and commercial symbols that we authorize for use by you and that we license to you after the date of this Agreement.

7.2 You will not use any Marks or parts of any Marks as part of any legal entity or business name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You may not use any Marks in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You agree to give notices of trademark and service mark registrations as we specify. You will obtain fictitious or assumed name registrations that may be required under applicable law. You will not use any of the Marks in any manner that we have not specified or approved. You will not use the Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations manual and only for purposes of the franchise.

7.3 You will promptly notify us of any claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or legal entity to use the Marks or any colorable imitation of the Marks. You also agree to notify us of any action, claim or demand against you relating to the Marks or the System. We will have the sole right and duty to defend any such action. We will have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and will exercise that right in our sole discretion. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by us, you will cooperate with us and execute any and all documents and take all actions as may be desirable or necessary in the opinion of our counsel, to carry out such defense or prosecution. Both parties will make every effort consistent with the foregoing to protect, maintain, and promote the Marks, and their distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with the System) as standing for the System and only the System. We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks.

7.4 If it becomes advisable at any time, in our sole discretion, for us to modify or discontinue use of any Marks, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, you agree to comply with our directions within a reasonable time after we give notice to you. We will have no liability or obligation whatsoever to you with respect to the requirement that you modify or discontinue any Marks.

7.5 In order to preserve the validity and integrity of the Marks and copyrighted material, and to assure that you are properly employing them in the operation of your Franchised Store, we or our agents will have the right of entry and inspection of your premises and operating procedures at all reasonable times, as further outlined in Sections 14 and 15, below. We will have the right to observe the manner in which you are rendering your services and conducting your operations, to confer with your employees and customers, and to select Menu Items, ingredients, food and non-food products, beverages, and other items, products, materials and supplies for test of content and evaluation purposes to make certain that the Menu Items, ingredients, food and non-food products, services, materials, equipment and operations are satisfactory and meet our quality control provisions and performance standards.

7.6 You will not establish a presence on the Internet or on any other electronic, national or international medium using any domain name or address containing the word "FIGARO'S," "NICK-N-WILLY'S" or any similar word or mark. We retain the sole right to advertise on the Internet and create a Web site using the words "FIGARO'S" or "NICK-N-WILLY'S" in the domain name. We are the owner of all rights to domain names and directory addresses as we designate or use. "Internet" means any of one or more local or global interactive

communications media, that is now available, or that may become available, and includes web sites and domain names. Unless the context otherwise indicates, Internet includes methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.)

8. CONFIDENTIAL OPERATIONS MANUAL

8.1 We will loan to you during the term of the Franchise Agreement one copy of the Confidential Operations Manual related to your Franchised Store. It contains reasonable, mandatory and suggested specifications, standards, operating procedures and rules we prescribe for your store and information relative to your other obligations and the operation of your Franchised Store. The Marketing Manual is incorporated into the Operations Manual. Among other things, the Operations Manual may contain information, requirements and standards related to:

- Planning and consulting
- Site selection assistance
- Permitting and zoning assistance
- Hiring and employee management training and assistance
- Facility design assistance
- Tenant build-out assistance
- Furnishing and fixture design and standards
- Equipment standards and assistance
- Computer programs for point of sale, marketing, accounting, scheduling and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Management and employee training
- Marketing and advertising
- Standards, ongoing training and ongoing support
- Insurance guidance and standards

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Confidential Operations Manual contains our proprietary information. You will keep it confidential both during the term of this Agreement and after its expiration or termination. We will have the right to add to and otherwise modify the Confidential Operations Manual to reflect changes in the specifications, standards, operating procedures and rules we prescribe for your store, provided that no addition or modification will alter your fundamental status and rights under this Agreement. If you lose or misplace the Confidential Operations Manual, we will replace the Confidential Operations Manual and charge you a $500 fee for this replacement.

8.2 The Confidential Operations Manual will at all times remain our sole property and will promptly be returned upon the expiration or other termination of this Agreement.

8.3 You will at all times insure that your copy of the Confidential Operations Manual be available and maintained at the premises of the Franchised Store in a current and up-to-date manner with the amendments and updates that we provide to you. In the event of any dispute as to the contents of the Confidential Operations Manual, the terms of the master copy of the Confidential Operations Manual we maintain at our home office will be controlling.

9. CONFIDENTIAL INFORMATION

9.1 You acknowledge that your entire knowledge of the operation of the Franchised Store, including without limitation the System, Multi-Area Marketing Programs, Menu Items, Trade Secret Food Products, and other food products and other specifications, the Trade Secret Process, product formulae, standards and store operating procedures of a Franchised Store, are derived from information we disclose to you. You agree that such information is proprietary, confidential and our trade secret. These have substantial value and provide a competitive advantage to you. You agree that you will maintain the absolute confidentiality of all such information during and after the term of the franchise and that you will not use any such information in any other business or in any manner not specifically authorized or approved in writing by us. You will not reverse engineer, decompile or disassemble any items embodying the Trade Secrets, Trade Secret Process or Trade Secret Products.

9.2 You will divulge confidential information only to your employees that must have access to it in order to operate the Franchised Store. Any and all information, knowledge and know-how, including, without limitation, the Trade Secret Process, drawings, materials, equipment, techniques, store systems, product formulae, recipes and other data, which we designate as confidential will be deemed confidential for purposes of this Agreement. This will not apply to information that you can demonstrate came to your attention prior to disclosure by us; or which, at the time of disclosure by us to you, had become a part of the public domain, through publication or communication by others; or which, after disclosure to you by us, becomes a part of the public domain, through publication or communication by others.

9.3 Due to the special and unique nature of the confidential information, Marks, and Confidential Operations Manual, you agree and acknowledge that we will be entitled to immediate equitable remedies, including but not limited to, restraining orders and injunctive relief in order to safeguard our proprietary, confidential, unique, and special information and that money damages alone would be an insufficient remedy with which to compensate us for any breach of the terms of this Agreement related to the Marks, Confidential Operations Manual and our confidential information. Furthermore, you agree that all of your employees having access to our confidential and proprietary information agreements or our other proprietary information will be required to execute secrecy agreements containing confidential information provisions in the form acceptable to us.

9.4 The Operations Manual may contain guidelines to protect confidential information and Trade Secrets, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

9.5 Upon expiration or termination of this Agreement, you will immediately return to us all of our confidential information and Trade Secrets you have received, including any items that embody the confidential information and Trade Secrets. You acknowledge that you have no continuing ownership interest in the confidential information and Trade Secrets.

9.6 You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section entitled “Confidential Information” (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

9.7 You will assure that all communications and media connections with us and with your customers and access to financial information (especially bank account and credit card information) are at all times kept secure. This includes wireless, cable, internet, broadband or other communications and media connections. Your security measures must be in compliance with all legal requirements and, particularly, with all security requirements of the relevant banks and issuing credit card companies.

10. MODIFICATION OF THE SYSTEM

You agree that we may change or modify the System at any time. This may include the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, recipe changes, new menu items, new products, new equipment, new store designs or layouts or new techniques. You will use all of these changes in the System, as if they were part of this Agreement at the time of execution. You will make any expenditure made necessary by the changes or modifications in the System that we reasonably require. We will allow adequate replacement time for all major changes regarding the marks and signage for the System. You will not change, modify or alter in any way the System, without our written consent. Any such changes or proposed changes to the System will become our property.

11. ADVERTISING

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of Figaro’s and Nick-N-Willy's stores, you agree as follows:

11.1 Before you use any promotional and advertising materials, you will submit them to us or our designated agency, for our prior approval. This includes all information not previously approved by us pertaining to promotional materials and advertising you initiate, including, but not limited to, newspapers, radio and television advertising, specialty and novelty items, signs, boxes, napkins, bags and wrapping papers. In the event written disapproval of any such advertising and promotional material has not been given by us to you within 20 days from the date such information has been received by us, such materials will be deemed approved.

You will advertise your franchise in a dignified manner to enhance our System's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is

not in keeping with our reputation of quality and integrity, or degrades or debases the good will or reputation of the System, we will promptly notify you. You will immediately cease using any such material. This includes all advertising and promotional material previously approved by us pursuant to the preceding paragraph.

Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy any such failure and default will not be deemed a waiver of future or additional failures and defaults by you under this provision and/or any other provision of this Agreement. The submission of advertising information as required to us for approval will not affect your right to determine the prices at which you sell franchise products and/or services.

11.2 You will contribute to the advertising fund ("Advertising Fund" or "Fund"), three percent of your gross receipts, as defined in this Agreement. A 1% increase in your Advertising Fund fee, from 3% to 4%, will automatically be triggered by your failure to spend the minimum Local Advertising requirement or to report Local Advertising contributions on two consecutive occasions, as described below.

11.3 Your required payments to the Fund will be made at the same time and in the same manner as, and in addition to, the Continuing Licensing Fees provided in this Agreement. Such payments will be made in addition to and exclusive of any sums that you may be required to spend on local advertising and promotion. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual. Once you make contributions to the Fund, all Fund resources will be used as required and will not be returned to you. The Fund will be maintained and administered by us or our designee, as follows:

A. We will oversee all advertising programs with sole discretion over the creative concepts, materials and media used in such programs and their placement and allocation. You agree that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and that we and our designee make no representation and undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising funds.

B. We will, for each of our company-owned and affiliate-owned Figaro's and Nick-N-Willy's stores offering products and services similar to the Franchised Store, make contributions to the Fund equivalent to the contributions required of franchisees within the System.

C. You agree that the funds may be used to meet any and all costs of maintaining, administering (including accounting, collections, legal, occupancy and related costs), directing and preparing advertising including, without limitation, consumer and media research, and the cost of preparing and conducting print, television, radio, Internet, magazine and newspaper and other media, advertising campaigns and other public relations activities; employing advertising agencies to assist with; and providing promotional brochures and other marketing materials, services and guidance to franchisees in our franchise system. Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs are paid from the Advertising Fund. These will be

calculated at our cost as established from time to time. We will deposit all sums in our general accounts for the benefit of the Fund, provided however that we will segregate the sums administratively on our books, based upon the brand designation for each franchised store – whether, Figaro's or Nick-N-Willy's. We will not use the Fund to defray any of our operating expenses except for the reasonable administrative costs and overhead we may incur in activities related to the administration or direction of the Fund and advertising programs including, without limitation, conducting market research, preparing marketing and advertising materials, and collecting and accounting for the Fund. If the Fund has excess money, we may borrow from the Fund and will pay interest to the fund equal to the rate at which we may borrow on our line of credit or, if none exists, at the prime rate. If the Fund borrows money from us, it will be charged and will pay interest to us on the same basis.

D. Any Funds not expended in the fiscal year contributed will be applied and used for Fund expenses in the following year. Although we intend the Fund to be of perpetual duration, we maintain the right to terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended.

E. An accounting of Fund contributions and expenditures will be prepared annually and will be made available to you upon request. Such accounting may include an audit of the contributions to and expenditures of the Fund prepared by an independent certified public accountant selected by us, at the Fund's expense.

F. We will have the sole right to enforce your obligations and the obligations of all our other franchisees that contribute to the Advertising Fund. Neither you nor any other of our franchisees who are obligated to contribute to the Advertising Fund will be deemed a third party beneficiary with respect to the Fund or have any right to enforce any obligation to contribute to the Fund.

G. We may use portions of the Advertising Fund for co-op advertising programs. The terms and conditions required for participation in any co-op advertising program will be specified in the Operations Manual.

11.4 You will spend each calendar month on local advertising and promotion an amount equal to three percent of your gross receipts for the preceding calendar month. At our direction upon 30 days prior written notice, we can increase this amount to four percent of your Gross Receipts for the prior calendar month. You will make these expenditures directly, subject to our approval and direction or the direction of our designated advertising agency. On or before the 15th day of each month, or, at our sole discretion, less frequently, you will furnish to us, in a manner approved by us, an accurate accounting of the previous months' expenditures on local advertising and promotion, as well as tear sheets, invoices and other supporting documents as may be specified by us.

Out of this amount, we may require that at least, 0.125% of Gross Receipts be sent to us as a contribution to H.E.L.P. the charity or other charitable causes. This payment may be made by automatic account withdrawal or other automatic processes we specify in the Operations Manual.

If on two consecutive occasions you fail to timely submit an accounting to us or if the accounting you submit to us shows that your spending was below the minimum required, then the amount of your contribution to the Fund will immediately and automatically increase from three percent to four percent. If you, at some time thereafter, submit all delinquent accounting(s) to us and make up all spending shortfalls, and subsequently petition to have the Fund contribution restored to the original three percent, it will be restored so long as:

a) all other reports and payments you are required to make under this Agreement are current;

b) you have faithfully paid a minimum of four quarters at the four percent level; and

c) your accountings all have been timely and your minimum advertising commitments have been met throughout those four quarters.

You may only petition to have the Fund contribution restored to the original three percent one time.

Thereafter, if on two consecutive occasions you fail to timely submit an accounting to us or if the accounting you submit to us shows that your spending was below the minimum required, then your contributions to the Fund automatically will be increased to the four percent level and will remain at that level until the renewal of this Agreement.

11.5 We may designate a local, regional or national advertising coverage area in which your business and at least one other of our franchises using the same brand is located for purposes of developing a cooperative local or regional advertising or promotional program. The franchisees using the same brand in each advertising coverage area are members of the relevant brand Franchisee Local Advertising Committee ("FLAC") for their coverage area. Each FLAC is for all Figaro's franchisees or all Nick-N-Willy's franchisees in the relevant advertising coverage area. We establish FLAC rules in conjunction with our Franchisee National Advisory Board ("FNAB"), a council of our franchise owners elected (or in certain instances appointed by FNAB members) by our franchisees.

Currently, the FLAC rules provide, among other things, that the affirmative vote of at least two-thirds of the franchises represented by the relevant FLAC is required before the FLAC can spend or commit to spend any advertising funds controlled by that FLAC. Unless and until this approval is given, the FLAC's advertising funds will accumulate. This protects each individual franchisee by helping to insure that contributions to each FLAC are used in a manner deemed beneficial by at least two-thirds of the FLAC franchises. The FLAC may not return funds previously collected, nor may it elect not to collect funds.

You agree to participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area. The cost of the program will be allocated among franchisees in the advertising coverage area and each franchisee's share will be in proportion to its sales during the preceding 12 month period, or portion of this period, but we will not require that the aggregate of your contributions for local and cooperative advertising during any month exceed four percent of your gross receipts during that month. We will have the right to approve or disapprove the content of all advertising. Your contributions to cooperative advertising promotional programs may be taken as a credit toward the monthly local advertising and promotional expenditure required in this Agreement. "Advertising coverage area" will be defined as the area covered by the particular advertising medium (television, radio, or other medium) as

recognized in the industry. In the event of a disagreement, our determination of the coverage area will be final.

11.6 If this Agreement is for your first Standard Franchised Store, upon execution of this Agreement, you will deposit with us $12,500. This "Grand Opening Fee" will be used by us for your first Franchised Store solely for "Grand Opening" advertising within and around your Designated Area and for your primary benefit for a period that may be as short as 21 days and as long as approximately 60 days after the Franchised Store is opened. Approximately $2,000 to $2,500 of this fee will be allocated to acquiring materials required for your grand opening, such as balloons, and the remaining approximately $10,000 will be expended towards media, printing and other opening period advertising in your local market. Several mystery shopper visits may be paid from the Grand Opening Fund. For the second and each subsequent Standard, and for all other types of franchises, you will spend no less than $12,500 for Grand Opening advertising during the first 60 days or less from the scheduled store opening day.

Although our experience indicates that an initial grand opening campaign utilizing $12,500 followed by local advertising at the levels described in this Agreement is adequate in most cases, market conditions vary widely, both in terms of competition, familiarity with the take and bake concept and Figaro's, and in terms of media availability and costs. Depending on these and other conditions specific to your location, we may recommend, but will not require, that your marketing budget for the first year of operation substantially exceed levels required in this Agreement. Before you open your store, you will review the proposed campaign with our marketing department.

11.7 We may develop and market special promotional items that will be made available to you at our cost plus a reasonable mark up. You will maintain a representative inventory of these promotional items to meet public demand. You will have the right to purchase alternative promotional items provided that the alternative goods conform to the specifications and quality standards that we have and will establish. You must fully and accurately participate in, honor, accept and redeem all promotional and marketing materials that are authorized by us.

When required by relevant law, you will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of each program. Within five days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We may establish the programs in our sole discretion, and are under no obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or price of any promotional item established pursuant to any program.

11.8 We may establish and require you to join, participate in, and pay into, Multi-Area Marketing Programs. Multi-Area Marketing Programs include regional, national or international programs designed to increase business, such as multi-area customers, Internet, directory, affinity, vendor, and co-branding programs. These programs may require your cooperation (including refraining from certain channels of marketing and distribution), participation (including payment of commissions or referral fees), and adherence to maximum pricing to the extent permitted by law. All these programs are our confidential information.

When required by relevant law, you will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of each program. Within five days after receipt of the notice you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We may establish the discount or coupon programs in our sole discretion, and we are under no obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program. You must purchase, at a reasonable cost, marketing kits for Multi-Area Marketing Programs. The cost of marketing kits may be automatically deducted from your franchise bank account. We may specifically establish special discount or free coupon programs designed to increase sales volume, and you will participate if we require. You will in all respects, adhere to all elements of such Multi-Area Marketing Programs, including maximum pricing, to the extent permitted by law.

11.9 You agree to remit to us all rebates received from suppliers and distributors of any merchandise, products and/or supplies for use in or sale from the Franchised Store. Except with respect to the Franchise Coordination Fee, we agree to contribute all funds that we receive from supplier or distributor rebates generated as a result of franchisee purchases to the Fund for the benefit of the System.

11.10 You will maintain a business phone.

11.11 You will not advertise or use the Marks without following our then current guidelines and requirements. This will include the placement of appropriate copyright and registration marks or designations as we direct. You will not advertise or use in advertising or any other form of promotion, our trademarks, service marks or commercial symbols without appropriate © or ® copyright and registration marks or the designations ^{TM} or ^{SM} where applicable.

11.12 We employ purchasing staff for negotiating on products to be utilized in your store. In addition, we may use the services of third party firms that specialize in product procurement to negotiate on our behalf. The full costs, including travel, support, overhead and benefits of these personnel, and the fees charged by the third party firm, will be deducted from any rebates, commissions, free goods or other remuneration we receive based upon your purchases and the purchases of other franchisees. The balance, if any, will be contributed to the Fund. If the cost of these personnel exceeds the rebates, commissions, free goods and other remuneration, we will absorb the excess from our own accounts.

11.13 You specifically acknowledge and agree that any web site will be deemed “advertising” under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term “web site” means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, the Marks or us. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any web site, you agree to the following:

A. We will allow you to establish a web page as part of our web site.

B. You will not establish or use the web site without our prior written approval.

C. Before establishing the web site, you will submit to us a sample of web page format and information in the form and manner we may reasonably require.

D. In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us in the Operations Manual or otherwise in writing or on a franchisee forum intranet system.

E. If you propose any material revision to the web page or any of the information contained in the web site, you will submit the revision to us for prior written approval.

F. You may only offer approved products or services on your web site. Any web site changes made without our approval will put you in default of this Franchise Agreement.

G. You will turn ownership and control of the web site over to us upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination.

H. Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to the web site, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

I. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

You will use only approved key words, Meta tags and titles pertaining to our industry. We will e-mail or respond via facsimile approved key words, Meta tags and titles upon your request by e-mail or facsimile.

Subject to the terms of use on our web site, we may gather, develop and use in any lawful manner information about any visitor to web site, including but not limited to any of your customers regardless of whether they were referred to you via web site or were otherwise in contact with you.

If we establish an intranet or comparable on-line facility, you must utilize it in the manner required by us. You agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the intranet. You at your sole expense will

maintain and update as needed all computer system requirements and services necessary to access the intranet in the manner required by us.

Training and training materials may be delivered in the formats or media of our choosing, including but not limited to course books or training exercises on paper, video, CD-ROM or other electronic format, via web cast or an intranet. You will participate in the training and will be solely responsible for the cost of doing so, including costs of computer equipment and services needed to participate.

The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

12. CONTINUING LICENSING FEES AND LATE CHARGES

12.1 Commencing on the day the Franchised Store opens for business, you will pay to us without offset, credit or deduction of any nature, a weekly Continuing Licensing Fee equal to the greater of five percent of the gross receipts derived from the Franchised Store or the weekly Minimum Continuing Licensing Fee of $150. The Continuing Licensing Fee will be paid weekly in the manner specified below or as otherwise prescribed by us in the Operations Manual which may include automatic account withdrawal or other automatic processes we specify.

