



FRANCHISE DISCLOSURE DOCUMENT PIZZA RESOURCES CORPORATION

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You will operate a dine-in restaurant featuring pizza and an extensive menu offering salads, sandwiches and pasta. We offer 2 franchises, a single Monical's restaurant and multiple Monical's restaurants.

1. The total investment necessary to begin operation of a single Monical's restaurant franchise is \$487,050 to \$1,133,400. This includes \$25,000 to \$45,000 that must be paid to the franchisor or affiliate.
2. The total investment necessary to begin operation of multiple Monical's restaurant franchises is \$552,050 to \$1,178,400. This includes \$30,000 plus \$15,000 for each franchise that must be paid to the franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sean Wittenborn, 1998 E 2100 N Road, Watseka, IL 60970, (815) 432-2439, or seanw@pizzaresources.com.

The terms of your contract will govern your franchise relationship. Don't rely on this 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.

Date of Issuance: April 25 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

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

To simplify the language in this Disclosure Document, the words “we,” “our,” “us,” and “Resources” refer to Pizza Resources Corporation, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

The Franchisor

We were incorporated in Illinois on July 13, 1993 and are qualified to transact business in the State of Indiana. Our principal business address is 1998 E. 2100 N. Road, Watseka, Illinois 60970. We do business under our corporate name and the name Monical’s Pizza. As of the date of this Disclosure Document, we own all the assets and franchise rights to the Monical’s Pizza restaurants in Watseka, Gilman and Pontiac, Illinois. As of the date of this disclosure, we also provide support to 13 franchises in Indiana. We have operated Monical’s restaurants and offered franchises in this line of business since 1993. We have not previously offered franchises in any other line of business.

Our Business Activities

Effective August 1, 1993, Resources entered into an agreement with Monical Pizza Corporation (sometimes referred to herein as “MPC” or “Monical”) granting Resources development rights for franchises in the State of Indiana for Monical’s Pizza restaurants, either through its own operations or through the sale of franchises to third parties. As a franchisee, you would have the right to establish and operate a Monical’s Pizza dine-in restaurant featuring pizza and an extensive menu offering salads, sandwiches and pasta. We consider the general market to be developed. The franchise or franchised restaurant does business under the trade name, Monical’s Pizza®, and also uses MPC’s other related service marks, trademarks or logos (our “Marks”). The franchised restaurant typically requires between approximately 3,000 to 5,300 square feet of space and is typically located in an in-line strip mall or freestanding building. The franchise operates using MPC’s standards, methods, procedures and specifications, called the “System.” In addition to granting franchises for individual Monical’s restaurants, we also allow certain franchisees who fit our criteria to become area developers or developers. Developers open and operate a predetermined number of Monical’s restaurants in a specified area called a development territory. Some of the criteria that must be met to become a developer with the right to establish multiple franchised restaurants include business management experience and sufficient capital. Developers sign an Area Development Agreement specifying their rights to establish multiple units within a set time frame and developers also sign a Franchise Agreement for each location before its development. For each future unit franchise, Developers may be required to sign a form of franchise agreement that is different from the form of franchise agreement included in this Franchise Disclosure Document.

Our Parents, Predecessors and Affiliates

We do not have any parent companies and were not preceded by any other entity. Monical Pizza Corporation, its affiliates and predecessors have operated pizza restaurant businesses since 1959 and offered franchises of Monical’s restaurants since 1965. As of the date of this Disclosure Document, no predecessors exist having either dissolved or merged with us. We do not have any affiliates offering franchises in any line of business or providing products or services to our franchisees. Under the agreement by which Resources obtained rights to develop franchises in the State of Indiana, Monical Pizza Corporation may, in certain circumstances, enforce the provisions of the Franchise Agreement and Confidentiality Agreement entered into between Resources and any franchisee. Resources has provided general information with regard to Monical Pizza Corporation, which is currently registered to sell franchises in the States of Illinois and Wisconsin. Monical Pizza Corporation is an Illinois corporation that was incorporated on April 26, 1982. Monical Pizza Corporation does business as Monical’s Pizza and has its principal address at 530 N. Kinzie, Bradley, Illinois 60915-1220. Monical Pizza Corporation currently operates 31 Monical’s restaurants in the State of Illinois and provides support to 17 franchises in Illinois, Missouri and Wisconsin.

General Description of the Market and Competition

Our concept is targeted to the general public. As a franchisee, you will compete with a variety of other restaurants providing pizza and other related menu items. Your competition may be local, independently owned

restaurants, or may be part of a regional or national chain or franchise. You may also compete with other Monical's Restaurants operated by us, Monical Pizza Corporation or other franchisees.

Regulations Specific to the Industry

Most states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your restaurant, including those that: (a) require a permit, certificate or other license; (b) establish general standards, specifications and requirements for the construction, design and maintenance of the restaurant premises; (c) regulate matters affecting the health, safety and welfare of your customers, including general health and sanitation requirements for the storage, handling, cooking and preparation of food, restrictions on smoking, availability of and requirements for public accommodations, including restrooms; (d) set standards pertaining to employee health and safety; (e) regulate matters affecting requirements for accommodations for disabled persons; (f) set standards and requirements for fire safety and general emergency preparedness; and (g) regulate the proper use, storage and disposal of waste. You must investigate and comply with all applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you.

Agents for Service of Process

Our agents for service of process are listed on Exhibit B to this Disclosure Document

ITEM 2. BUSINESS EXPERIENCE

The principal officers and other executors who will have management responsibility for the franchise offered by this Circular