You will sign and submit to us a correct statement of your gross receipts; for the reporting periods and at times, on forms, and in a manner (including electronically) specified by us. The Continuing Licensing Fee payment will also be made at the times and in a manner (including electronically) specified by us. You will also submit other reports as reasonably requested by us, including without limitation, reports on food, labor, advertising and other operating costs. You will make available to us, in a manner (including electronically) specified by us, records that we reasonably request to ascertain your gross receipts. In order to facilitate electronic payments to us, upon demand, you will execute instructions and related forms provided by us and/or the institution at which you maintain your operating accounts and will maintain those instructions consistent with this section throughout the term of this Agreement. We may require that this be done prior to you commencing operations under this Agreement. If you fail to deliver any report in a timely fashion, we may unilaterally estimate the Continuing License Fee and Advertising Fees you owe and we may draw such fees from your accounts pursuant to automatic account withdrawal or other automatic processes we reasonably specify in the Confidential Operations Manual. The estimates will be based upon your historically reported gross receipts and our experience with other franchised and company owned locations. These withdrawals will be adjusted to reflect actual amounts owed, once reasonably determined.

12.2 All Continuing Licensing Fees, advertising contributions, amounts due for your purchases from us and our affiliates, and other amounts which you owe to us or our affiliates will bear interest after due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent per month. You acknowledge that this Section will not constitute agreement by us or our affiliates to accept payments after they are due or a commitment by us to extend credit to, or otherwise finance your operation of, the Franchised Store. Further, you acknowledge that your failure to pay all amounts when due will constitute grounds for termination of this Agreement, as provided in the provisions of this Agreement related to Default and Termination, notwithstanding the provisions of this paragraph.

You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you at the Franchise Premises, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement.

If any report is not made or any fee or any other amount due under this Agreement is not delivered or paid to us on or before the date due, you must pay a late fee of **$50,** or higher rates we establish in the Operations Manual, Nonpayment or non-delivery will be considered a material breach of this Agreement. Any resulting termination, interest due and service charges will be in addition to any other remedies we may have as a result of your default. If you are late in making any **2** payments of any Royalty Fee or Advertising Fee or any other amounts due under this Agreement, we may, at our option, require you to make all subsequent payments of Royalty Fees and Advertising Fees and any other fees or payments by means of a bank draft, automatic electronic transfer or wire transfer or other similar means of payment. On the basis of this Agreement and any other documentation that we may, in our discretion, require you to sign in advance, we will be authorized without any further grant of authority from you, to send a bank wire deducting the amount of your Fees from your bank account and deposit your Fees in our bank account. In the case of bank transfers, we are entitled to recover from you our costs in sending the bank draft, wire, or electronic transfer fee. If the bank draft, wire or electronic transfer is returned for insufficient funds or similar reasons, we may charge you a service charge at the highest commercially reasonable rate in addition to any transfer fees and costs incurred.

12.3 Notwithstanding any designation by you, we will have the sole discretion to apply any payments by you to any of your past due indebtedness for Continuing Licensing Fees, advertising contributions, purchases from us or our affiliates, interest or any other indebtedness.

13. ACCOUNTING AND RECORDS

13.1 You will maintain during the term of this Agreement (and will preserve for the time period specified in the Confidential Operations Manual) full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by us in the Confidential Operations Manual or otherwise in writing. You will retain during the term of this Agreement and for three years thereafter all books and records related to the Franchised Store, including without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals and general ledgers.

13.2 Within 90 days after the end of each calendar year, you will render to us a written statement, in the form that we will prescribe, of

- all receipts from the operation of the Franchised Store for the preceding calendar year,
- expenditures for advertising as required by this Agreement, and

- a statement of profit and loss for the prior calendar year.

You will certify these to be true and correct. In our sole discretion, we further may require and you will prepare and deliver to us within 30 days after our request, interim statements in the form and for the periods that we may specify. You will also deliver to us a copy of your federal income tax return at the time you file the return. You will also maintain and preserve during the term of this Agreement full and complete and accurate books and accounts prepared in accordance with generally accepted accounting principles.

13.3 You will submit to us other periodic reports, forms and records in the manner and at the time as specified in the Confidential Operations Manual or as we may otherwise require in writing.

13.4 You will record all sales on electronic cash registers or computer systems as are approved by us, or on other types of cash registers or systems as may be designated by us in the Confidential Operations Manual or otherwise in writing. We may require you to use an information processing and communication system and computer-based point-of-sale cash registers that are fully compatible with any program or system that we, in our discretion, may employ. We may require you to purchase hardware and software support and maintenance from providers specified by us. If we require, all financial information will be recorded and transmitted to us using our required systems and our designated ISP or other communication vendors. We may change our required systems at any time. We will have full access to all of your data, system and related information by means of direct access whether in person, or by telephone/modem. All of your franchise operations and sales information, including customer identification, revenue and credit data will be made available to us, our employees and our relevant master franchisees.

You will purchase, lease, or otherwise acquire, from sources we specify and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, web site vendors, video conferencing and cash registers) that strictly conform to all requirements, standards, and specifications we may set at any time, including coordination with consolidated systems used at co-branded locations. You must have these systems in operation at the Franchised Store prior to opening for business. You are required to have DSL or other high speed Internet service to your Franchised Store where we will be able to collect information from your point of sale computer system as well as download information to it, and where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have access to your computer systems and records. You must obtain a router we specify and obtain a static IP address from your telephone or cable service provider.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems'). We have taken reasonable steps against E-Problems. We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure systems (including firewalls, password protection and anti-virus systems), and to provide backup systems.

13.5 We or our designated agents will have the right at all reasonable times to examine and copy, at our expense, your books, records, and tax returns. We will also have the right, at any time, to have an independent audit made of your books and records at our expense. If an inspection reveals that any payments due to us have been understated, then you will immediately pay to us the amount understated upon demand, in addition to interest from the date the amount was due until paid, at the maximum rate permitted by law. If an inspection discloses an understatement in any report of five percent or more or if you fail to deliver any required report of gross receipts or any required financial statement in a timely manner, you will, in addition, reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies will be in addition to any other remedies we may have.

Our right to audit will include the right to examine books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner required by us. At any time we may specify and require you to obtain and use accounting systems and accounting/bookkeeping vendors we designate.

14. STANDARDS OF QUALITY AND PERFORMANCE

You will comply with the entire System including but not limited to:

14.1 You will commence operation of the Franchised Store not later than 18 months after the execution of this Agreement (or as otherwise required or approved in writing by us or as otherwise required or approved by this Agreement). If you fail to commence operations within the required time period for any reason, then, upon 30 day's prior written notice and opportunity to cure, this Agreement may be terminated by us and we will return to you payments received by us for this Agreement less $35,000. Prior to opening, you will have procured all necessary licenses, permits, and approvals, including but not limited to construction permits, will have hired and trained personnel, made all leasehold improvements, and purchased initial inventory.

Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is deemed reasonable by us under the circumstances.

14.2 You agree to maintain the condition and appearance of the premises of the Franchised Store consistent with our quality controls and then-current standards for new stores. You will portray the image of a store as an attractive, pleasant and comfortable facility conducive to quality service for your customers. You agree to effect any reasonable maintenance of the Franchised Store as is required to maintain or improve the appearance and efficient operation of the Franchised Store. This will include but not be limited to replacement of worn out or obsolete fixtures and signs, repair of the exterior and interior of the Franchised Store and redecorating. You will not make any change in the layout and decor of the Franchised Store without our prior written approval. If at any time in our judgment the general state of repair or the appearance of the premises of the Franchised Store or its equipment, fixtures, signs or decor does not meet our quality control and standards, we will so notify you, specifying the action to be taken by you to correct the deficiency. If you fail or refuse to initiate within 30 days after receipt of notice, and thereafter continue, a bona fide program to complete any required maintenance, then we will have the right, in addition to all other remedies, to enter upon the premises of the Franchised Store and

effect the repairs, painting, decorating or replacements of equipment, fixtures or signs on your behalf and you will pay the entire costs on demand. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs. Your obligation to initiate and continue any required maintenance will be suspended during any period in which the maintenance is impractical due to war, civil disturbance, natural disaster, organized labor dispute or other event beyond your reasonable control.

14.3 You will make no material alterations to the improvements of the Franchised Store nor will you make material replacements of or alterations to the equipment, fixtures or signs of the Franchised Store without our prior written approval. All alterations will strictly conform to specifications and requirements we establish or approve.

14.4 Unless we otherwise agree in advance in writing for a co-branded operation, the location of the Franchised Store approved by us in accordance with this Agreement will be used solely for the purpose of conducting either a Figaro's Franchised Store or a Nick-N-Willy's Franchised Store, as indicated in this Agreement above in the section entitled "Appointment and Franchise Fee".

14.5 You agree to offer for sale and sell at the Franchised Store all types of Menu Items, Trade Secret Food Products and other categories of food and beverage all products and only those products that we require and authorize. You agree not to offer for sale or sell at the Franchised Store or the premises which it occupies any other category of products or use the premises for any purpose other than the operation of a Franchised Store in full compliance with this Franchise Agreement. At our discretion, we may allow you to sell items other than Italian-related food products.

We have developed and own proprietary Trade Secret Food Products. The formulae and methods of preparation of the Trade Secret Food Products are our trade secrets. We have determined that in order to protect our trade secrets and to monitor the manufacture, packaging, processing and sale of Trade Secret Food Products, we will

(i) manufacture and supply our Trade Secret Food Products to you, and/or

(ii) disclose the formulae for and methods and preparation of the Trade Secret Food Products to a limited number of suppliers who will be authorized by us to manufacture Trade Secret Food Products to our precise specifications and sell our Trade Secret Food Products to you.

You acknowledge that you will be required to purchase Trade Secret Food Products from us or a limited number of suppliers authorized by us. We or our designees agree to sell to you the quantities of Trade Secret Food Products you require in the operation of the Franchised Store at prices in effect at the time of purchase. You and all Figaro's and Nick-N-Willy's businesses are required to use in your and their operations Trade Secret Food Products as designated by us. We have not in the past, but expressly reserve the right to sell, or earn rebates and fees from the sale by others licensed or authorized by us to sell, proprietary products on a wholesale basis for use in preparing products that will not carry a Figaro's or Nick-N-Willy's brand.

14.6 In order to ensure that all Menu Items that you produce meet our high standards of taste, texture, appearance and freshness, and, in order to protect our goodwill and proprietary Marks, you will prepare all Menu Items and Trade Secret Food Products, only by properly trained

personnel strictly in accordance with the Trade Secret Process and the Confidential Operations Manual. This includes without limitation, preparing all products in sight of your retail customers. You will sell only fully prepared products in conformity with our marketing plan and concept and only at retail to your customers, unless otherwise approved by us.

14.7 At any time, we may provide to you, identities of approved manufacturers, suppliers, service providers, and distributors and approved food and non-food products, recipes, fixtures, furniture, counters, freezers, cash register, equipment, signs, stationery, supplies, Multi-Area Marketing Programs, and other items or services necessary to operate the Franchised Store. We may also specify the products and services which we have approved to be carried or used in the System. We may revise the approved suppliers and the approved products and services at any time in our sole discretion.

14.8 All Menu Items and other food and beverage products and materials, containers, packaging materials, other paper and plastic products, menus, uniforms, forms, cleaning and sanitation materials, and other materials and services used in the operation of the Franchised Store will conform to the specifications and quality standards we establish. You may purchase products that meet our specifications and quality standards from us or suppliers approved by us as meeting our criteria for suppliers. If you propose to offer for sale at the Franchised Store location any brand of product, or to use in the operation of Franchised Store any brand of food ingredient or other material or supply, which is not then approved by us as meeting our minimum specifications and quality standards, or if you propose to purchase any product from a supplier that is not then designated by us as an approved supplier, you will first notify us and will upon our request submit samples and other information as we require for examination and/or testing or to otherwise determine whether the product, material or supply, or the proposed supplier, meets our specifications and quality standards. We may require you to pay us a charge not to exceed the actual cost of testing. We will notify you within a reasonable time whether we approve the product, material or supply, or the supplier. You may not use a proposed product, material, supply, or supplier without our prior written approval.

14.9 You will require all of your employees, while working in the Franchised Store, to wear a standard uniform as described in the Operations Manual and to present a neat and clean appearance. All uniforms will be properly laundered regularly and replaced when worn. We may change the standard uniform. You agree to adopt new uniforms and replace worn uniforms when necessary and bear the purchase price of them.

14.10 You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your patrons in accordance with the grooming and training requirements of the Operations Manual. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will in no way obligate us for expenses incurred in the operation of your franchise including labor costs. You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You are required to pay your employees and staff the wage prevailing (or in some areas a wage higher than the then prevailing wage) in your market area for employees with similar labor skills, people skills and similar job responsibilities.

14.11 There are no required quotas as to quantity of purchases you must make from us or from approved vendors. You must only have enough supplies on hand to meet customer demand. If you elect to purchase equipment, inventory, and supply items from us at our then current prices, payment must be made when you place your order. The items we offer may

include among other things equipment, merchandise, and supplies that bear the Marks. You may offer these mark bearing items only at the Franchised Store to retail customers.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE OF (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES**.

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

14.12 You, your family, employees, partners, principals, members, managers, directors and shareholders may not resell the products, supplies or equipment that you buy from us, nor any of our trade secret products, regardless of the source, that are used in the operation of your franchised business and may not use the products, supplies or equipment in the operation of any other business without our prior written approval, which may be withheld in our sole discretion.

14.13 You agree that all Menu Items and other designated food products will be prepared in accordance with recipes, techniques and processes designated by us. You acknowledge that the recipes, techniques and processes are integral to the System and failure to adhere to the recipes, techniques and processes will be detrimental to the System and the Marks.

14.14 You agree to follow the System and to fully comply with all of our mandatory specifications, standards, operating procedures and rules.

Mandatory specifications, standards, operating procedures and rules we prescribe in the Confidential Operations Manual or otherwise communicate to you, will constitute mandatory provisions with which you must comply. You will control your own employees and contractors. You will also take all steps necessary to maintain a safe and healthy environment for workers and customers.

Once you open the Franchised Store for operation, you will keep your franchise open continuously for business every day of the year, except for holidays we designate, during the hours specified or

approved in writing by us or required by the lease of the premises in which the franchise is operated. We may change these requirements as designated in the Operations Manual.

14.15 You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Store. You will operate the Franchised Store in full compliance with all applicable laws, ordinances and regulations, including without limitation all government regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, dispensing of food products, consumer protection, trade regulation, workers' compensation, unemployment insurance and withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes. You will not allow unlawful activities at the Franchised Store location or in relation to the Franchise and will not commit any act or sell, exchange, offer, hold, show, rent or permit to be sold, exchanged, offered, held, shown or rented any act, material or service you know or reasonably suspect to have been done or obtained in violation of law or to be otherwise unlawful or illegal. You agree to refrain from any merchandising, advertising or promotional practice that is unethical or that may be injurious to our business or to other Figaro's or Nick-N-Willy's operations or to the goodwill associated with the Marks.

14.16 You will in the operation of the Franchised Store use only displays, trays, boxes, bags, wrapping paper, labels, forms and other paper and plastic products imprinted with the Marks and colors as we prescribe.

14.17 You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived there from to us as well as to other franchisees using the System. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease and to timely pay all Continuing Licensing Fees and advertising fees pursuant to this Agreement. You authorize us to communicate with all the lease holders, suppliers, distributors, manufacturers and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, manufacturers and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement.

14.18 The Franchised Store will at all times be under your direct, on-premises supervision (or a trained and competent employee acting as a crew-leader or manager). Absentee ownership without our express written consent is not in your or our best interest and will be grounds for termination of this Agreement. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What constitutes proper operation will be in our sole reasonable discretion. In the event you operate more than one franchise, or in the event you do not devote your full time to conducting the Franchised Store, at least one trained and competent employee referred to above will act as a full-time manager. We, or the relevant master franchisee and its staff will make training available, as is reasonable and necessary, for all managers designated by you. We will provide this training at the then-current published rates.

14.19 While we have no general objection to the installation on the premises of the Franchised Store of any video games, juke boxes, gaming machines, games, rides, vending

machines or other similar devices, you are required to obtain our prior written approval prior to installation. You will not permit gambling, dancing, the operation of punch boards, lotteries, or raffles without our prior written consent.

14.20 You will notify us in writing within five days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Store.

14.21 You may elect to offer our approved methods of delivery service to your customers in the Delivery Area, including homes, schools, businesses and commercial accounts. To do so, you must fully comply with our policies and procedures as outlined in the Operations Manual related to delivery. You will obtain delivery vehicles and insurance meeting our requirements. Any unapproved delivery service or delivery methods you offer will be a violation of this Agreement and grounds for immediate termination of this Agreement.

14.22 We may enter the Franchised Store at reasonable times to verify your compliance with the terms of this Agreement. In doing so, we may:

A. inspect the Franchised Store;

B. observe your operation of the Franchised Store for any consecutive or intermittent periods deemed necessary;

C. interview your personnel and customers and co-branded partners;

D. inspect and copy any books, records, tax and other documents related to the operation of the franchise, any co-branded location and any other franchise information we may require; and

E. select items, ingredients, products and other materials, services, equipment, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations and interviews.

If the inspection reveals any violations or deficiencies in your compliance with the Operations Manual or this Agreement, you will be re-inspected to determine whether all reasonable efforts to correct non-compliance have been taken and will continue to be taken until such time as a cure is effected. If re-inspection shows continued violations or deficiencies, evidenced by a grade of "d" or "f" when scored with our evaluation tools, or a lack of reasonable effort to correct, a "Notice of Probation" will be issued.

Upon receipt of Notice of Probation, you will have ten business days to submit to us a detailed plan that outlines specific steps taken, or to be taken by you, to remedy the non-compliance. The plan must evidence your financial and personal commitment to accomplish full compliance within

not more than 30 days. If, in our judgment, the submitted plan is inadequate, we may prepare a compliance plan and furnish an Assistance Team to aid you to come within full compliance. All costs of the Assistance Team will be reimbursed to us by you to cover our travel, subsistence, employee gross employment salary, and other reasonable out-of-pocket expenses related to the Assistance Team. Further, necessary steps to bring the facility into compliance, as deemed necessary by the Assistance Team, and their related costs will be paid in full by you. You will remain on probation for six months after receipt of the Notice of Probation. During that period, if a subsequent inspection shows a lack of full compliance, meaning not receiving a grade of "c" or higher when scored with our evaluation tools, you may be declared in default and subject to termination of this Agreement.

15. OUR OPERATIONS ASSISTANCE AND STEP-IN RIGHTS

15.1 We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale. We may suggest prices to you and to the public for the sale of products and services, but you will not be required at any time to sell at or above our suggested prices.

We may set maximum prices in connection with Multi-Area Marketing Programs to the extent permitted by law.

15.2 Upon commencement of operation of the Franchised Store and during the term of this Agreement, we will provide to you a comprehensive list of established sources of equipment, foods, supplies and containers necessary for the operation of the Franchised Store and provide specifications for the products.

15.3 We may at our sole discretion:

A. Coordinate product distribution for local, regional and national suppliers; and

B. Regulate quality standards and products in conformance throughout our network of Franchised Stores.

15.4 We may advise you of problems arising out of the operation of the Franchised Store as disclosed by reports that you submit to us, by mystery shopper services or by inspections conducted by us of the Franchised Store. We may furnish you with this assistance in connection with the operation of the Franchised Store as is reasonably determined to be necessary by us. Operations assistance may consist of advice and guidance with respect to:

A. Proper utilization of procedures regarding the service and sale of all Menu Items and other food and menu items, and related items and materials as approved by us;

B. Training, dress, general appearance and demeanor of Franchised Store employees;

C. Additional products and services authorized for your Franchised Store;

D. Purchase of ingredients and other food and beverage items, materials and supplies;

E. The institution of proper administrative, bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of a Franchised Store; and

F. Advertising and promotional programs.

15.5 We will make periodic visits to the Franchised Store for the purposes of providing consultation, assistance, and guidance to you in any aspects of the operation and management of the Franchised Store. We or our representatives who attend at the Franchised Store will prepare, for the benefit of both us and you, written reports in respect to our visits outlining any suggested changes or improvements in the operations of the Franchised Store and detailing any defaults in your operations which become evident as a result of our visits, and a copy of each written report will be provided to both us and you.

We may employ mystery shoppers and others to shop your Franchised Store to measure performance. If your performance does not meet our specifications as outlined in the Operations Manual, you may be required to pay us the then current cost of the mystery shopper service as outlined in the Operations Manual. In addition, several mystery shopper visits may be funded from the Grand Opening Fund.

15.6 All of the specifications, approved manufacturers, distributors and suppliers lists, approved merchandise, products, materials and supplies lists, training and operations manuals to be provided by us to you pursuant to this Agreement will be available within the later of three months after execution of this Agreement or when you attend training.

15.7 Our Step-In Rights. The parties want to prevent any operation or interruption of the franchise that would cause harm to the franchise or to the System and lessen their value. Therefore, you authorize us to step in to operate the franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Thirty days after exercising our step-in rights, we will re-evaluate your then-current status. At our discretion, we will either operate the store for an additional 30-day period or turn the store back over to you. In turning the store back over to you, we do not waive our rights to step back in the future. We may do so without waiving any other rights or remedies that it may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any taxes or assessments against the franchise or property used in the franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; your business activities are having a negative impact upon the value of the System or we decide that significant operational problems require us to operate the franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through contract agents. If you have a loan for the franchise that is guaranteed by the Small Business Administration, our right to step-in will be limited to a **60** day period unless otherwise requested or agreed with the lending bank at that time. Thirty days after exercising our step-in rights, we will re-evaluate your then-current status. At our discretion, we will either operate the store for an additional 30-day period or turn the store back over to you. In turning the store back over to you, we do not waive our rights to step back in the future.

All revenue from our operation of the franchise will be for your exclusive account. We will pay from that revenue all expenses, debts and liabilities we incur during our operation of the franchise. This will include our personnel and administrative costs, plus 15% to cover overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims you owe to any creditor or employee of the franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all revenue generated by the operation of the franchise, less the expenses of operation.

We will have no obligation to retain any employee of the franchise, or to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all acts, omissions, damages, or liabilities arising during your operation of the franchise and we agree to hold you harmless for all acts, omissions, damages or liabilities arising during our operation of the franchise.

Our operation of the franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

16. INSURANCE AND CASUALTY

16.1 You will procure at your expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting you and us, and our respective officers, directors, partners and employees, against any loss, liability, food borne illness, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with the Franchise, as we may reasonably require for our and your protection. We will be named an additional insured in the policy or policies. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

16.2 The policy or policies will be written by a financially responsible insurance company satisfactory to us in accordance with standards and specifications set forth in the Operations Manual or otherwise in writing, and will include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified for all franchisees in the Operations Manual or otherwise in writing) the following:

A. All risks coverage insurance on the Franchised Store and all vehicles, fixtures, equipment, supplies and other property used in the operation of the Franchised Store, for full repair and replacement value of the machinery, equipment, improvements and betterments, without any

applicable co-insurance clause except that an appropriate deductible clause will be permitted. In the event of damage covered by insurance, the proceeds of the insurance will be used to restore the Franchised Store to its original condition as soon as practicable, unless restoration is prohibited by the appropriate lease or applicable law, or we have otherwise consented in writing.

B. Workers' Compensation and employer's liability insurance as well as any other insurance that may be required by statute or rule of the state in which the Franchised Store is located and operated.

C. Comprehensive general liability insurance and product liability insurance with limits of ONE MILLION Dollars ($1,000,000) combined single limit for death, personal injury and property damage, including the following coverages: broad form contractual liability, food borne illness liability, personal injury (employee and contractual inclusion deleted); products/completed operation; and fire; insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Store, provided that the required amounts may be modified by us at any time to reflect inflation or future experience with claims; and provided, further, that the insurance afforded by the policy or policies respecting liability will not be limited in any way by reason of any insurance which may be maintained by us.

D. Business interruption insurance for actual losses sustained.

E. If you elect to offer delivery services and are approved by us, automobile liability insurance, including owned, non-owned, leased and hired vehicle coverage, with a combined single limit of at least ONE MILLION Dollars ($1,000,000) for death, personal injury and property damage.

F. If applicable, liquor liability (dram shop) insurance, with a combined single limit of at least ONE MILLION FIVE HUNDRED THOUSAND Dollars ($1,500,000) for death, personal injury and property damage.

G. Any additional insurance and types of coverage that may be required by the terms of any lease for the Franchised Store, or that may be required by us. This includes our discretion to raise or lower coverage amounts and limits, deductibles, etc. as outlined in the Operations Manual.

16.3 The insurance afforded by the policy or policies respecting liability will not be limited in any way by reason of any insurance which may be maintained by us. Within three months of the signing of this Agreement, but in no event later than the date on which you acquire an interest in the real property on which you will develop and operate the Franchised Store, you will furnish to us for our approval a Certificate of Insurance showing compliance with the above requirements. The certificate will state that the policy or policies will not be canceled or altered without at least 20 days prior written notice to us and will reflect proof of payment of premiums. Maintenance of such insurance and your performance of the obligations under this Section will not

relieve you of liability under the indemnity provision set forth in this Agreement. We may modify the minimum limits required above, as conditions require, by written notice to you.

16.4 Should you, for any reason, not procure and maintain the insurance coverage as required by this Agreement, we will have the right and authority (without, however, any obligation to do so) immediately to procure the insurance coverage and to charge it to you. The charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, will be payable by you immediately upon notice.

16.5 The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in Revenue.

16.6 If the Franchised Store is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

A. continue to pay Licensing and Advertising Fund fees based upon the monthly average paid for the preceding 12 month period or based upon the proceeds of any Business Interruption recovery you receive, whichever is greater,

B. immediately notify us,

C. repair or rebuild the Franchised Store following our then current specifications, and

D. reopen the Franchise for continuous business operations when practicable (but in any event, within one year after closing of the Franchised Store). You will give us not less than 30 days advance notice of the date of re-opening.

If the Franchised Store does not re-open within one year, this Agreement will terminate upon 30 days written notice from us to you.

17. COVENANTS

17.1 You covenant that during the term of this Agreement and any renewal terms, except as otherwise approved in writing by us, you will devote full time, energy, and best efforts, to the management and operation of the business franchised under this Agreement. If you are a legal entity or partnership, an owner of a majority interest of 50.1% or more of you will devote full time, energy, and best efforts, to the management and operation of the business franchised under this Agreement.

17.2 You agree that you will at all times faithfully, honestly and diligently perform your obligations. You will not engage in any business or other activities that will conflict with your obligations under this Agreement. During the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of their or your immediate families or households (who have access to or knowledge of the Operations Manual or System), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any restaurant, store, prepared food business or other establishment dispensing, promoting or selling

the following products or services (depending on whether this Agreement is for a Figaro's store or a Nick-N-Willy's store):

A. For a Figaro's store: pizza, calzones or Italian food products, or any other business that sells or offers to sell food products or services, prepared the same as or similar to those sold in the System, except for existing stores or establishments owned by you and specifically identified in writing in Exhibit 1, and signed by us, or as otherwise approved in writing by us.

B. For a Nick-N-Willy's store: pizza, salads, desserts or any other business that sells or offers to sell food products or services, prepared the same as or similar to those sold in the System, except for existing stores or establishments owned by you and specifically identified in writing in Exhibit 1, and signed by us, or as otherwise approved in writing by us.

This covenant also applies for a period of two years after expiration or termination of the Agreement, except that the restrictions contained in this paragraph will be limited during the post term period to:

- within the franchise premises,
- within the Designated Area,
- within a ten mile radius of the Designated Area,
- within a ten mile radius of any of our other franchisees or of any of our company owned stores, and/or
- within a reasonable distance of any other location where we could reasonably expect to establish a franchise territory or company store during the two-year period after the franchise is terminated or expires.

We may waive this covenant only in writing.

17.3 You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of two years after expiration or termination of this Agreement do not:

A. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment;

B. employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment; nor

C. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Marks and System.

If, for any reason, any provision set forth in Sections 17.2 or 17.3 is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded, provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than five percent of the outstanding securities of the corporation.

We may require you to obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

17.4 You further agree not to divulge to any person, partnership, or legal entity any information, trade secrets, the ingredients, recipes, techniques and processes, used in the Trade Secret Food Products, beverages and other food products and menu items used in the System or any information stated in the Confidential Operations Manual.

17.5 You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section entitled “Covenants” (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 17 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 17.

You agree that the existence of any claims you may have will not constitute a defense to our enforcement of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which we are a party, You expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We

may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of our confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

17.6 We have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 17.2 and 17.3 in this Agreement without your consent, effective immediately upon receipt by you of written notice, and you agree that you will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 21.

17.7 The provisions in Sections 17.2 and 17.3 relating to interests in any other business will not apply to ownership by you of less than five percent beneficial interest in the outstanding ownership of any legal entity which is registered under the Securities Exchange Act of 1934 (provided that you hold these securities for investment purposes only).

17.8 We will have the right to require all of your personnel performing managerial or supervisory functions and all personnel receiving special training from us or from the relevant master franchisee and its staff, to execute similar covenants in a form satisfactory to us.

18. DEFAULT AND TERMINATION

18.1 Automatic Termination. Among other things, you agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination, and that this Franchise Agreement and any other related agreements and franchise agreements between the parties will terminate automatically upon delivery of written notice of termination to you, if you or your owner(s), officer(s), or key employee(s):

A. Fail to timely commence business (including finding a suitable location for operation of the franchise and opening a conforming store that complies

with all our standards, decor and equipment), or fail to satisfactorily complete the training program.

B. Have made any material misrepresentation or omission in the application for the franchise or with respect to ownership of the franchise. If you misrepresented yourself and are a competitor of ours or a competitor of an affiliate of ours, then we may keep all initial franchise fees paid by you, cancel training and terminate this Agreement.

C. Are convicted of, plead guilty to or plead no contest to a felony, or other crime or offense that is likely to adversely affect the reputation of you, the Marks, the System or the Franchised Store.

D. Make any unauthorized use, disclosure or duplication of any portion of the Confidential Operations Manual or duplicate or disclose or make any unauthorized use of any trade secret or the System, or Marks.

E. Abandon the Franchised Store; or fail to operate the Franchised Store for five consecutive business days in any 12 month period, unless the Franchised Store has been closed for a purpose approved by us or due to a cause beyond your control; or fail to relocate to approved premises within an approved period of time.

F. Surrender or transfer control of the operation of the Franchised Store, make an unauthorized direct or indirect assignment of the franchise or an ownership interest in you.

G. Submit to us on two or more separate occasions at any time during the term of the franchise any reports or other data, information or supporting records which understate by more than five percent the Continuing Licensing Fees for any period of, or periods aggregating, three or more weeks, and you are unable to demonstrate that the understatements resulted from inadvertent error.

H. Commit any affirmative act of insolvency, or file any petition or action of insolvency or bankruptcy, or for appointment of a receiver or trustee, or make any assignment for the benefit of creditors, or fail to vacate or dismiss within 60 days after filing any such proceedings commenced against you by a third party, become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:

(i) timely undertake to reaffirm the obligations under this Agreement;

(ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and

(iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code;

provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

I. Materially misuse or make an unauthorized use of any Marks or commit any act which can reasonably be expected to materially impair the goodwill associated with any Marks.

J. Fail on three or more separate occasions within any period of 12 consecutive months to submit when due reports or other information or supporting records, to pay when due the Continuing Licensing Fees, advertising contributions, amounts due for purchases from us, our affiliates or suppliers, or other payments due to us or our affiliates, or otherwise fail to comply with this Agreement, whether or not your failures to comply are corrected after we deliver notice to you.

K. Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more 30-day or 5-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to this Agreement, whether or not you had corrected your earlier failures to comply after we delivered notice to you.

L. Allow the franchise or Franchised Store to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for 30 days (unless a supersedes or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within 5 days of the levy.

M. Violate any health, safety or sanitation law, ordinance or regulation or operate the Franchised Store in a manner that presents a health or safety hazard.

N. Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.

O. Fail to pay any Franchise, Royalty, or Advertising fees or other amounts owed pursuant to this Agreement within **5** days after receipt of written notice that the fees or amounts are overdue.

18.2 Termination after Notice and Opportunity to Cure. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

If any payments to us, our affiliates or vendors of Trade Secret Food Products, are late by more than 5 business days, we may order all Trade Secret Food Product deliveries withheld from you until the payments are received. In addition, we may terminate this Franchise Agreement and any other related agreements and franchise agreements between the parties if you fail or refuse to make payments of any amounts due to us or our affiliates for Continuing Licensing Fees, advertising contributions, purchases from us or our affiliates or any other amounts due to us or our affiliates, and do not correct the failure or refusal within 5 business days after written notice of the failure is delivered to you.

Among other things, you agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination, and that we may terminate this Franchise Agreement and any other related agreements and franchise agreements between the parties if you breach any other term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within 30 days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame. Among other things, we will have good cause to terminate if you or your owner(s), officer(s), or key employee(s):

A. Fail to obtain our agreement on a site for the Franchised Store.

B. Fail to successfully complete the mandatory training programs, including any additional refresher courses or training.

C. Fail to begin full and continuous operation of the franchise within the time prescribed in this Agreement or fail to continue operation after opening.

D. Fail to provide weekly statements of gross receipts, provide monthly and annual financial statements, maintain financial records pertaining to the franchise, and permit inspections and audit by us on request.

E. Fail to remove from the Franchised Store signs or materials prohibited by the Operations Manual.

F. Transfer all or part of the franchise or of the Franchised Store without first obtaining our prior written permission.

G. Fail or refuse to comply with any other provision of this Agreement or of the Operations Manual (including any changes, additions, or modifications to it), or of any authorized specification, standard, policy or operating procedure we prescribe, and do not correct the failure within 30 days (or provide proof acceptable to us that you have made all reasonable efforts to correct the failure and will continue to make all reasonable efforts to cure

until a cure is effected if the failure cannot reasonably be corrected within 30 days) after written notice of the failure to comply is delivered to you.

18.3 To the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, the provisions will, to the extent they are not in accordance with applicable law, not be effective, and we will comply with applicable law in connection with each of these matters. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any mediation, action, arbitration, hearing or dispute relating to this Agreement or the termination of it.

18.4 In addition to our right to terminate this Agreement, and not in lieu of that right or any other rights against you, in the event that you will not have cured a default under this Agreement within the 30 days after receipt of the written "Notice to Cure" from us, we may, at our option, enter upon the premises of the Franchised Store and exercise complete authority with respect to the operation of the business until we determine that your default has been cured and that there is compliance with the requirements of this Agreement. You specifically agree that a designated representative of ours may take over, control, and operate the business. You will pay us a service fee of not less than SIX HUNDRED Dollars ($600) per day plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it will be required by the representative to enforce compliance herewith. In addition, if you breach any provision of this Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of $1,000 to help defray our administrative and corporate costs related to the breach and remedy.

18.5 Termination by You. If you have been and remain in full compliance with this Agreement, and we materially breach this Agreement, you may give us written notice of the breach and 90 days' opportunity to cure. If we have not cured our material breach within this 90 day period, you may terminate this agreement. Provided, however, that you will be bound after termination by all provisions of this agreement that expressly or by reasonable implication survive the termination, including your duty to cease business, not compete, to keep trade secrets confidential, and to indemnify us for any claims.

19. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration, this Agreement and all rights granted to you under this Agreement will forthwith terminate, and:

19.1 You will immediately cease to operate the Franchised Store under this Agreement. You will not thereafter, directly or indirectly, represent to the public or hold yourself out in your business operations as our present or former franchisee.

19.2 We may, upon notice to you, require assignment of your interest in any lease then in effect for the franchised store premises. Upon us exercising our right to assume the lease and providing notice to you, the lease automatically will be deemed assigned to us.

19.3 You will immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the trademarks, service marks and trade names "FIGARO'S", "FIGARO'S PIZZA," "NICK-N-WILLY'S," "NICK-N-WILLY'S PIZZA" and any Marks and distinctive forms, slogans, signs, symbols, logos, or devices associated with the System. In particular, you will cease to use,

without limitation, all signs, advertising materials, stationery, forms, and any other articles which display the Marks.

19.4 You will assign to us or our designee any assumed name rights or equivalent registration filed with state, city, or county authorities that contains the name "FIGARO'S", "NICK-N-WILLY'S" or any of our other Marks. You will furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement.

19.5 You agree not to use any reproduction, counterfeit, copy or colorable imitation of the Marks either in connection with any other business or the promotion of such other business, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Marks. You further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. You will make such modifications or alterations to the premises operated under this Agreement (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between us or the System and any other business subsequently operated by you or others. You will make such specific additional changes as we may reasonably request for that purpose, including, without limitation, removal of all distinctive physical and structural features identifying the System. Until all modifications and alterations are completed, you will maintain a conspicuous sign in a form we specify stating that you are no longer associated with us. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning you that you are no longer associated with us. In the event you fail or refuse to comply with the requirements of this Section 19, we will have the right to enter upon the premises where your Franchised Store was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at your expense, which expense you agree to pay upon demand.

19.6 You will promptly pay all sums owing to us, our affiliates and suppliers. In the event of termination for any default by you, these sums will include all damages, costs, and expenses, including reasonable attorneys' fees, we incur as a result of the default.

In addition, we may claim and recover damages from you for any material breach, including ongoing Continuing Licensing Fees, Advertising Funds and other payments required by this Agreement. The Continuing Licensing Fees payable will be computed as an average of the Continuing Licensing Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Continuing Licensing Fees for less than six months, the average will be of the weekly Continuing Licensing Fees payable by you during the period of operation. The calculated Continuing Licensing Fees will be due for the balance of the term of this Agreement.

Termination or expiration of this Agreement will not prejudice to any other rights or remedies that we have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages, including lost revenue for the duration of the term of this Agreement.

19.7 You will pay to us all damages, costs and expenses, including reasonable attorneys' fees, we incur subsequent to the termination or expiration of the franchise for the enforcement of this Agreement.

19.8 You will immediately turn over to us all manuals, including the Confidential Operations Manual, customer lists, records, files, instructions, brochures, agreements, disclosure

statements, and any and all other materials provided by us to you relating to the operation of the Franchised Store (all of which are acknowledged to be our property).

19.9 We will have the right, title and interest to any sign or sign faces bearing our Marks. You acknowledge our right to access the premises of the Franchised Store if we elect to take possession of any sign or sign faces bearing our Marks.

19.10 At our option, you must do some or all of the following:

1. Remove all Franchise-related equipment, furnishings, and inventory from the Franchise Premises;

2. Sell the equipment, furnishings, and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a **10%** restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;

3. Assign to us the lease for the Franchise Premises and ownership and control of any web site you own or control;

4. Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within **5** business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Salem, Oregon by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers. If we elect to exercise any option to purchase as provided, we will have the right to set off all amounts due from you under this Agreement, and the cost of the appraisal, if any, against any payment therefore.

19.11 You acknowledge that the rights to all telephone numbers, and facsimile numbers, electronic mail, addressing domain names and Internet addresses used in the operation of the Franchised Store constitute assets of the Franchised Store. Upon termination or expiration of this Agreement you will assign to us or our designee, all your right, title, and interest in and to your telephone and facsimile numbers and electronic mail addresses, domain names and Internet addresses. You will notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number and any regular, classified or other telephone directory listing associated with the Marks and will authorize a transfer of same to us or at our direction.

If we have authorized you to use the Marks in connection with the Internet, any website, or e-mail address, you will at our option cancel or assign to us or our designate all of your right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Marks in whole or in part and you will notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies of the termination of your right to use any domain name, web page and other Internet device associated with us or the franchise, and you will authorize and instruct their cancellation or transfer to us, as directed by us. You are not entitled to any compensation from us if we exercise these rights or options. Nothing in this subsection will be deemed to permit you to use the Marks in connection with the Internet, except with our prior written consent as provided in this Agreement.

19.12 You will continue to comply with all provisions in this Agreement that by their terms or by reasonable implication survive the Agreement, including covenants relating to non-competition, non-disclosure of trade secrets, indemnity, and non-transfer of assets.

You agree that upon termination or expiration of this Agreement for any reason, any and all of our obligations to you under this Agreement will immediately cease and terminate and any and all of your rights under this Agreement will also immediately cease and terminate.

20. TRANSFERABILITY OF INTEREST

20.1 We can assign and transfer this Agreement and all rights under this Agreement and the assignment or transfer will be binding upon and inure to the benefit of our successors and assigns.

20.2 You may assign or transfer this Agreement and all rights under this Agreement subject to the following conditions and requirements, and our consent and right of first refusal:

20.2.1 You, or owners of any interest in you, may not, without our prior written consent, transfer or encumber any interest in this Agreement or assets of or interest in the franchised business or in any entity that owns any interest in the franchise. You may not, without our prior written consent, fractionalize any of your rights granted pursuant to this Agreement. Any attempted assignment of any of your rights not having our consent will be null and void and will constitute a material default under this Agreement.

We have the right, but not the obligation and without any liability to you, to make available for inspection by any proposed transferee identified by you of all or any part of this Agreement and of our records related to our relationship with you and to your activities and performance under this Agreement. You specifically consent to such disclosure and agree to hold us harmless from any claim, loss or injury that might result from inspection of our records by your intended transferees.

20.2.2 We will not unreasonably withhold or delay our consent to any transfer referenced in this Agreement when requested; provided, however, that the following conditions and requirements will first be met to our full satisfaction.

20.2.2.1 If you desire to transfer your rights to an affiliated entity:

A. The transferee entity will be newly organized and its charter will provide that its activities are confined exclusively to acting as a franchisee as licensed under this Agreement;

B. You will be and will remain the owner of or under common control of at least 50.1% of the voting and equity interest of the transferee legal entity;

C. Your designated trained manager and owner will remain the designated trained manager and owner of the new entity;

D. The transferee entity will enter into a written assignment (in a form satisfactory to us), in which the transferee entity assumes all of your obligations under this Agreement;

E. All owners of the transferee entity will enter into a written agreement, in a form satisfactory to us, jointly and severally guaranteeing the full payment and performance of the transferee entity's obligations to us (you and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement). You, as an owner of the entity agree separately and personally, for yourself and for your successors, heirs and personal representatives, to act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding;

F. Each certificate of ownership of the transferee entity will have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer is subject to, all restrictions imposed upon assignments by this Agreement;

G. No new shares of ownership in the transferee entity will be issued to any person or entity without obtaining our prior written consent;

H. All of your accrued money obligations to us, our subsidiaries or assignees, will be satisfied prior to transfer.

20.2.2.2 If the transfer is a transfer other than to an affiliated entity:

A. The transferee(s) will be of good moral character and reputation and will have a good credit rating and competent business qualifications reasonably acceptable to us. You will provide us with such information as we may require to make such determination concerning each such proposed transferee(s). Because we will have a strong and vested interest in the financial viability and ongoing management

abilities of the transferee, we will require a review of transferee's operational and business plans demonstrating that the transferee's business operations will work on a cash flow and financial basis in light of the operational history of the subject franchise. The required transfer procedures and policies to effect the transfer are contained in the Operations Manual. We need not consent to a transfer to a competitor of ours nor to a transfer that occurs before the opening of the subject store for operation.

B. The transferee(s) or such other individual(s) as will be the actual manager of the franchise will have successfully completed and passed the training course then in effect for franchisees, or otherwise demonstrated to our satisfaction, sufficient ability to operate the unit being transferred.

C. The transferee(s), including all shareholders, owners, officers, directors and partners of the transferee(s), will jointly and severally execute any or all of the following, at our sole discretion and as we will direct:

1. A new Franchise Agreement and other standard ancillary agreements with us on the then current standard forms being used by us. The new Franchise Agreement may contain economic and general terms that are materially different from those contained in this Agreement, except that additional initial franchise fees will not be charged. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect; and

2. A written assignment from you in a form satisfactory to us, where transferee will assume all of your obligations under this Agreement.

D. Our approval of any transfer by you of the franchise granted or any of your rights under this Agreement will in no way be deemed a release by us of your obligations pursuant to this Agreement. Our consent to a transfer of the franchise will not constitute or be interpreted as consent for any future transfer of the franchise.

E. The term of the agreements that the transferee(s) must execute will be for the unexpired term of this Agreement or for a new full term as we will elect.

F. If transferee is an entity:

1. Each certificate of ownership the transferee entity will have conspicuously endorsed upon it a statement that it is held subject to, and that further

assignment or transfer is subject to, all restrictions imposed upon assignments by this Agreement;

2. No new shares of ownership in the transferee entity will be issued to any person or entity without obtaining our prior written consent; and

3. All owners of the transferee entity will guarantee the performance of the transferee entity of all obligations under this Agreement.

G. All of your accrued money obligations to us, our subsidiaries, affiliates or assignees, will be satisfied prior to assignment or transfer, and you will not be in default under the terms of this Agreement. Also, you will have paid all ascertained or liquidated debts concerning the franchise.

H. You and we, prior to the transfer, will execute a mutual general release, in a form we prescribe

20.2.3 You will have fully paid and satisfied all of your obligations to us, and the transferee or you will have fully paid to us a transfer fee of the greater of $10,000 or two percent of the gross proceeds from the sale of the Franchised Store. If the transfer is to one of your management team members or to another operating and fully compliant Franchised Store, the transfer fee may be reduced to $5,000 if we determine that no training is required for the transferee. If the transfer is to an immediate family member (spouse or children over 21 years of age) or is an assignment of interest to an affiliated entity under Section 20.2.2.1 of this Agreement, the transfer fee may be reduced to $500 if we determine that no training is required for the transferee. The transfer fee will be paid upon the transfer of each Franchise Agreement transferred by you. In addition, you will pay us an eight-percent commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.

20.2.4 No sale, assignment, transfer, conveyance, encumbrance, or gift of any interest in this Agreement or in the franchise granted by this Agreement, will relieve you and the shareholders or partners participating in any transfer, of the obligations of the covenants contained in Section 17, except where we will expressly authorize in writing.

20.2.5 In an instance in which an existing operating Figaro's or Nick-N-Willy's store franchise is acquired by transfer, we will provide our basic training course or substitute onsite training appropriate to the knowledge and experience base of the acquiring transferee. This training may be provided by the relevant master franchisee and its staff. The standard in-store franchisor support provided to new owners in Section 6 will NOT be provided to transferee, in light of the fact that the store requires no grand opening. In addition, the grand opening advertising provided in this Agreement will NOT be provided.

If this Agreement is for your first Franchised Store, you are prohibited from acquiring an interest or control of any existing operating Figaro’s or Nick-N-Willy's franchised store until you have opened the Franchised Store covered by this Agreement and until the store has been in operation for a minimum of 180 days and subject to the other terms of this Agreement related to acquiring or transferring franchise ownership interests.

20.3 You must give us 30-days written notice prior to any proposed sale or offer to sell by you. You or we may request more time to comply with any applicable state or federal franchise disclosure laws. You agree to indemnify and hold us harmless for your failure to comply with this Section.

20.4 In addition to the requirement that you give us written notice before any proposed sale or offer to sell by you, you must promptly give us written notice whenever you have entered into a contract to sell your business or any part of the business, which sale will be contingent on our consent and waiver of our right of first refusal. We will have the right of first refusal contained in this Agreement.

20.5 Unless we otherwise agree in writing, no part of the franchise or your business may be transferred until the Franchised Store is fully open and in operation, and no transfer may relate to a store that is no longer in operation. If the lease or sublease for the Franchised Store requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchised Store the transferee. All fixtures and equipment at the Franchised Store must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place. The transferee must agree in writing with any third party leasing company to accept any outstanding lease on equipment or other furnishings or you will resolve such leases and remove that equipment or furnishings from the Franchised Store.

If the Franchised Store is not current on all requirements of the System, you or the transferee must to bring the unit into 100% compliance within 60 days of the transfer. This includes refurbishing and remodeling the Franchised Store, and refurbishing, remodeling, and replacing the fixtures, equipment and signage to conform to the current Operations Manual and System.

21. YOUR DEATH OR INCAPACITY

21.1 In the event of your death or incapacity if you are an individual (or any partner of you if you are a partnership, or any shareholder owning 50% or more of the capital stock of you if you are a legal entity), the heirs, beneficiaries, devisee, or legal representatives of the individual, partner or shareholders, will, within 180 days of the event:

A. Apply to us for the right to continue to operate the franchise for the duration of the term of this Agreement and any renewal terms, which right will be granted upon the fulfillment of all of the conditions set forth in this Agreement for transfers other than to an affiliated entity (except that no transfer fee will be required); or

B. Sell, assign, transfer, or convey your interest in compliance with the provisions of Sections 20.2 and 22 of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the 180 days to sell, assign, transfer or convey will be computed from the date of the rejection. For purposes of this Section, our silence on an application made through the 180 days following the event of death or incapacity will be deemed a rejection made on the last day of such period.

C. In the event of your death or incapacity if you are an individual, or any owner of you if you are a legal entity, where the provisions of Section 20

have not been fulfilled within the time provided, all rights licensed to you under this Agreement will, at our option, terminate and automatically revert to us.

22. RIGHT OF FIRST PURCHASE AND RIGHT OF FIRST REFUSAL

22.1 You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your Franchised Store. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your Franchised Store. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within **30** business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third party purchaser on better terms to that purchaser than we offered to you, you are obligated to re-offer to us pursuant to the below paragraphs. You are obligated before any transfer to a third party to comply with all criteria set forth in this Section entitled “Right of First Purchase and Right of First Refusal” and the Section entitled “Transferability of Interest”.

22.2 If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchised Store, a majority interest in ownership of you, or substantially all of the assets of the Franchised Store, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within **6** days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within **30** days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not accept the offer within **30** days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the Section of this Agreement entitled "Transferability of Interest”. If the Franchise is not transferred by you within **6** months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

23. INDEPENDENT CONTRACTOR: INDEMNITY

23.1 This Agreement does not constitute you as our agent, legal representative, joint venturer, partner, employee, or servant for any purpose whatsoever. It is understood between the parties that you will be an independent contractor and are in no way authorized to make any contract, agreement, warranty or representation on our behalf, or to create any obligation, express or implied, on our behalf. You acknowledge that you are not in a fiduciary relationship with us.

23.2 In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the premises of the franchised location and on any delivery vehicles that you use, a statement that clearly indicates that the business is independently owned and operated by you as a franchisee and not as our agent. You will maintain employee records to show clearly that you and your employees are not our employees.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

23.3 You agree to defend at your own cost and to indemnify and hold us harmless, as well as our shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise, including the sale or delivery of any food products, service or merchandise sold from or through the Franchise, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. Subject to the provisions of this Agreement pertaining to our Step-In Rights, we will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award based upon the adjudicated and assigned respective degree of fault. These losses, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in the Franchised Store, delivery vehicles, equipment, or any other product or good, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, our respective agents or employees, or any third person, firm or legal entity. However, you need not indemnify us for losses or claims caused wholly through our active negligence or intentional misconduct or any of our agents or employees.

23.4 Employees. You are exclusively responsible to train and make sure your employees and independent contractors meet the standards, specifications and procedures outlined in the Operations Manual. You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part.

A. You will control your own employees and independent contractors. We will not have the power to hire, fire, direct, supervise, or discipline them. You will maintain employee records to show clearly that you and your employees are not our employees.
B. You must comply with all state and federal laws in respect to your employees. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement. You must indemnify and hold us legally harmless from any of your violations of such laws.
C. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You are responsible for any employee wages and

compensation, payroll taxes and other required withholding, worker's compensation and benefits.

D. You are exclusively responsible to monitor the scheduling, performance, efficiency, and efficacy of your employees and independent contractors and to make adjustments to improve the results of their efforts.

E. If you decide to share employees or independent contractors with other franchisees, then you will indemnity and hold legally harmless us (and our affiliates, officers, directors, employees and agents) from any claims, losses, attorney fees and damages resulting from such activities. You acknowledge that this provision does not constitute an endorsement to share employees with other franchisees.

F. You are responsible to train and to make sure your employees and independent contractors meet the standards, specifications and recommendations outlined in the Operations Manual, including those related to appearance, customer service, background checks, and drug testing (as applicable). You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your customers.

G. All employees and independent contractors whose duties include customer service must have sufficient literacy and fluency in the English language to serve the public.

H. You may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.

I. All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you and not directly to your employee or independent contractor.

24. NOTICE AND MISCELLANEOUS

24.1 NON-WAIVER

Our failure to exercise any power reserved to us under this Agreement, or to insist upon your strict compliance with any obligation or condition, will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our waiver of any particular default by you will not be binding unless in writing and executed by the party sought to be charged and will not affect or impair our rights with respect to any subsequent default of the same or of a different nature. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment(s) due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

Unless otherwise expressly provided to the contrary, our consent, acceptance, approval or authorization you may be required to obtain may be given or withheld by us in our sole discretion, and on any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or

circumstance meets our standards or satisfaction, we may do so in our sole subjective judgment and discretion.

24.2 NOTICES

All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested or by Federal Express or other reputable air courier service. They may be delivered personally at any location and receipted. Notices will be delivered to you at the Franchised Store, to us at the address set forth below or to other locations specified in writing. Notices sent by certified or registered mail will be deemed to have been delivered and received three business days following the date of mailing or one business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available.

The following are the addresses of the parties unless and until a different address has been designated by written notice to the other party:

Notices to us: Figaro's Italian Pizza, Inc.
1500 Liberty Street S.E., Suite 160
Salem, Oregon 97302

Notices to you: _____
_____
_____

24.3 ENFORCEMENT OR DEFENSE

The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action, including previously incurred mediation fees. "Prevailing party" means the party who recovers the greater relief in the proceeding as determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. Attorney fees willl include, without limitation, fees incurred in the following: (a) post judgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third party examinations; (d) discovery; and (e) bankruptcy litigation. This subsection is intended to be expressly severable from the other provisions of this agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

In the event that one party to this Agreement is required to employ legal counsel or to incur other expenses to enforce any obligation of the second party, or to defend against any claim, demand, action, or proceeding by reason of the second party's failure to perform any obligation imposed upon the second party by this Agreement (and provided that legal action is filed and such action or the settlement of such action establishes the second party's default) then the first party will be entitled to recover from the second party the amount of all reasonable attorney's fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to, or in preparation for, or in contemplation of the filing of such action or thereafter.

Any judicial proceeding between two or more of the parties will be governed by the following limitations:

A. Such judicial proceeding will be considered unique as to its facts and may not be brought as a class action. You and each of your owners waive any right to proceed against us by way of class action. The court will not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other judicial or arbitration proceeding involving any other franchisee. Each party waives the right to claim that a prior disposition of the same or similar issues precludes such independent determination.

B. The parties agree that a judicial proceeding will be tried before the court sitting without a jury, notwithstanding any State or Federal constitutional or statutory rights. Each party waives any right to have any action tried by jury.

C. Except with respect to obligations regarding use of the Marks, the Operations Manual and confidential information, the parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained.

You recognize the unique value and secondary meaning attached to our methods, our names and marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of our methods of operation or names and marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

Our and your rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude exercise or enforcement of any other right or remedy which a party to this Agreement is entitled by law to enforce.] [No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.]

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If any such event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

Except with respect to the parties' obligation to indemnify each other as outlined in this Agreement, we and you and our respective principals waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other (including lost profits incurred as a result of any termination of this Agreement) and agree that, in the event of a dispute between you and us, the party making a claim shall be limited to equitable relief and to recovery of any direct or general damages it sustains.

24.4 ENTIRE AGREEMENT

This Agreement, any exhibit attached to this Agreement, and the documents referred to in this Agreement, will be construed together and constitute the entire, full and complete agreement between us and you concerning the subject matter, and supersede all prior agreements. No other representation has induced you to execute this Agreement, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied in

this Agreement, which are of any force or effect with reference to this Agreement or otherwise. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we delivered to you. No previous course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. No amendment, change or variance from this Agreement will be binding on either party unless executed in writing by both parties.

The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

24.5 SEVERABILITY AND CONSTRUCTION AND OTHER AGREEMENTS

Each Section, part, term and/or provision of this Agreement will be considered severable. If, for any reason, any Section, part, term and/or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such will not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement. The latter will continue to be given full force and effect and bind the parties; and the invalid sections, parts, terms and/or provisions will be deemed not part of this Agreement. Provided, however, that if we determine that the finding of illegality materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than us or you and our and your respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision of this Agreement, as though it were separately stated in and made a part of this Agreement, that may result from striking from any of the provisions any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

All captions in this Agreement are intended solely for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

This document including any exhibits attached to this Agreement and the documents referred to in this Agreement will be construed together and constitute the entire agreement between the parties. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No

salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

This document supersedes all communications and negotiations between the parties that relate to the subject matter of this Agreement. No previous course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

The words "will," “shall’ and "must" used in this Agreement indicate a mandatory obligation.

The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement. Neither this Agreement nor any uncertainty or ambiguity will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all the parties. We and you intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

All captions and headings are for reference purposes only and are not part of this Agreement.

This Agreement may be executed in triplicate, and each copy so executed will be deemed an original. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

1. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.
2. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement.

If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

If you or any of your shareholders, partners, or officers violate any material provision of this or any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and each of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you and we enter into a release, such as for a transfer or renewal, the release will be in substantially the following form:

> You (and your owners, members, partners, officers, and directors) and we will agree to the following mutual general release, subject to and following laws applicable in your jurisdiction, to release you from any claims we may have against you and us from any claims you may have against us:
>
> In consideration of the mutual covenants and understandings set forth in this release agreement, you and we do release and discharge the other and their respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under your franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement").
>
> You and we do release and forever discharge the other and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of this release agreement.
>
> You and we represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of this release agreement, including economic loss.
>
> It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement, including all effects and consequences.
>
> These releases are intended to waive, release and discharge all claims, other than these expressly reserved:
>
> > any future claims we may have against you for: your past, present or future violation of the post-termination covenants in your Prior Franchise Agreement and [fill in blank as appropriate]_____
> >
> > any future claims you may have against us for: [fill in blank as appropriate]_____
>
> with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

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.

You and we waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

24.6 TIME IS OF THE ESSENCE

Time and strict performance are of the essence of this Agreement. (“Time is of the essence” is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

24.7 APPLICABLE LAW AND VENUE

This Agreement takes effect upon our acceptance and execution of it in Oregon, and it will be interpreted and construed under the laws of Oregon, which laws will prevail in the event of any conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15, U.S.C. Sections 1051 et seq.) and except in those states whose franchise laws require exclusive application of those laws..

This Agreement will be governed by the substantive laws of Oregon without regard to Oregon choice of law provisions. Provided, however, that any law of the state of Oregon that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section. This choice of laws will not include and does not extend the scope of application of any Oregon franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding and all issues or disagreements relating to this agreement will be mediated, arbitrated, tried, heard, and decided in Salem, Marion County, Oregon, which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of our franchise network.

The parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

Nothing contained in this Agreement will bar our right to obtain injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If applicable law will imply such a covenant, the parties acknowledge and agree that:

A. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;

B. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Figaro's businesses generally (including us, our franchisees and parties related to us) and specifically without considering your individual interests or the individual interests of any other particular franchisee;

C. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you; and

D. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

If, at any time during the term of this Agreement, you consist of two or more persons (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person.

24.8 NEGOTIATION AND MEDIATION

Any dispute arising out of or relating to this Agreement will first be the subject of good faith negotiation between the parties. If good faith negotiations do not resolve the dispute, then before taking any other legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the Franchise Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial franchise business disputes. Mediation will take place in Marion County, Oregon. The parties agree to equally share the costs of mediation.

The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

Except where either of us believes it is necessary to seek equitable relief to preserve the goodwill of our respective businesses (including, but not limited to, the enforcement of obligations upon termination of this Agreement and the covenants not to compete contained in this Agreement), we each agree to enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between us, prior to initiating any legal action against the other.

1. Upon written notice by either of us to the other of our desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section did not exist, or, at its option, make the selection of the organization to provide mediation services. If one of us selects an organization that is unwilling to serve as mediator, then the other one of us may select the organization. Once the organization is designated and agrees to accept the appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to us and to you. The mediation will be held within thirty days following receipt by the mediation organization of notification that its services are requested. If you and we cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both of us, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least five years of experience in franchise law. You and we will equally share the cost of the mediator. The mediator will select the location for the mediation, but unless we both agree otherwise, mediation will be held in Marion county Oregon.

2. Except for the matters identified above where you or we are permitted to bring an action without first mediating the dispute, if either party initiates litigation without complying with their obligation to mediate in accordance with this paragraph (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section), then upon petition of whichever of us has a lawsuit proceeding brought against us, the court will dismiss the litigation without prejudice, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to the attorneys' fees and costs the party seeking dismissal incurred. If the court refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation will be responsible for all attorneys' fees and costs incurred throughout the litigation by the other party as damages for failing to comply with the provisions of this Section.

3. The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree,

however, that the mediator's recommendations and decision shall not be binding on the parties.

4. If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

The mediator will be disqualified as a witness, expert or counsel for any party with respect to the matters in dispute and any other matter related to this Agreement. Mediation is a compromise negotiation and will constitute privileged communications under all applicable laws. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation. Nothing contained in this Agreement will bar the right of either party to seek and obtain temporary injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that will cause loss or damage, pending completion of the mediation.

24.9 CAVEAT

The success of the business venture contemplated to be undertaken by you by virtue of this Agreement is speculative and depends, to a large extent, upon your abilities as an independent businessman or businesswoman, and your active participation in the daily affairs of the business as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated.

24.10 EXECUTION IN COUNTERPARTS AND OUR ACCEPTANCE

This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within 60 days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

24.11 ACKNOWLEDGEMENTS

You acknowledge that:

- you have received, read and understood this Agreement and our Franchise Disclosure Document; and

- we have fully and adequately explained the provisions of each to your satisfaction; and

- we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement; and

- you believe that you are making a good decision based upon what you believe is your ability to operate and control a business of your own.

- you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in California, Maryland, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin). In addition, you acknowledge either:
    - receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
    - if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

  You acknowledge that:

Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

1. supports terrorism,
2. provides money or financial services to terrorists,
3. receives money or financial services from terrorists or institutions that support terrorists,
4. is engaged in terrorism, or
5. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

You represent and warrant that:

Neither you nor any of your owners or agents conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime,

including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("Patriot Act") and any amendments or successors thereto.

Neither you, any of your owners nor any employee or agent is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control (currently, this list is published under the Internet website address: www.treasury.gov/offices/enforcement/ofac/), and that you are neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or your owners or agents act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You agree that you will notify us in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this subsection incorrect.

You understand and have been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at: www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at: www.epic.org/privacy/terrorism/usapatriot/), and you acknowledge the importance to us, the Method of Operation and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to us or any government, that is made part of any applicable law or regulation. You will take all reasonable steps to require your consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

You acknowledge that:

A. You have conducted an independent investigation of the business contemplated by this Agreement and recognize that it involves business risks making the success of the venture largely dependent upon your business abilities. Except as specifically disclosed in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received or relied upon any warranty or guarantee, express or implied, as to the potential volume, profits, earnings or success of the business venture contemplated by this Agreement.

B. As an inducement to your entry into this Agreement, that you have made no misrepresentations in obtaining this Agreement.

C. You have no knowledge of any representations by us, or our officers, directors, shareholders, employees, agents or servants about the business contemplated by this Agreement that are contrary to the terms of this Agreement.

D. You have investigated the potential of the market area in which you are to establish and operate the Franchised Store. You agree that the initial franchise fee represents fair consideration for the opportunity to establish and operate the Franchised Store.

E. You are aware of the fact that some present and future Figaro's and Nick-N-Willy's franchisees may operate under different forms of agreement and, consequently,

that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

F. We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

G. A franchise involves hard work and sometimes long hours, similar to most small businesses that are owner-operated. You acknowledge that we have not represented that this business is going to be easy for you.

H. You are able to devote your full time and best efforts in the day-to-day operations of your Franchised Store or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of the franchised business.

The parties, intending to be legally bound, have duly executed this Agreement the day and year first above written.

("We, Us"): FIGARO'S ITALIAN PIZZA, INC.

By:_____
Title:_____

All owners of you if you are an entity must sign here in their individual capacities and are bound personally to your obligations in this Franchise Agreement. In addition, a duly authorized officer or owner must sign on behalf of any business entity.

("You"):_____
___

By:_____

Title:_____

Signature: _____

Print Name:
_____,
an individual

Signature: _____

Print Name:
_____,
an individual

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

FACT SHEET

FIGARO'S ITALIAN PIZZA, INC.

1500 Liberty Street SE
Salem, OR 97302
(503) 371-9318

Franchisee: _____

Address: _____

_____

Phone: _____

Entity Type: _____

Date of Formation or Incorporation: _____

Principals and Owners of Franchisee Entity and Home Addresses (use other pages if necessary): _____

_____

Description and Address of Existing Restaurants Pursuant to Section 17.2 _____

_____

Consent of Franchisor:

By _____

Title: _____

Date: _____

Check Type of Franchise Purchased:

_____ **Figaro's**
- a. Take and bake only: _____
- b. Delivery/take out: _____
- c. Dine-in: _____

_____ **Nick-N-Willy's**
- a. Delivery/take out: _____
- b. Dine-in: _____

Insert When Known:

Store Number: _____

Store Address: _____

_____

Phone Number: _____

Franchise Disclosure Document Date: _____

Franchise Agreement Date: _____

Store Manager: _____

Home Phone: _____

Designated Area (Franchise Agreement 2.2): If either the Designated Area or the location for your Franchised Store has not been determined when this Agreement is executed, you are responsible for selecting the site for the Franchised Store within an area in the United States of America that is legally available pursuant to state and federal franchise disclosure and registration laws and pursuant to contractual commitments with other Figaro's and Nick-N-Willy's franchisees, and in compliance with our franchise placement, market development and demographic criteria.

EXHIBIT 2 TO STANDARD FRANCHISE AGREEMENT
EXPRESS ADDENDUM

(FOR EXISTING FRANCHISEES)

This Addendum is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97309-0575 ("we, us") (if the Franchise Agreement is for a Figaro's or Nick-N-Willy's franchise) and _____

_____

_____ (jointly and severally "you").

We and you further agree as follows:

1. **Franchise Agreement**. All of the terms defined in the franchise agreement will have the same meaning when used in this agreement. Except as modified by this express agreement, all provisions in the franchise agreement will apply to the operation of the express location.

2. **Grant of Rights**. We grant to you the right during the term of the franchise agreement to operate one of the following (once initialed by an authorized franchisor officer):

(____) a. One pushcart or vending cart or other mobile store

(____) b. One kiosk or other modular store

(____) c. One reduced size store or counter with limited production and storage

3. **Location and Opening**. Any express facilities must be within your designated area as described in the franchise agreement in relation to the full service store, unless another location is expressly authorized. The location will be (fill in when known): _____.

Express stores do not have any exclusive or designated area apart from that designated area described in the franchise agreement in relation to the full service store.

4. **Initial and Ongoing Fees.** You deposit with us the sum of $12,500 to acquire the rights granted. There is no other initial fee for this express agreement. A separate express agreement must be signed and fee paid for each express store. Gross receipts from your operations pursuant to this agreement will be combined with gross receipts from your operations under the franchise agreement for all purposes, including calculation and payment of ongoing fees and payments under the franchise agreement.

5. **Modification of Franchise Agreement and Standards.** Certain of the procedures set forth in the Standard Franchise Agreement relating to obtaining a location, site surveys, plans, permits, fixtures, furniture, equipment and signs may not be directly applicable because you will utilize smaller space and limited baking facilities. Nevertheless, you will attempt to comply with these provisions of the Franchise Agreement as are reasonably applicable to your co-branded store, including submitting to us for our prior approval all construction plans, and proposed lease or license agreements. You acknowledge that you must fully comply with the applicable operating agreements and standards relating to any license or lease with a mall, or premises operator, such as a franchise agreement and lease. In such event, you will supply us with copies of all contracts

with the owner, landlord and operator. We may have entered into a separate agreement with a chain or landlord relating to reciprocal development or co-branding rights, and you will abide by the obligations in such separate agreement to the extent that these obligations are made known to you. Our training and assistance specified in the Franchise Agreement will be of shorter duration at our discretion, taking into account the reduced franchise fee and your reduced baking facilities. We and you may mutually agree to modify our standards and specifications to be consistent with the methods of operation of the type of Express store.

6. **Termination.** We may terminate this Agreement separately from the Franchise Agreement, on any of the bases for termination provided in the Franchise Agreement, but should the Franchise Agreement be terminated or expire, then this Agreement will automatically terminate. In addition, if we decide, in our sole discretion to discontinue the Express program, you may be given three years' written notice of the termination of your rights. Upon termination or expiration, you will abide by all post-termination covenants in the Franchise Agreement, including your obligation to discontinue operation of the Express location.

The parties have executed this Agreement on _____, 20____.

("We, Us"): FIGARO'S ITALIAN PIZZA, INC. or ("You"):

By: _____

Its: _____

_____
your printed name

_____
your signature

_____
your signature

_____
(Address)

_____
(City, State)

All owners of an entity franchisee must sign. Attach additional pages if necessary.

EXHIBIT 3 TO STANDARD FRANCHISE AGREEMENT
CO-BRANDING ADDENDUM

(FOR FRANCHISEES AND OPERATORS OF OTHER CHAINS OR OUTLETS)

This Addendum is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") (if the Franchise Agreement is for a Figaro's or Nick-N-Willy's franchise) and _____

_____

_____

(jointly and severally "you").

We and you are parties to a Franchise Agreement dated _____, 20____.

We and you further agree as follows:

1. **Franchise Agreement**. All of the terms defined in the Franchise Agreement will have the same meaning when used in this Addendum. Except as modified by this co-branding addendum, all provisions in the Franchise Agreement will apply to the operation of the co-branded store.

2. **Grant of Rights.** You currently operate, or intend to operate, a retail outlet, whose primary trademarks are: _____. We grant you the right to operate a co-branded Figaro's or Nick-N-Willy's store (as specified in the Franchise Agreement in the Section entitled "Appointment and Franchise Fee") to be operated in, within or adjacent to that outlet.

3. **Location and Opening.** The co-branded Franchised Store must be within or adjacent to your outlet facility. The location will be (fill in when known): _____

_____

_____. This co-branded Franchised Store does not have any exclusive or designated area protection.

4. **Initial Fee.** You deposit with us the sum of $17,500 to acquire the rights granted. There is no other initial fee for the Franchise Agreement or this co-branding addendum. A separate franchise agreement and co-branding addendum must be signed and fee paid for each co-branded store.

5. **Modification of Franchise Agreement and Standards.** Certain of the procedures set forth in the Standard Franchise Agreement relating to obtaining a location, site surveys, plans, permits, fixtures, furniture, equipment and signs may not be directly applicable because you may utilize space within your existing chain outlet. Nevertheless, you will attempt to comply with the provisions of the Franchise Agreement that are reasonably applicable to the co-branded store, all provisions of the Operations Manual that relate to co-branded stores, and all other relevant standards, including submitting to us for our prior approval all remodeling plans and proposed lease or sublease agreements. If you are an operator, owner, or franchisee of the chain, you acknowledge that you must fully comply with the applicable operating agreements and standards relating to the chain, such as a franchise agreement and lease. In such event, you will supply us with copies of all contracts with the owner, landlord and operator of the chain. We may have entered into a separate agreement with the chain relating to reciprocal development or co-branding rights, and you will abide by the obligations in such separate agreement to the extent that these obligations are made known to you. Our training and assistance specified in the

Franchise Agreement will be of shorter duration at our discretion, taking into account the reduced franchise fee and your experience in operating an existing chain outlet. We and you may mutually agree to modify our standards and specifications to be consistent with the methods of operation of the outlet in which the Franchised Store is located. We waive our right after termination or expiration to purchase assets of the store.

The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Confidential Operations Manual to take into consideration the needs and requirements of the co-branded location. If the Franchised Store is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to Figaro's or Nick-N-Willy's related sales (as applicable). If the Franchised Store location is located in a co-branded location, we may enter upon the Franchised Store location at reasonable times to interview co-branded partners and to inspect and copy any books, records and documents related to the co-branded location in order to verify your compliance with the terms of the Franchise Agreement. The Operations Manual contains additional information about co-branded locations.

6. **Termination.** We may terminate this Co-Branding Addendum separately from the Franchise Agreement, on any of the bases for termination provided in the Franchise Agreement. If you cease to operate the outlet, then the Franchise Agreement and this Addendum will terminate effective on the date of the cessation (unless we expressly agree otherwise in writing). In addition, if we decide, in our sole discretion to discontinue the co-branding program, you may be given three years' written notice of the termination of your rights. Upon termination or expiration, you will abide by all post-termination covenants in the Franchise Agreement, including your obligation to discontinue operation of the co-branded store.

The parties have executed this Co-Branding Addendum on _____, 20____.

("We, Us"): FIGARO'S ITALIAN PIZZA, INC. ("You")

By: _____ _____
your printed name

Its: _____ _____
your signature

_____
your signature

_____
(Address)

_____
(City, State)

All owners of an entity franchisee must sign. Attach additional pages if necessary.

EXHIBIT 4 TO STANDARD FRANCHISE AGREEMENT
RETAIL PREMISES ADDENDUM

This Addendum is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") (if the Franchise Agreement is for a Figaro's or Nick-N-Willy's franchise) and _____

_____

_____

(jointly and severally "you").

We and you are parties to a Franchise Agreement dated _____, 20____.

We and you further agree as follows:

1. **Franchise agreement.** All of the terms defined in the Franchise Agreement will have the same meaning when used in this agreement. Except as modified by this Addendum, all provisions in the Franchise Agreement will apply to the operation of the store.

2. **Grant of rights.** You currently own or operate, or intend to own or operate, a supermarket store or other retail premises (the "outlet"), described as follows: _____. We grant you the right to operate a co-branded Figaro's or Nick-N-Willy's store (as specified in the Franchise Agreement in the Section entitled "Appointment and Franchise Fee") to be operated within or adjacent to that store.

3. **Location and opening.** The Franchised Store must be within or adjacent to your outlet. The location will be (fill in when known): _____

_____

_____. This Franchised Store does not have any exclusive or designated area protection.

4. **Initial and ongoing fees.** You deposit with us the sum of $_____ to acquire the rights granted. There is no other initial fee for this Addendum. A separate Addendum must be signed and fee paid for each store. You pay the following reduced ongoing fees for the store under this Addendum:

Continuing License Fee: _____ % of Gross Receipts from the store

Advertising Fund: _____ % of Gross Receipts from the store

Grand Opening Advertising: $_____

Local Advertising: _____ % of Gross Receipts from the store

5. **Modification of franchise agreement and standards.** Certain of the procedures set forth in the standard franchise agreement relating to obtaining a location, site surveys, plans, permits, fixtures, furniture, equipment and signs may not be directly applicable because you may utilize space within your existing outlet. Nevertheless, you will attempt to comply with the provisions of the franchise agreement as are reasonably applicable to your store, including submitting to us for our prior approval all remodeling plans. Our training and assistance specified

in the franchise agreement will be of shorter duration at our discretion, taking into account the reduced fees and your experience in operating an existing outlet. We and you may mutually agree to modify our standards and specifications to be consistent with the methods of operation of the outlet in which the Franchised Store is located. We waive our right after termination or expiration to purchase assets of the store.

6. **Termination.** This Addendum may be terminated by us separately from the Franchise Agreement, on any of the bases for termination provided in the Franchise Agreement. If the outlet ceases to be operated by you, this agreement will terminate effective on the date of such cessation (unless we expressly agree otherwise in writing). In addition, if we decide, in our sole discretion to discontinue the program provided for in this Addendum, we may give you three years' written notice of the termination of your rights. Upon termination or expiration, you will abide by all post-termination covenants in the Franchise Agreement, including your obligation to discontinue operation of the store.

The parties have executed this Addendum on _____, 20____.

("We, Us"): FIGARO'S ITALIAN PIZZA, INC. ("You"):

By:_____ _____
your printed name

Its:_____

_____
your signature

_____
your signature

_____
(Address)

_____
(City, State)

All owners of an entity franchisee must sign. Attach additional pages if necessary.

EXHIBIT 5

TO

FRANCHISE AGREEMENT

MULTIPLE FRANCHISE PURCHASE ADDENDUM

FRANCHISE AGREEMENT ADDENDUM
MULTIPLE FRANCHISE PURCHASES

This Addendum is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") (if the Franchise Agreement is for a Figaro's or Nick-N-Willy's franchise) and _____

_____

_____

(jointly and severally "you").

The following additional provisions are agreed to by the parties with respect to the attached Franchise Agreement of which this Addendum is a part (the "Franchise Agreement.") In the event of conflict, the provisions of this Addendum supersede the corresponding provisions of the Franchise Agreement.

We expressly disclaim the making of and you acknowledge that you have 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 Multiple Purchase Addendum and our standard Franchise Disclosure Document and franchise agreement, except as specifically disclosed in Item 19 and Exhibit A of the Franchise Disclosure Document. You acknowledge that you have read the Franchise Agreement and this Addendum and our Franchise Disclosure Document. You have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document and the Franchise Agreement.

1. **INITIAL FRANCHISE FEE**. The Initial Franchise Fee established in Section 2 of the Franchise Agreement and paid upon execution of this Addendum is _____ DOLLARS ($_____).

2. **DESIGNATED TERRITORY**. We grant to you, subject to the terms and conditions of the Franchise Agreement and this Addendum, the right to establish and operate your Franchised Stores within the following territory (the "Designated Territory): _____.Except as otherwise provided in the Franchise Agreement or this Addendum:

- if this Addendum is for Figaro's stores, we will not establish nor license anyone other than you to establish any Figaro's facility in the Designated Territory from the date of this Addendum until expiration or termination of the development schedule set forth below and if this Addendum is for Nick-N-Willy's stores, we will not establish nor license anyone other than you to establish any Nick-N-Willy's facility in the Designated Territory from the date of this Addendum until expiration or termination of the development schedule set forth below. Our affiliate Schmizza International, Inc., may establish or grant franchises for Schmizza stores in the Designated Territory.

You have no right under this Addendum to sub-license others.

3. **DEVELOPMENT SCHEDULE**. Subsection 4.4 of the Franchise Agreement is modified to read as follows:

"If this Agreement represents your first Franchised Store and if no acceptable site is found and approved by the parties and opened for business within 18 months from the date of this Agreement or if you fail to commence operations within 18 months for any reason, then, upon 30 day's prior written notice and opportunity to cure, this Agreement may be terminated and we will return payments received from you for this first franchise less $35,000.

If this Agreement represents an additional Agreement for a Franchised Store of the Franchisee Entity, then the time to open the Franchised Store will be:

1st Franchised Store	18 months
2nd Franchised Store	36 months
3rd Franchised Store	54 months
4th Franchised Store	72 months
5th Franchised Store	90 months
6th Franchised Store	108 months
7th Franchised Store	126 months
8th Franchised Store	144 months
9th Franchised Store	162 months
10th Franchised Store	180 months
11th Franchised Store	198 months
12th Franchised Store	216 months
13th Franchised Store	234 months

from the date of this Agreement. The Franchised Store purchased pursuant to this Agreement is the ____th Franchised Store and must open no later than the ____ day of _____, 20__. If this date is beyond the [ten-year] [___ year] term of the Franchise Agreement, the parties agree that they will execute Franchisor's then-current franchise agreement forms with appropriate modification to reflect the multiple purchase nature of this transaction. If no acceptable site is found and approved by the parties for the additional site and the Franchised Store opened for business within the time period specified in the preceding sentence, this Agreement will terminate without notice by either party to the other on that date, and no portion of any payment you made to us will be refundable or returned to you. Upon termination pursuant to this Section, we will be fully and forever released from any claims or causes of action you may have under or pursuant to this Agreement and any right, title or interest in this Agreement, the Marks or the System will automatically revert to us.

Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that we deem reasonable under the circumstances."

Section 3.1 of the Franchise Agreement is modified to read:

"This Agreement will be effective and binding from the date of its execution. It will expire without notice by either party to the other, unless renewed as provided below, [ten years] [___ years] after the date the Franchised Store opens for business operations."

If, within two years of your successful completion of the development schedule set forth above:

d. we determine that it is desirable to establish additional Franchised Stores in the Designated Territory, and

e. you are then in compliance with all terms and conditions of the Franchise Agreement and all other agreements between you and us, and

f. you meet our then current standards for new or renewing franchisees,

you will have a right of first refusal to purchase additional franchise agreements to establish the additional Franchised Stores within the Designated Territory upon our then-current terms and conditions. In that event, we will submit to you the relevant franchise agreements and you will have 30 days after receipt to execute and return the agreements to us. If you do not exercise this right of first refusal, we thereafter may elect to establish additional franchises of the same type(s) (Figaro's or Nick-N-Willy's) that you developed or grant franchise agreements to others to do so in the Designated Territory.

4. DEFAULT AND TERMINATION. The parties have executed a number of franchise agreements contemporaneously with the Franchise Agreement as part of a multiple franchise purchase. Any material violation or breach of any such agreement, or of any other franchise agreement between the parties or of any other agreement between the parties related to the Figaro's or Nick-N-Willy's franchise system will be deemed a material violation of the Franchise Agreement and this Addendum, of all such other franchise agreements, and of all such other agreements. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and this Addendum and any or all of such other franchise agreements and such other agreements as provided in the Franchise Agreement for enforcement or termination.

If the franchise represented by this Addendum is not opened by the date set forth above, we will have the right to terminate the Franchise Agreement and this Addendum. We then may establish or license others to establish Figaro's and Nick-N-Willy's facilities in the Designated Territory.

Upon any other default under the Franchise Agreement or any other franchise agreement between the parties, we, in our discretion, may do any one of the following:

a. Terminate the Franchise Agreement and this Addendum and all rights granted hereunder without affording you any opportunity to cure the default, except as otherwise described in the Franchise Agreement, effective immediately upon your receipt of written notice from us (except if the default is limited to the failure to open an earlier franchise by the date established in the Development Schedule);

b. Reduce the number of Franchised Stores granted to you in the Development Schedule, above;

c. Terminate the Designated Territory granted to you, or reduce the area of the Designated Territory.

Upon termination of the Franchise Agreement, all of your remaining franchise agreements for Franchised Stores that have not yet been opened for business in the Designated Territory, and which we elect to not reserve for you to open in the Designated Territory pursuant to (b) and (c) above, may thereafter be opened at any available location where we have the right to offer and

place franchises. We may establish or license others to establish Figaro's and Nick-N-Willy's stores in the Designated Territory subject only to the Designated Area established in each of your franchise agreements for your open stores.

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

5. **TRAINING.** We will have no obligation to provide franchise training to you at our expense except pursuant to your first franchise agreement.

6. **TRANSFER**.

a. We may transfer all or any part of our rights or obligations under the Franchise Agreement, including this Addendum to any person or legal entity.

b. You understand and acknowledge that the rights and duties set forth in the Franchise Agreement and this Addendum are personal to you and are granted in reliance upon your personal qualifications. You represent to us that you have entered into the Franchise Agreement and this Addendum with the intention of complying with its terms and conditions and not for the purpose of resale or other transfer of the developmental rights.

c. Neither you nor any of your partners or shareholders will, without our prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in the Franchise Agreement or this Addendum or in you. Any proposed assignment occurring by operation of law or otherwise, including any assignment by the trustee in bankruptcy, without our prior written consent will be a material default of this Addendum.

d. If you are in full compliance with this Agreement, we will not unreasonably withhold our approval of an assignment or transfer to proposed assignees or transferees who are of good moral character and have sufficient business experience aptitude and financial resources and otherwise meet our then applicable standards for area developers and are willing to assume all of your obligations and to execute and be bound by all provisions of our then current form of Franchise Agreement and Multiple Purchase Addendum, for a term equal to the remaining term of this Addendum. As a condition to granting our approval of any assignment or transfer, we may require you or the assignee or transferee to pay to us an assignment fee to defray expenses we incur in connection with the assignment or transfer, including but not limited to administrative costs, overhead, legal and accounting expenses, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or additional costs related to the transfer not to exceed $10,000 for the first store and if multiple stores are sold to a single buyer in a single transaction, not to exceed $500 for the second and each additional store sold in that transaction. We may require you and your owners to execute a general release in our favor in a form satisfactory to us as a condition to our approval of any propose assignment of the Franchise Agreement or ownership of you.

e. You may assign the Franchise Agreement, including this Addendum, to a partnership or corporation which conducts no business other than the business contemplated under the Franchise Agreement and which you actively manage and in which you own and control not less than 51% of the general partnership interest or the equity and voting power, provided that all partners or shareholders must execute an Assignment Agreement in form we approve undertaking to be bound jointly and severally by all provisions of the Franchise Agreement and

this Addendum. All issued and outstanding stock certificates of the corporation or evidence of ownership in any other legal entity must bear a legend reflecting or referring to these restrictions.

f. If at any time you decide to sell, transfer or otherwise dispose of all or part of your rights under the Franchise Agreement, including this Addendum, or an ownership interest in you, you must deliver a bona fide, executed written offer to purchase to us. We then will have the right, for a period of 30 days from the date we receive the offer, exercisable by written notice to you, to purchase all of your rights under the Franchise Agreement or such ownership interest in you at the price and on the terms and conditions contained in the offer. We may substitute cash for any form of payment proposed in the offer. If we do not exercise this right of first refusal, you may accept the offer, subject to our prior written approval as provided in the Franchise Agreement.

7. **MISCELLANEOUS**. We make no warranties or guarantees upon which you may rely and we assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with the Franchise Agreement or this Addendum, or by reason of any neglect, delay or denial of any request you make of us.

DATED this _____ day of _____, 20__.

("We/Us"): FIGARO'S ITALIAN PIZZA, INC. ("You"):

By: _____ By: _____
Title: _____ Title: _____

By: _____
Title: _____

EXHIBIT 6 TO STANDARD FRANCHISE AGREEMENT
DELIVERY AREA

LOCATION:

Address:

DELIVERY AREA:

EXHIBIT 7 TO STANDARD FRANCHISE AGREEMENT
PRE-EXISTING FRANCHISEE DELIVERY ADDENDUM

(FOR PRE-EXISTING FRANCHISEES THAT SIGN NEW FRANCHISE AGREEMENT TO OFFER DELIVERY SERVICE)

This Addendum is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") (if the Franchise Agreement is for a Figaro's or Nick-N-Willy's franchise) and _____ _____ (jointly and severally "you").

We and you are parties to a Franchise Agreement dated _____, 20____.

We and you agree as follows:

You are a pre-existing franchisee. Your Previous Franchise Agreement with us is dated _____. You are executing the Franchise Agreement to which this Addendum is attached (the "Franchise Agreement"), which grants you the right to offer delivery service (see Franchise Agreement for details and restrictions) . You may continue paying the Continuing Licensing Fee, Minimum Continuing Licensing Fee, Advertising Fund Contribution and Local Advertising Fee in the amounts provided for in your Previous Franchise Agreement rather than as provided for in the Franchise Agreement. However, all such fees and contributions will apply to all delivered products andrevenues added to your franchise operations. You will abide by all other provisions of the Franchise Agreement. The term of the Franchise Agreement will expire on the _____ day of _____, 200__, which is the date that would have been the end of the term of your Previous Franchise Agreement. The parties have executed this Addendum on _____, 20____.

("We, Us"): FIGARO'S ITALIAN PIZZA, INC.

By: _____

Its: _____

("You"):

_____
your printed name

_____
your signature

_____
your signature

_____
(Address)

_____
(City, State)

All owners of an entity franchisee must sign. Attach additional pages if necessary.

SBA ADDENDUM TO
FIGARO'S ITALIAN PIZZA, INC
FRANCHISE AGREEMENT

THIS ADDENDUM (Addendum) is made and entered into on _____, 201___,by Figaro's Italian Pizza, Inc., located at 1500 Liberty Street S.E., Suite 160 – Salem, Oregon 97302 (Franchisor), and _____, located at _____ (Franchisee).

Recitals. Franchisor and Franchisee entered into a Franchise (or License) Agreement on _____, 201__, (the "Franchise Agreement"). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

A. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

B. Notwithstanding anything in Section 4.2 of the Franchise Agreement, any SBA financed franchise will be granted a lien on the business assets of the franchisee as required in its loan authorization.

C. Notwithstanding anything to the contrary in the Section 4.2.A and Section 19.10.4 of the Franchise Agreement and the Transfer Agreement and Release Form, if the Franchisee or its affiliates own the real estate on which the franchised business is located, the Franchisor may only lease the real estate for the remainder of the Franchisee's term (excluding additional renewals) for fair market value.

D. Under Section 13.5 of the Franchise Agreement the Franchisee agrees to use the Franchisor's approved accountant only for the first full accounting year of the franchised business, provided both of the following conditions are fulfilled: (i) The Franchisee is a new Franchisee in the system; ii) The agreement between the Franchisee and the Franchisor's approved accountant for accounting services automatically terminates after the first full accounting year.

E. Notwithstanding the language in Section 15.1, Franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by the franchisor for its franchise system ; or (2) is at or above any minimum price threshold programs established by the franchisor for its franchise system ; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the franchisor for its franchise system.

F. If the Franchisor must operate and manage the business under Section 15.7 of the Franchise Agreement, Franchisor will operate the business for an initial period of up to 90 days, renewable as necessary for 90-day periods of up to a total period not exceeding one year and the Franchisor will periodically discuss the status with the Franchisee or its heirs.

G. If the Franchisee becomes disabled under Section 15.7 of the Franchise Agreement and the parties are unable to agree as to whether the franchisee is permanently disabled, the disability shall be determined by three Physicians chosen in the following manner. Franchisee shall select one and the Franchisor shall select one, and the two physicians so chosen shall select a third physician. The decision of the majority of the physicians so chosen shall be conclusive.

H. Section 22.1 is deleted in its entirety.

I. Section 22.2 of the Franchise Agreement is amended by adding the following:

However, the Franchisor may not exercise a right of first refusal:

(a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the SBA (Owner/Guarantors); or

(b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a non-controlling ownership interest in the Franchisee or the Franchise, unless such non-controlling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

The Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

J. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:	**FRANCHISEE:**
Figaro's Italian Pizza, Inc.	
By: _____	By: _____
Print Name: Ron Berger	Print Name:_____
Title: Chairman/CEO	Title:_____

EXHIBIT D

TO

DISCLOSURE DOCUMENT

NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES AND REGISTERED AGENTS IN STATES

EXHIBIT D
NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES AND REGISTERED AGENTS IN STATES

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Business Oversight: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 Sacramento: 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233 San Francisco: 71 Stevenson Street, Suite 2100 San Francisco, CA 94105 (415) 972-8559	Commissioner Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
HAWAII	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottawa Street G. Mennen Williams Building 1st Floor Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Franchise Section Michigan Dept. Attorney General PO Box 30213 Lansing, MI 48909 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NEW YORK	Secretary of State of the State of New York 162 Washington Street Albany, NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Department Fifth Floor 600 East Boulevard Bismarck, ND 58505	Franchise Examiner North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Business Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9672	Chief Examiner/Investigator State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
		Rob Phillips
ALBERTA, CANADA	N/A	Executive Director, Consumer Services Branch Alberta Government Services, Consumer Programs 3rd Floor, Commerce Place 10155 – 102 Street Edmonton, Alberta, Canada T5J 4L4 (780) 422-8177

EXHIBIT E

TO

DISCLOSURE DOCUMENT

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EXHIBIT E

FIGARO'S

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EXHIBIT F

TO

DISCLOSURE DOCUMENT

INFORMATION REGARDING FIGARO'S AND NICK-N-WILLY'S FRANCHISEES AND CERTAIN FORMER FRANCHISEES

FIGARO'S Franchised Stores in operation as of December 31, 2016:

CALIFORNIA
Sherli Bidkaram/Cline Younan
2028 W Monte Vista Avenue
Turlock, California 95382
(209) 634-4141

MONTANA
Michael & Deborah Keimig
1151 N. First
Hamilton, Montana 59840
(406) 375-0164

OREGON
Brandon Mumey & Karen Anderson
610 Main St.
Aumsville, Oregon 97325
(503) 749-2096

Paul Jackson
16261 Highway 101, Suite-13
Brookings, Oregon 97415
(541) 469-8400

Larry & Nanci Norris
673 W Monroe
Burns, Oregon 97720
(541) 573-5500

Paul & Madelyn Jackson
29 West First St.
Coquille, Oregon 97423
(541) 396-5277

Brad Caldeira
167 E. Oregon Ave.
Creswell, Oregon 97426
(541) 895-5205

Bob & Carol Christ
244 N. Main St.
Dallas, Oregon 97338
(503) 623-8889

Ryan McIntire
11264 Highway 62/PO Box 942
Eagle Point, Oregon 97524
(541) 826-3334

Jeremy & Laurie Cearley
411 S. Broadway
Estacada, Oregon 97023
(503) 630-4400

Todd & Kaylynn Olney
4768 Royal Avenue West
Eugene, Oregon, 97402
(541) 393-1010

Jon and Tracy Ford
175 2nd Avenue
Gold Hill, OR 97525
(541) 855-7770

Jason Anderson
550 Redwood Highway
Grants Pass, OR 97527
(541) 474-9713

Brandon Mumey & Karen Anderson
1321 Monmouth St.
Independence, Oregon 97351
(503) 838-6459

Pete & Jan Teague
401 West Main, Suite B
John Day, Oregon 97845
(541) 575-5500

Dan & Nicole Hughes
5460 River Road N.
Keizer, Oregon 97303
(503) 393-7145

Crystal Chism
51538 Highway 97, Suite-3
La Pine, Oregon 97739
(541) 536-8332

Randy Weldon
4095-B Logan Road NW
Lincoln City, Oregon 97367
(541) 994-4443

Tom Hansen
37 SW “H” St.
Madras, Oregon 97741
(541) 475-1044

Andy Anderson
119 Robbins Ave.
Molalla, Oregon 97038
(503) 829-4900

Zech Newman
853 South Main
Myrtle Creek, Oregon 97457
(541) 863-4245

Gary & Carol Lane
2035 North Coast Highway
Newport, Oregon 97365
(541) 265-2061

Brock & Amy Buchmeier
48005 Hwy 58
Oakridge, OR 97463
(541)782-4559

Amy Kesecker
1411 Main Street #D69
Philomath, Oregon 97370
(541) 929-5082

Jon & Tracy Ford
315 N Main Street
Phoenix, OR 97535
541-897-4337

Dan & Nicole Hughes
1122 Lancaster Drive NE
Salem, Oregon 97305
(503) 399-9089

Dana Kottek
5399 Commercial St. SE
Salem, Oregon 97306
(503) 588-9977

Chris & Brenda Wylie
1216 Wallace Road NW
Salem, Oregon 97304
(503) 399-8784

Dana Kottek
148 S. Bridge St.
Sheridan, Oregon 97378
(541) 843-4700

Dan & Renee Nichols
402 McClaine
Silverton, Oregon 97381
(503) 873-8007

Alida Musayeva
5395 Main St.
Springfield, Oregon 97478
(541) 747-1278

Jim & Paula Newman
1750 Shaff Road
Stayton, Oregon 97383
(503) 769-7501

Jim & Paula Newman
1323 Main St.
Sweet Home, Oregon 97386
(541) 367-5353

Larry Irwin
88340 Territorial Road
Veneta, Oregon 97487
(541) 935-2110

Zech Newman
160 Main St SW
Winston, Oregon 97496
(541) 784-3414

SOUTH CAROLINA

Dave Loughry
8167 Charlotte Hwy
Fort Mill, South Carolina 29715
(803) 802-3800

WASHINGTON

Tammi Moerke & Dee Batchelder
1704 South Gold St.
Centralia, Washington 98531
(360) 736-3221

Don Stolz
9023 Key Peninsula Hwy N
Lakebay, Washington 98349
(253) 432-4919

Steve Gingerich
19810 Old Hwy 99 Ste. 1
Rochester, Washington 98579
360-273-2400

WISCONSIN

GSKI Investments, LLC
901 N US Hwy 141
Crivitz, Wisconsin 54114
(715) 854-3393

Cindy Egnarski
2465 Lineville Road
Green Bay, Wisconsin 54313
(920) 434-2222

Cindy Egnarski
1186 Mountain Bay Dr.
Pulaski, Wisconsin 54162
(920) 822-5555

Ken & Vicki Frenz
315 N. Milwaukee St.
Waterford, Wisconsin 53185
(262) 534-5100

INTERNATIONAL

Stavros Erotokritou
DASE Restaurants, Ltd
100, Yiannis Kranidioti Street
Latsia Nicosia, Cyprus

Impulso Gastranomico, Int'l
Monterrey
NL, Mexico

Sense Gourmet
Marina Mall
Abu Dhabi, UAE

Sense Gourmet
Mega Mall
Sharjah, UAE

Sense Gourmet
Dana Plaza
Abu Dhabi, UAE

Sense Gourmet
Zayed Sports Plaza
Abu Dhabi, UAE

Sense Gourmet
Yas Mall
Abu Dhabi, UAE

As of December 31, 2016, Figaro's operating in Retail Premises under the Retail Premises Addendum. **None**

The following FIGARO'S Franchisees have transferred their franchises to new or existing franchisees during Company's fiscal year ending December 31, 2016:

Figamex
Carr. Monterrey-Reynosa
Guadalupe, NL Mexico

Pete & Cheryl Runnels
1100 N Diamond Avenue
Burns, Oregon 97720

Tamara Pugh
36250 SE Divers Road
Estacada, Oregon 97023

The following FIGARO'S Franchisees have had a franchise outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a FIGARO'S Franchise Agreement during Company's fiscal year ending December 31, 2016:

(Otherwise Left System)

Santosh Abraham
17747 NW Sylvania Court
Portland, Oregon 97229

Sense Gourmet
Abu Dhabi – Al Ain Mall

Sense Gourmet
Abu Dhabi – University of Al Ain

Sense Gourmet
Abu Dhabi – Airport Road

Dana Kottek
1073 Rafael Avenue N
Keizer, Oregon 97307

Sense Gourmet
Sharjah – Damas Bldg

(Terminated)

Raynaldo Arevalo
734 W Court Street
Pasco, Washington 99301
(509) 845-7186

The following FIGARO'S Franchisees have signed franchise agreements but have not opened a Figaro's location as of December 31, 2016. (All remain active franchisees):

Ruben Capaletti
2119 Prim Water Court
Kingwood, TX 77345
(281) 360-7136

Roger & Kathi Michelson
E 20515 County Rd ND
Augusta, WI 54722
(262) 695-2763

Nelson Muniz
6060 Datura Avenue
Twenty-Nine Palms, CA 92277
(760) 367-7865

The following FIGARO'S Franchisees have not communicated with Company within ten weeks of the date of this Disclosure Document: **None**

NICK-N-WILLY'S

NICK-N-WILLY'S Franchised Stores in operation as of December 31, 2016*:

*We acquired the right to act as franchisor for selected active and operating franchises in the Nick-N-Willy's system in January 2012. This information reflects only the status of those franchisees.

As of December 31, 2016, the following franchisees were operating Nick-N-Willy's franchise locations:

Joan & Thomas Blankenship
3196 Willow Creek Rd #A102
Prescott, AZ 86305
(928) 541-1144

Arthur Aridjian & Marian Davtyan
26780 The Old Road
Valencia, CA 91381
(661) 291-1921

Terry Jones
801 Pearl Street
Boulder, CO 80302
(303) 444-9898

Dan & Larry Blanchard
3700 W 144th Avenue
Broomfield, CO 80020
(303) 465-6000

Louis Brindisi
683 Horizon Drive
Grand Junction, CO 81506
(970) 245-6425

Bruce Ganoung
277 Summit Place, Box 1907
Silverthorne, CO 80498
(970) 262-1111

Steve Carter & Steve & Herb Boone
4700 N. University Street
Peoria, IL 61615
(309) 691-2345

The following Nick-N-Willy's Franchisees have transferred their franchises to new or existing franchisees during Company's fiscal year ending December 31, 2016**: NONE**

The following Nick-N-Willy's Franchisees have had a franchise outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Nick-N-Willy's Franchise Agreement during Company's fiscal year ending December 31, 2015: **NONE**

(Terminated)
NONE

(Otherwise Left System)
NONE

The following Nick-N-Willy's Franchisees have not communicated with Company within ten weeks of the date of this Disclosure Document: **None**

EXHIBIT G

TO

DISCLOSURE DOCUMENT

SUMMARY OF SPECIAL LAWS AND REGULATIONS PERTAINING TO THE FRANCHISE BUSINESS

EXHIBIT G

SUMMARY OF SPECIAL LAWS AND REGULATIONS PERTAINING TO THE FRANCHISE BUSINESS

The business of operating a Franchised Store is subject to all of the laws, codes and regulations (referred to below generally as "laws") normally applicable to retail businesses. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

*State regulations may govern the temperatures at which you store and serve food.

*Many local or state jurisdictions require food service permits for those preparing and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain such a permit. There may also be local ordinances and regulations governing food storage, preparation and serving.

*Your store may be subject to local food and health permits and inspection laws. Health laws are intended in part to reduce food borne illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a food service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.

1. Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.
2. State. State laws may cover the same topics as federal laws. Examples of state laws include environmental, occupational health and safety, fire, health, and building and construction laws.
3. Local. Local laws may cover the same topics as federal and state laws. Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal.

The foregoing are examples of some, but not all of the laws that may be applicable to the Franchised Store described in the Disclosure Document. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, the franchisee. You should research these requirements before you invest.

EXHIBIT I

TO

DISCLOSURE DOCUMENT

STATE AND PROVINCIAL LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

EXHIBIT I

STATE AND PROVINCIAL LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state or provincial law, certain portions of the Franchise Agreement.

The following states and provinces have statutes that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ALBERTA, CANADA [Franchises Act c.F-23 and Franchises Regulation AR 240/95], ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Tit. 6, Ch. 25, Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. 815 ILCS 705/19 and 705/20], INDIANA [Stat. Sections 23-2-2.7 and 23-2-2.5], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section SDCL 37-5B], VIRGINIA [Code 13.1-517-574], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.

Following are Addenda for Franchises Governed by the Laws of the Respective States and Provinces Listed:

CALIFORNIA

Add to the Disclosure Document item 3, litigation, ¶ (c), that neither FRANCHISOR nor any of the persons affiliated with FRANCHISOR set forth in Section 2 of the Disclosure Document are subject to any currently effective order of any National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78, et seq. suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the law of Oregon. This provision may not be enforceable under California law.

The franchise Agreement restricts venue of mediation and arbitration of a dispute or claim to a forum outside the state of California. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

Negotiated Sales

Copies of any notice of negotiated sale of a franchise may be reviewed at **http://134.186.208.233/caleasi/pub/exsearch.htm**. Attached are copies of all notices of negotiated sale filed during the 12 months immediately preceding the effective date of the Disclosure Document.

All negotiated sales in California are subject to the following provisions as outlined in the California Administrative Code, Title 10, Chapter 3, Subchapter 2.6, Section 310.100.2:

1. The initial offer must be registered pursuant to the California Franchise Investment Law.

2. The prospective Franchisee because of its business or financial experience could be reasonably assumed to have the capacity to protect its own interest in the transaction. The income and net worth of the prospective its spouse may be included in determining the total income and net worth required by this paragraph. The net worth and income test may also be satisfied by a prospective franchisee corporation (or by a 50 percent or more shareholder of such prospective franchisee corporation) or a prospective franchisee partnership (or by a prospective franchisee general partner of such partnership). In making the determination, We may rely on the representations of the prospective franchisee with respect to its net worth and income provided We have no reason to doubt the representations.

3. If a negotiated sale is consummated, Notice of Negotiated Sale of Franchise in the form set forth in the regulations must be filed with the Commissioner within 15 business days after the negotiated sale.

WE CERTIFY AND DECLARE THAT ALL NOTICES HAVE BEEN FILED WITH THE COMMISSIONER AS REQUIRED BY THE NEGOTIATED SALES SECTION OF THE CALIFORNIA ADMINISTRATIVE CODE, TITLE 10, CHAPTER 3, SUBCHAPTER 2.6, SECTION 310.100.2(a).

THE TERMS OF ITEMS 1(e), 6, 7, 11(e), 12, AND 17 OF THIS DISCLOSURE DOCUMENT HAVE BEEN NEGOTIATED WITH OTHER FRANCHISEES IN CALIFORNIA. A COPY OF ALL

NEGOTIATED SALES NOTICES FILED IN CALIFORNIA WITHIN THE LAST 12 MONTHS IS ATTACHED TO THIS EXHIBIT.

GEORGIA

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

IDAHO

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

ILLINOIS

The governing law or choice of law clauses described in the Disclosure Document and contained in Section 24.7 of the Franchise Agreement granting authority to a state other that Illinois may effectively negate the Illinois Franchise Disclosure Act. Therefore, these clauses are revised to grant authority to the state of Illinois to the extent required by Illinois law.

The phrase "and supersedes all prior agreements" in Section 28 of the Franchise Agreement and 16 of Development Agreement will not apply in Illinois, to the extent it is inconsistent with section 705/41 of the Act.

Relevant sections of the Franchise Agreement shall be consistent with section 705/4 of the Act and section 200.608 of the Illinois Administrative Rules which provide: “Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void provided that a franchise agreement may provide for arbitration in a forum outside of the State of Illinois.” And “as described in Section 4 of the Act, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising

under the franchise agreement or the Act outside of the State of Illinois, nor shall a franchise agreement provide for a choice of law provision for any state other than Illinois."

INDIANA

To the extent that the Franchise Agreement is inconsistent with Section 1 of the Indiana Deceptive Franchise Practice Law, which prohibits a prospective general release of any claims for liability imposed under it, the Indiana Deceptive Franchise Practice Law may supersede such inconsistent terms.

Sections of the Disclosure Document, Franchise Agreement which provide for indemnification for liability caused by the Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence may not be enforceable and are amended to extent required by Indiana franchise law.

The Disclosure Document, Franchise Agreement is amended to add: The Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practice Law may govern if the franchisee is a resident of Indiana or a nonresident who will be operating a franchise in Indiana. Indiana Code 23-2-25-2, 23-2-2.7-1, 2. In addition, federal and state courts in the State of Indiana may have jurisdiction with respect to any proceeding arising out of any agreements set forth in this Disclosure Document to the extent required by Indiana law.

All statements in the Disclosure Document and Franchise Agreement that state that Franchisor is entitled to injunctive relief are amended to read "Franchisor may seek injunctive relief."

Pursuant to Indiana Code Section 23-2-2.7-1(9), Franchisor may not require a franchisee to covenant not to compete with the Franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise, to the extent required by Indiana law.

MARYLAND

The Disclosure Document (Item 5) and Franchise Agreement (Section 2.1) are amended to provide that all initial franchise fees will be due and payable only after the franchisor has fulfilled and performed all of its initial financial obligations and the franchisee has commenced business operations under the Franchise Agreement (which occurs upon completion of the initial training course for Area Developers and upon opening of the Franchise Premises for business for individual unit operators).

The Disclosure Document (Item 17) and Franchise Agreement are amended to include that any provision which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Item 17 of the Disclosure Document and Sections 3, 20 and 24.5 to the Franchise Agreement are amended to the extent required by Maryland law.

Provisions in the Disclosure Document (Item 17) and Franchise Agreement requiring franchisee to file any lawsuit in a court in the State of Oregon may not be enforceable under the Maryland Franchise Registration and Disclosure Law. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. The Disclosure Document (Item 17) and Franchise Agreement are amended accordingly, to the extent required by Maryland law.

Any provisions in the Disclosure Document (including Items 5, 11, 17 and 22 in the Individual Unit offering and Item 22 in the Master Franchise offering) and Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise shall not apply under the Maryland Franchise Registration and Disclosure Law and are amended to the extent required by Maryland law.

MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to 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 applied 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.

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.

ESCROW REQUIREMENTS (IF ANY): _____

Any questions regarding this notice should be directed to:
State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, and to the extent required by law, the Disclosure Document and the Franchise Agreement are modified so that the franchisor cannot require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

All statements in the Disclosure Document and Franchise Agreement that state that franchisor is entitled to injunctive relief are amended to read "franchisor may seek injunctive relief"; and a court will determine if a bond is required.

Minnesota Rule 2860.4400D prohibits the franchisor from requiring a franchisee to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, and to the extent required by law.

Pursuant to Minn. Stat. Sec. 80C.12, Subdivision 1(g), to the extent required by this Minnesota law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that the franchisor will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Franchisor's primary trade name.

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

NEW YORK

The cover page of the Disclosure Document will be supplemented with the following, inserted at the bottom of the cover page:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

Add to Item 3 of the Franchise Disclosure Document as follows:

A. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark 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; or any 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.

B. Neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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.

C. Neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark 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.

Add the following language to Item 4 of the Franchise Disclosure Document:

Neither we, our affiliates, predecessors, officers, nor general partner during the ten-year period immediately before the date of the Disclosure Document: (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 the officer or general partner held this position in the company or partnership.

Add at the end of the first paragraph of Item 5 of the Disclosure Document:

The purpose of the initial fee is to pay for the franchisor's training, sales, legal compliance, salary, and general administrative expenses, and profit.

The first paragraph of Item 17 of the Disclosure Document is modified to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Add in Item 17d of the Disclosure Document:

The franchisee may terminate the agreement on any grounds available by law.

Add at the end of Item 17.j. after the sentence "No restriction on Company's right to assign." add the following: "However, no assignment will be made except to any assignee who in the good faith and judgment of the Franchisor is willing and able to assume the Franchisor's obligations under the Franchise Agreement."

Add in Item 17w of the Disclosure Document and at the end of the provision related to choice of law in Paragraph 24.7 of the Franchise Agreement:

The foregoing choice of law should not be considered a waiver of any right conferred upon either the Franchisee or the Franchisor by the General Business Law of the State of New York, Article 33.

NORTH DAKOTA

The Disclosure Document and Franchise Agreement provide for arbitration and mediation of disputes to be held in Marion County, Oregon. These provisions may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement relating to jurisdiction of courts in Marion County, Oregon, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Franchise Agreement requiring franchisee to sign a general release upon renewal of the Franchise Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and agreement stipulating that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Provisions of the Disclosure Document and Franchise Agreement that require the franchisee to consent to termination or liquidated damages (i.e Item 17(i) and Section 19.6) have been determined by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 15-19-09 of the North Dakota Franchise Investment Law and therefor are not enforceable in North Dakota. They are by this reference deleted from the Disclosure Document and Franchise Agreement.

Covenants not to compete such as those contained in the Franchise Agreement may not be unenforceable in the State of North Dakota.

The governing law or choice of law clauses in Item 17(w) of the Disclosure Document and Section 30.a of the Franchise Agreement granting authority to a state other than North Dakota may not be enforceable and are amended accordingly to the extent required by North Dakota franchise law.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

SOUTH DAKOTA

Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make royalty payments contained in the Disclosure Document or Franchise Agreement must give a franchisee thirty (30) days' written notice with an opportunity to cure the default prior to termination.

Post-termination covenants not to compete may be unenforceable under South Dakota law. Sections of the Disclosure Document and Franchise Agreement containing post-termination covenants not to compete are amended to the extent required by South Dakota law.

Sections of the Disclosure Document and Franchise Agreement requiring mediation or arbitration of disputes to be held in Marion County, Oregon may not be enforceable and are amended accordingly to the extent required by South Dakota franchise law.

Sections of the Disclosure Document and Franchise Agreement requiring jurisdiction or venue in Marion County, Oregon may not be enforceable and are amended accordingly to the extent required by South Dakota law.

Any provisions contained in the Disclosure Document and the Franchise Agreement that provide that the parties' waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provisions that provide that the parties' waive their right to a jury trial, may not be enforceable and are amended to the extent required by South Dakota franchise law.

The governing law or choice of law clauses described in the Disclosure Document and contained in the Franchise Agreement granting authority to a state other than South Dakota may not be enforceable and are amended accordingly to the extent required by South Dakota franchise law.

VIRGINIA

In Virginia, notice of approval or disapproval of a proposed supplier will be issued by us within 45 days after the franchisee has delivered all required materials.

The Clerk of the State Corporation Commission, 13300 East Main Street, Richmond Virginia 23219, is our registered agent authorized to receive process in Virginia.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

WISCONSIN

With respect to franchise agreements governed by Wisconsin law, the following shall supersede any inconsistent provision:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, nonrenewal or substantial change in the competitive circumstances of a dealership agreement without good cause. The Law further provides that 90 days' prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. Item 17 of the Disclosure Document and the corresponding section of the Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provisions in the Franchise Agreement that are inconsistent with that Law. Wis. Stats. Ch. 135, the Wisconsin Fair Dealership Law. SEC 32.06(3), Wis. Adm. Code.

ALBERTA, CANADA

U.S. Currency

All references to monetary amounts in the franchise disclosure documents and related agreements are in U.S. dollars. All payments to be made by franchisee to us or our affiliates under the franchise agreement are to be made in U.S. currency.

Franchisor Information

Provide the following in a summary form: (a) the name and address of the franchisor; (b) the name under which the franchisor does or intends to do business; (c) the principal business address of the franchisor and, if the franchisor has an attorney for service in Alberta, the name and address of that person; **[We do not have an attorney for service in Alberta.]** (d) the business form of the franchisor; (e) the length of time the franchisor has conducted a business of the type to be operated by the franchisee; (f) the length of time the franchisor has offered franchises for the same type of business as that to be operated by the franchisee; (g) whether the franchisor has offered franchises in other lines of business, including (i) a description of each other line of business, (ii) the number of franchises sold in the previous 5 years in each other line of business, and (iii) the length of time the franchisor has offered franchises in other lines of business; (h) the names of the directors, general partners and officers of the franchisor who will have management responsibilities relating to the franchise. State each person's principal occupation and employers during the 5 years preceding the date of the disclosure document. For the purposes of clause (h), the information need only be provided for those directors, general partners and officers of the franchisor who will have day to day management responsibilities relating to the franchise. **[See FDD Items 1 and 2]**

Previous Convictions and Pending Charges

Provide details on convictions for the previous 10 years relating to the franchisor and its associates and any of the directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise (a) for the commission of indictable offences (or equivalent in other jurisdictions, including pleading no contest to any offence) involving franchises or other businesses, and (b) for the commission of offences involving fraud, embezzlement, unfair or deceptive acts or practices or other comparable offences. Provide details relating to the franchisor and its associates and any of the directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise on currently pending (a) indictable offences involving franchises or other businesses, and (b) offences involving fraud, embezzlement, unfair or deceptive acts or practices or other comparable offences. **[See FDD Item 3]**

Civil Litigation and Liabilities

Provide details relating to the franchisor and its associates and to any of the directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise on any finding of liability in a civil action or on any pending actions involving franchises or other businesses, involving misrepresentation, unfair or deceptive acts or practices and comparable actions. **[See FDD Item 3]**

Administrative Proceedings and Existing Orders

Provide details relating to the franchisor and its associates and to any of the directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise on any currently effective injunctive or restrictive orders imposed by, or any pending administrative actions to be heard before, any public agency, whether in Alberta or outside Alberta, involving franchises or other businesses. **[See FDD Item 3]**

Bankruptcy

Provide details of any bankruptcy or insolvency proceedings, voluntary or otherwise, in the previous 6 years (a) against the franchisor and its associates, (b) against a corporation, any of whose directors or officers are currently directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise, and (c) against a partnership whose general partners are currently directors, general partners and officers of the franchisor who have management responsibilities relating to the franchise. **[See FDD Item 4]**

Nature of the Business

Describe the franchisor's business and the franchises to be offered in Alberta. **[See FDD Item 1]**

Initial Franchise Fee and Other Fees

Disclose the initial franchise fee and state the conditions when this fee is refundable. Disclose other recurring or isolated fees or payments that the franchisee must pay to the franchisor or its associates or that the franchisor or its associates impose or collect in whole or in part on behalf of a third party. If any fee is refundable, state the conditions when each fee or payment is refundable. **[See FDD Items 5, 6 and 7]**

Initial Investment Required

Provide details of the initial investment required by the franchisee to start business operations. **[See FDD Item 7]**

Financing

Disclose the terms and conditions of each financing arrangement that the franchisor offers directly or indirectly to the franchisee. **[See FDD Item 10]**

Working Capital

If an estimate of working capital is provided, the information must (a) have a reasonable basis at the time it is made, and (b) include the material assumptions underlying its preparation and presentation. If an estimate of working capital is not provided, the disclosure document must include a statement that additional funds will be required to finance operations until a positive cash flow is produced. **[See FDD Item 7 (in the note regarding Additional Funds)].**

Restrictions on Sources of Products and Services and on What Franchisees May Sell

Disclose franchisee obligations to purchase or lease from the franchisor or its associates or from suppliers approved by the franchisor or its associates or under the franchisor's or associate's specifications. Disclose restrictions or conditions imposed by the franchisor or its associates (a) on the goods or services that the franchisee may sell, or (b) that limit the customers to whom the franchisee may sell goods or services. **[See FDD Items 8 and 16]**

Rebates or Other Benefits to the Franchisor

State whether or not there are any rebates or other benefits that the franchisor or its associates may receive or are receiving as a result of the purchase of goods or services by franchisees. Indicate if any of these rebates or benefits are shared with franchisees, either directly or indirectly. **[See FDD Item 8]**

Obligations to Participate in the Actual Operation of the Franchise Business

State whether or not the franchisor requires the franchisee to participate personally in the direct operation of the franchise business. **[See FDD Item 15]**

Existing Franchisee and Franchisor Outlets

Provide the names, mailing addresses and phone numbers of all existing franchisees presently operating an outlet in Alberta under the same trade name as the franchise being offered and the addresses and phone numbers of those outlets. Provide the addresses and phone numbers of all existing franchisor outlets presently operating in Alberta under the same trade name as the franchise being offered. If, with respect to franchisees operating outlets under the same trade name as the franchise being offered, there are less than 20 franchisee outlets in operation in Alberta and there are franchisee outlets outside Alberta, provide information on additional outlets that are geographically closest to Alberta until information on 20 outlets is provided. If the total number of franchisee outlets in operation in Alberta and outside Alberta is less than 20, information is only required for the total number of franchisee outlets in operation. **[See FDD Item 20]**

Franchise Closure

Provide information about closures of franchisee outlets or franchisor outlets that operated under the same trade name as the franchise being offered, including the total number of franchises in the total operating territory of the franchisor within the previous 3 fiscal years that have (a) been terminated or cancelled by the franchisor, (b) not been renewed by the franchisor, (c) been reacquired by the franchisor, or (d) otherwise left the system. Provide, with respect to any outlet operated under the same trade name as the franchise being offered, the name, last known address and telephone number of every former franchisee in the total operating territory of the franchisor whose franchise has been terminated, cancelled, not renewed, reacquired by the franchisor or otherwise left the system within the previous fiscal year. **[See FDD Item 20]**

Earnings Claims

If information is given or is to be given, by or on behalf of the franchisor or its associate, to a prospective franchisee from which a specific level or range of actual or potential sales, costs, income or profit from franchisee outlets or franchisor outlets can be easily ascertained, the information must (a) have a reasonable basis at the time it is made, (b) include the material assumptions underlying its preparation and presentation, whether it is based on actual results of existing outlets and the percentage of outlets that meet or exceed each range of results, and (c) indicate the place where substantiating information is available for inspection by the franchisee. If information is given in respect of a franchisor outlet, the franchisor must state that the information may differ in respect of a franchise outlet. **[See FDD Item 19. In the FDD Item 19, the following language is added: "Substantiating information is available for inspection by the prospective franchisee at our headquarters in Salem, Oregon."]**

Termination, Renewal and Transfer of the Franchise

Disclose whether or not there are provisions in the franchise agreement that deal with renewal, termination and transfer of the franchise and, if so, where in the contract these provisions can be found. **[See FDD Items 9 and 17].**

Territory

Describe any exclusive territory granted the franchisee. Disclose the franchisor's policy, if any, as to how proximate to an existing franchisee outlet (a) the franchisor may establish another franchise, (b) a franchisor outlet may be established, (c) the franchisor may establish other methods of distribution using the franchisor's trademark, service mark, trade name or logotype, (d) the franchisor may establish other franchises that distribute similar products or services under a different trademark, service mark, trade name or logotype, and (e) a franchisor outlet may be established that distributes similar products or services under a different trademark, service mark, trade name or logotype. Disclose the franchisor's policy, if any, as to whether the continuation of the franchisee's territory depends on the achievement of a certain sales volume, market penetration or other contingency and under what circumstances the franchisee's territory may be altered. **[See FDD Items 1 and 12]**

Notice of Rescission and Effect of Cancellation

Pursuant to Section 13 (Entitled “Failure to Give Disclosure Document”) of the Franchises Act:
If a franchisor fails to give a prospective franchisee the disclosure document by the time referred to in section 4 [of the Franchises Act], the prospective franchisee may rescind all the franchise agreements by giving a notice of cancellation to the franchisor or its associate, as the case may be,

(a) no later than 60 days after receiving the disclosure document, or

(b) no later than 2 years after the franchisee is granted the franchise,

whichever occurs first.

Pursuant to Section 14 (Entitled “Effect of Cancellation”) of the Franchises Act:

(1) A notice of cancellation given under section 13 operates

(a) to cancel the franchise agreements, or

(b) in the case of an agreement that is an offer to purchase, to withdraw the offer to purchase.

(2) The franchisor or its associate, as the case may be, must, within 30 days of receiving a notice of cancellation under section 13, compensate the franchisee for any net losses that the franchisee has incurred in acquiring, setting up and operating the franchised business.

Right of Action for Damages

Pursuant to Section 9 (Entitled “Misrepresentation in Disclosure Document”) in the Franchises Act:

(1) If a franchisee suffers a loss because of a misrepresentation contained in a disclosure document, the franchisee has a right of action for damages against any or all of the following:

(a) the franchisor;

(b) every person who signed the disclosure document.

(2) If a disclosure document contains a misrepresentation, a franchisee who purchases a franchise to which the disclosure document relates is deemed to have relied on the misrepresentation.

Certification Required by Alberta

The undersigned certify that the information provided in the disclosure document for **FIGARO'S ITALIAN PIZZA, INC.**, or in any changes made in respect of the disclosure document, (a) contains no untrue information of a material fact, (b) does not omit to state a material fact that is required to be stated, and (c) does not omit to state a material fact that needs to be stated in order for the information not to be misleading.

This certificate is signed (a) by at least 2 officers or directors of the franchisor, or a combination of them totaling at least 2, if the franchisor has 2 or more directors or officers, (b) if the franchisor has only one director or officer, by that person, or (c) if the franchisor is not a corporation, by the franchisor.

Executed at _____, _____, this __day of _____ __, 20___.

FIGARO'S ITALIAN PIZZA, INC.

By _____
Ron Berger, Chairman/CEO

By _____

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum for the state or province of _____, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum, and only to the extent they are then valid requirements of an applicable and enforceable state or provincial law, and for only so long as such state or provincial law remains in effect.

DATED this _____ day of _____, ____.

FRANCHISOR:
FIGARO'S ITALIAN PIZZA, INC.

By:_____

Title:_____

FRANCHISEE:

_____

By:_____

Title:_____

(MUST BE SIGNED BY ALL OWNERS OF AN ENTITY FRANCHISEE)

EXHIBIT J

TO

FRANCHISE DISCLOSURE DOCUMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS

ASSUMED NAME RELINQUISHMENT FORM

TRANSFER AGREEMENT AND RELEASE FORM

RENEWAL AGREEMENT AND RELEASE FORM

CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS

In consideration of Figaro's Italian Pizza, Inc. ("Assignee") concurrently granting a Figaro's or Nick-N-Willy's franchise ("Franchised Store") to _____ ("Assignor"), and other valuable consideration, Assignor assigns to Assignee all telephone numbers, directory listings, fax numbers, Internet web site addresses and domain names, and other listings, whether in electronic or other media, used or to be used by Assignor in the operation of the Franchised Store. Assignee assumes the performance of all of the terms, covenants, and conditions of the telephone or directory company with respect to these listings with the same force and effect as if they had been originally issued to Assignee. This Assignment is valid on the effective date and is irrevocable. Assignee may fill in, add or change the effective date and the listings at any time. The telephone or directory company is authorized to rely on this Assignment. The parties will hold harmless and indemnify the telephone or directory company from any claims based on reliance on this Assignment.

Effective Date:

ASSIGNOR:	**ASSIGNEE:**
_____	FIGARO'S ITALIAN PIZZA, INC.
By: _____	By: _____
Its: _____	Its: _____

FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **FIGARO'S ITALIAN PIZZA, INC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name(s) [check appropriate blank(s)]:

_____ **FIGARO'S**

_____ **NICK-N-WILLY'S**

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

   _____

   _____

   a(an) individual/partnership/corporation organized and doing business under the laws of the State of

   _____

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

   _____

3. Address of Applicant's Registered Office in the State of:

   _____

   _____

   _____

4. Please cancel the Applicant's registration to use the name **Figaro's** and/or **Nick-N-Willy's** (as indicated above)

DATED: _____

_____, Applicant

By: _____

Title: _____

TRANSFER, MUTUAL RELEASE,
AND CONFIDENTIALITY AGREEMENT

This Transfer, Mutual Release, and Confidentiality Agreement ("Agreement") is made this __ day of _____, 200__.

This Agreement is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") and _____
_____
_____ (jointly and severally "Transferee").

On or about the following dates, Franchisor and Franchisee entered into Franchise Agreements (the "Franchise Agreements") for the operation of [**FIGARO'S/ NICK-N-WILLY'S]** franchises at the following locations: _____.

Franchisee desires to cease operations under the Franchise Agreements and to transfer Franchisee's rights in the franchises to Transferee. Transferee desires to acquire Franchisee's rights in the Franchise Agreements and to operate the franchises at the locations set forth above. Franchisor desires to consent to the transfer of the Franchise Agreements from Franchisee to Transferee, as follows, subject to and pursuant to the provisions of the Franchise Agreements and agrees to enter into new franchise contracts with Transferee for the locations set forth above.

Franchisee desires to release Franchisor from any and all claims whatsoever arising out of the negotiation, execution, delivery, and performance of the Franchise Agreements.

Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Termination of Franchise Agreements. The Franchise Agreements between Franchisor and Franchisee, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties are terminated, as between them. The provisions of the Franchise Agreements concerning the obligations of Franchisee upon termination will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

Franchisor enters into this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of Transferee.

2. Commitments and Obligations. The Parties covenant and agree:

a. All obligations of Franchisee in connection with the Franchise Agreements and the franchises are assumed by the Transferee. Franchisee will remain bound by its covenants

in the Franchise Agreements that neither it nor its owners, officers, partners, or other persons enumerated in the Franchise Agreements will disclose confidential information nor compete with Franchisor or Franchisor's franchisees.

b. Franchisee owes $--- in current obligations and will owe additional funds for franchise fees, advertising fees, and product purchases through the closing of this transfer transaction. Franchisee will pay all sums due to Franchisor and to product suppliers within 10 days of the relevant invoice or due date. All other now ascertained or liquidated debts in connection with the franchises have been paid by Franchisee

c. Franchisee is not in default in any way under the Franchise Agreements or any other agreement between it and Franchisor.

d. Transferee will pay for and complete to Franchisor's exclusive satisfaction the training programs now required of new franchisees. [Transferee has completed to Franchisor's satisfaction the training programs now required of new franchisees.] [Transferee has demonstrated to Franchisor's satisfaction sufficient ability to successfully operate the franchise]. Franchisee or Transferee have submitted to Franchisor, upon execution of this Agreement, a Transfer Fee in the amount of $---. Franchisor acknowledges receipt of this Fee in consideration for Franchisor's legal, accounting, credit check, training and investigation expenses incurred as a result of this transfer. [In addition, Franchisee has paid to Franchisor, contemporaneous with execution of this Agreement, a ____ percent commission on the gross transfer price (excluding the price of real property), in the amount of $____. Franchisor acknowledges receipt of this amount in consideration for having obtained Transferee for Franchisee.]

e. Transferee agrees to fully assume and to be bound by the terms, covenants and conditions of the Franchise Agreements as if Transferee had been named as the original franchisee in the Franchise Agreements. Transferee will execute all documents Franchisor or Franchisee may reasonably require to complete the transfer and assumption of the Franchise Agreements, including but not limited to execution of a new franchise contract in the form currently being used by Franchisor. The new franchise contract may contain economic and general terms which are materially different from those contained in the Franchise Agreement.

f. Transferee has met the standards established by Franchisor for quality of character, financial capacity and experience required of a new or renewing franchisee. Franchisee and Transferee have provided to Franchisor such information as Franchisor reasonably requested to evidence that Transferee meets these standards.

g. The lessor or sublessor of the Franchise Premises has consented to the assignment or sublease of the Franchise Premises to Transferee.

h. Franchisee and Transferee agree to subordinate to Transferee's obligations to Franchisor (including, without limitation, the payment of all franchise fees) any obligations of Transferee to Franchisee.

i. Transferee will assume possession and control of the equipment, furnishings, signs, supplies, inventory, advance paid deposits and other personal property and fixtures located on the Franchise Premises.

j. Franchisee will properly operate the franchises and maintain the Franchise Premises in clean and proper working order and will continue the employment of all current employees until Transferee assumes control of the businesses and the Franchise Premises.

k. Franchisee will maintain a sufficient inventory and sufficient supplies on hand to provide for normal business operations through the second day after Transferee assumes control of the businesses and the Franchise Premises. Transferee agrees to place orders with product suppliers to maintain the inventory and supply levels following the closing of this transfer transaction.

l. Franchisee and Transferee have entered into this Agreement for the transfer of Franchisee's rights under the Franchise Agreements after their own independent investigation. The transfer of the franchise rights and the amount of consideration for them have been determined by them independently. Franchisee and Transferee acknowledge that they have not relied upon any representation, warranty, promise or other consideration from or by Franchisor in entering into this Agreement or in evaluating the advisability of the transfer or the value of the franchises, any of the franchise rights or the franchise locations.

3. Communication of Confidential Information. Neither Franchisee nor its owners, officers, directors, or other persons enumerated in the Franchise Agreements will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreements, the substance of the franchise operations manuals, or any other nonpublic information related to the operation of the franchise system. Franchisee represents and warrants that neither it nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. Franchisee will continue to comply with all the confidentiality requirements of the Franchise Agreements.

Nothing contained in this Agreement will preclude Franchisor or Franchisee from disclosing the fact of this Agreement or the amount paid by Transferee to Franchisor or to Franchisee.

4. Franchisee to Cease Using Franchisor's Trade Names, Service Marks, and Logos. Upon completion of the transfer, Franchisee will immediately cease using Franchisor's trade names, service marks, logos, and other marks, symbols or materials indicating that Franchisee is or was related to Franchisor in any way, except as otherwise provided in writing. Franchisee acknowledges that all such names, service marks, logos, and symbols are the exclusive property of Franchisor and that Franchisee has been allowed to use them, only in conjunction with the franchise relationship as outlined in this Agreement. Franchisee will remain jointly and severally bound to comply with the covenants in the Franchise Agreements which expressly or by reasonable implication are intended to apply to Franchisee after

termination of the Franchise Agreement, including any applicable non disclosure requirements. Franchisee will:

1. deliver to Transferee or Franchisor all copies of the Operations Manuals, training tapes and franchise related materials in Franchisee's custody, control or possession;
2. take action as required to transfer to Transferee all registrations relating to the use of all assumed names;
3. notify the telephone company and all listing agencies of the transfer of Franchisee's rights to use the franchise names and logos and classified and directory listings of the franchise;
4. cease use of the franchise trademarks, service marks, trade names, copyrights, and other intellectual or intangible property;
5. refrain from doing business in any way that might tend to give the public the impression that Franchisee still is or was a franchisee in the system;

5. Releases. In consideration of the mutual covenants and understandings set forth in this Agreement, Franchisee and Franchisor do release and discharge each other and their current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the Franchise Agreements.

Franchisee does release and forever discharge Franchisor and its current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreements and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

Franchisee represents that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of the Franchise Agreements and the relationship between the parties including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under the Franchise Agreements, including all the effects and consequences thereof.

These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

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 parties, with the advice of their respective counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

6. Miscellaneous Provisions. This writing constitutes the entire agreement between the parties. It supersedes all prior understandings among the parties with respect to its subject matter. This Agreement may not be modified or amended in a manner adverse to any party except by written agreement signed by that party.

Time is of the essence of this Agreement.

Any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

If a dispute arises between the Parties, the Parties agree to participate in at least eight hours of mediation in accordance with the Mediation Procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. The Parties agree to equally share the costs of mediation.

This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.). This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws. All issues or disagreements relating to this Agreement, will be mediated, tried, heard, and decided in Portland, Oregon.

This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties.

This Agreement has been prepared by attorneys representing Franchisor. Franchisee and Transferee have each had opportunity to have this Agreement reviewed by attorneys of their own choice.

This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement.

("Franchisor"):
FIGARO'S ITALIAN PIZZA, INC.

By:_____
Title:_____

C ("Franchisee")

By:_____
C , an officer of the corporation

By:_____
C , as an individual

By:_____
D, an officer of the corporation

By:_____
C , an officer of the corporation

U, Inc., ("Transferee")

By:_____

Title:

R ("Transferee")

By:_____
R, an individual

S ("Transferee")

By:_____
S, an individual

T ("Transferee")

By:_____
T, an individual

[ADDITIONS FOR TRANSFERS WHERE LITIGATION OR DISPUTE EXIST BETWEEN F'OR & F'EE]

Certain disputes have arisen between Franchisor and Franchisee. Franchisee has filed a complaint in _____ for the County of _____ in the State of _____, Case Number _____ (the "Litigation").

Franchisor and Franchisee desire to reserve certain rights more fully set forth in this Agreement.

Franchisee agrees that as of _____, it is indebted to Franchisor and to the ____ advertising cooperative in the amounts of $------ and $-------, respectively. Franchisee also understands that it will continue to be obligated to Franchisor for Franchise Fees through the date the Transfer becomes effective. These amounts will not be paid to Franchisor at closing. Franchisor and Franchisee understand and consent that this will not be deemed a waiver or relinquishment of any rights of Franchisor or the cooperative. Franchisor reserves all rights in connection with these amounts and obligations.

Nonwaiver of Certain Claims. Nothing in this Agreement will be construed to be a waiver or relinquishment of Franchisee's or Franchisor's claims set forth in the Litigation. Similarly, nothing in this Agreement will be deemed to be a waiver of any claim or contention that may be raised as a defense, offset or for affirmative relief in the Litigation. Without limiting the

above, neither the execution nor performance of this Agreement will be deemed an admission of liability by Franchisor with respect to the claims asserted by Franchisee in the Litigation.

RENEWAL AND RELEASE AGREEMENT

This Renewal and Release Agreement ("Agreement") is made this __ day of _____, 200__. This Agreement is between **FIGARO'S ITALIAN PIZZA, INC**., an Oregon corporation having its principal place of business at 1500 Liberty Street S.E., Suite 160, Salem, Oregon, 97302 ("we, us") and _____

_____

_____(jointly and severally "You").

On or about the following date, you and we entered into a Franchise Agreement (the "Franchise Agreement") for the operation of a [**FIGARO'S/NICK-N-WILLY'S]** franchise at the following location:

You desire to renew the franchise on the terms of our current franchise agreement forms. You desire to release us from any and all claims whatsoever arising out of the negotiation, execution, delivery, and performance of the Franchise Agreement. Now, therefore, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Renewal of Franchise Agreement.

A. The Franchise Agreement, including all appurtenant addenda, certificates, exhibits, options, and obligations of the parties is terminated. The provisions of the Franchise Agreement concerning your obligations upon termination and renewal will continue in full force and effect. The parties agree that this Agreement fully and completely expresses the present understanding between the parties.

B. Contemporaneously with execution of this Agreement, you agree to execute our current franchise agreement forms. These forms may vary materially from the Franchise Agreement. Continuing Services and Royalty Fees, Advertising Fees, Local Advertising Contributions and other fees will be set at the currently prevailing rates and terms. There is no fee for renewal of the franchise. The Franchise Premises must remain at the location designated in the Franchise Agreement.

C. You will reimburse us for the following reasonable out-of-pocket costs we incur concerning the renewal:_____.

D. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the current Operations Manual and Method of Operation. This includes: _____.

E. You or your designated manager will attend and successfully complete the following retraining programs at your expense, including travel, meals, lodging, and our current training fee of **$**_____:

2. **Communication of Confidential Information**. Neither you nor your owners, officers, directors, or other persons enumerated in the Franchise Agreement will communicate or divulge to any person or entity the contents of this Agreement, the contents of the Franchise Agreement, the substance of the franchise Operations Manuals, or any other nonpublic information related to the operation of the System. You represent and warrant that neither nor any listed individual has communicated or divulged any such information to anyone prior to the date of this Agreement. You will continue to comply with all the confidentiality requirements of the Franchise Agreement.

3. **Release**. You do release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the negotiation of, execution of, performance of, nonperformance, or breach of the Franchise Agreement and any related agreements between the parties and out of any other action or relationship between the parties arising prior to the date of this Agreement.

You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of the Franchise Agreement and the relationship between the parties including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under the Franchise Agreement, including all the effects and consequences thereof.

These releases are intended to waive, release and discharge all claims, other than those expressly reserved herein, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

> A GENERAL RELEASE D0ES 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 parties, with the advice of their respective counsel, waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

4. **Miscellaneous Provisions**. This writing constitutes the entire agreement between the parties. It supersedes all prior understandings among the parties with respect to its subject matter. This Agreement may not be modified or amended in a manner adverse to any party except by written agreement signed by that party.

Time is of the essence of this Agreement.

Any party may seek and obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any covenant contained in this Agreement. The prevailing party in any suit or action to enforce this Agreement will be entitled to recover its court costs and reasonable legal fees to be set by the court, including costs and legal fees on appeal.

If a dispute arises, you and we agree to participate in at least six hours of mediation in accordance with the mediation procedures of the US Arbitration & Mediation Service or of any similar organization that specializes in the mediation of commercial business disputes. You and we agree to equally share the costs of mediation.

This Agreement is accepted in the State of Oregon and will be governed by the laws of Oregon, which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.). This choice of laws will not include and does not extend the scope of application of the Oregon franchise or business opportunity laws. All issues or disagreements relating to this Agreement, will be mediated, tried, heard, and decided in Portland, Oregon.

This Agreement will benefit and bind the respective heirs, executors, administrators, successors, and assigns of the parties. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement.

("We/Us"):
FIGARO'S ITALIAN PIZZA, INC.

By:_____
Title:_____

C and **D** ("You")

By:_____
C , an individual

By:_____
D, an individual

[ADDITIONS WHERE LITIGATION OR DISPUTES EXIST AND PARTIES DESIRE THE LITIGATION TO CONTINUE AFTER RENEWAL]

Certain disputes have arisen between you and us. These disputes are contained litigation that has been filed in _____ for the County of _____ in the State of _____, Case Number _____ (the "Litigation").

Each party reserves all rights in connection with the Litigation. Nothing in this Agreement will be construed to be a waiver or relinquishment of your or our claims set forth in the Litigation. Similarly, nothing in this Agreement will be deemed to be a waiver of any claim or contention that may be raised as a defense, offset or for affirmative relief in the Litigation. Without limiting the above, neither the execution nor performance of this Agreement will be deemed an admission of liability by either party with respect to the claims asserted by the other party in the Litigation.

EXHIBIT K

TO

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE BROKERS AND MASTER FRANCHISEES AND CERTAIN FORMER MASTER FRANCHISEES

EXHIBIT K

MASTER FRANCHISEES
(in operation as of December 31, 2014)

Ronald Forbes
(Territory is limited to the state of Nevada)
8518 N. Timberlane Drive
Scottsdale, Arizona 85258
(480) 951-2817

Mr. Forbes became Master Franchisee for the state of Nevada in June 2003. Since 1986 he has owned and been chief executive officer for Arizona Stores, Inc. in Scottsdale, Arizona.

Douglas J. Egnarski and Cynthia J. Egnarski
(Territory is limited to Wisconsin)
3127 River Forest Hills Drive
Pulaski, Wisconsin 54162
(920) 865-8554

The Egnarski's became Figaro's Master Franchisees for all of Wisconsin in June 2002.

Mr. Egnarski has been Materials Coordinator for Georgia Pacific in Green Bay, Wisconsin since December 2000. From October 1988 to December 2000, he was Department Supervisor for Fort James, in Green Bay.

Mrs. Egnarski has served as President of AJL Enterprises in Green Bay, Wisconsin since December 2002. She was a Key Account Manager for ConAgra CPC in Minneapolis from January 2001 to 2003 and Account Manager in Wisconsin from October 1992 to January 2001.

<u>INTERNATIONAL</u>

Ahmed Al Dhaheri-Chairman
Sense Gourmet PJSC
PO Box 2378
Abu Dhabi UAE
+9712 673-1000 ext 207

Sense Gourmet became Figaro's Master Franchisee in the United Arab Emirates November 2006.

Stavros Erotokritou
13 Michalacopoulou Str. Alasia Ct
3rd Floor 1075
Nicosia, Cyprus

011-357-22-429-426

Stavros Erotokritou became Figaro's Master Franchisee in Cyprus January 2008.

Roberto Mansur
Impulso Gastranomico Int'l S.A. de C.V.
Av Alfonso reyes 2615-707
Col del Paseo
Residential Monterrey
Nuevo Leon, Mexico 64920
011 +52 *81) 87 61 86 88 x110

Roberto Mansur became Figaro's Master Franchisee in Mexico July 2004.

EXHIBIT L

TO

FRANCHISE DISCLOSURE DOCUMENT

DISCLOSURE DOCUMENT RECEIPT

Franchise Disclosure Document Acknowledgment of Receipt

EXHIBIT L

FRANCHISE DISCLOSURE DOCUMENT 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 FIGARO'S ITALIAN PIZZA, INC. OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU AT LEAST 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT OR MAKE A PAYMENT WITH THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE OR GRANT.

IF FIGARO'S ITALIAN PIZZA, 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 AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND TO THE STATE AGENCIES LISTED IN EXHIBIT D.

The name, principal business address, and telephone number of each franchise seller offering the franchise follows: Ron Berger, Chairman/CEO andRichard Glenn President for Figaro's Italian Pizza, Inc., 1500 Liberty Street SE, Suite 160, Salem, Oregon 97302, (503) 371-9318, and the following Master Franchisee as applicable_____.

Figaro's Italian Pizza, Inc. authorizes the agents listed on Exhibit D to receive service of process for Figaro's Italian Pizza, Inc.

Date of issuance: I have received a Disclosure Document dated **February 28, 2017**. It is effective in various states as of the dates set forth on the FDD Cover Page.

This Disclosure Document included the following Exhibits:

EXHIBITS

- A FINANCIAL STATEMENTS
- B. (intentionally left blank)
- C FRANCHISE AGREEMENT (WITH EXHIBITS)
  - EXHIBIT 1 - FACT SHEET
  - EXHIBIT 2 - EXPRESS ADDENDUM
  - EXHIBIT 3 - CO-BRANDING ADDENDUM
  - EXHIBIT 4 - RETAIL PREMISES ADDENDUM
  - EXHIBIT 5 – MULTIPLE FRANCHISE PURCHASE ADDENDUM
  - EXHIBIT 6 – DELIVERY AREA
  - EXHIBIT 7 – PRE-EXISTING FRANCHISEE DELIVERY ADDENDUM
- D LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
- E TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL

Franchise Disclosure Document Acknowledgment of Receipt

F INFORMATION REGARDING FIGARO'S AND NICK-N-WILLY'S FRANCHISEES AND CERTAIN FORMER FRANCHISEES
G SUMMARY OF LAWS
H (intentionally left blank)
I STATE AND PROVINCIAL ADDENDA
J CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS
ASSUMED NAME RELINQUISHMENT FORM
TRANSFER AGREEMENT AND RELEASE FORM
RENEWAL AGREEMENT AND RELEASE FORM
K LIST OF FRANCHISE BROKERS AND MASTER FRANCHISEES
L DISCLOSURE DOCUMENT RECEIPT

Date of receipt: Dated this __ day of _____, 201_.

I acknowledge that it is my responsibility, individually, and as an officer or partner of the proposed franchisee, if applicable, to review all such documents personally or to have my attorney or other advisor review such documents so that I am fully familiar with the franchise and documents prior to signing them or paying any money.

I hereby agree that the information in the Disclosure Document and all other information and materials given to me will be used only in conjunction with my consideration of the franchise. All such information and materials shall not be disseminated other than to my advisors, and will be returned to the franchisor promptly if I decide not to purchase a franchise.

SIGNED: _____	SIGNED: _____
_____	_____
NAME (Please print)	NAME (Please print)
_____	_____
Address	Address
_____	_____
DATE: _____	DATE: _____

Attach additional signatures or use additional receipts if necessary. If franchise is to be owned jointly or as community property by husband and wife, both must review all documents and sign. All owners of an entity franchisee must review all documents and sign individually and on behalf of the entity.

KEEP THIS COPY FOR YOUR RECORDS.

EXHIBIT L

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_____	_____
NAME (Please print)	NAME (Please print)
_____	_____
Address	Address
_____	_____
DATE: _____	DATE: _____

Attach additional signatures or use additional receipts if necessary. If franchise is to be owned jointly or as community property by husband and wife, both must review all documents and sign. All owners of an entity franchisee must review all documents and sign individually and on behalf of the entity.

Please sign this copy of the receipt, date your signature, and return it to:
RON BERGER, CHAIRMAN/CEO
FIGARO'S ITALIAN PIZZA, INC.
1500 LIBERTY STREET SE
SALEM, OREGON 97302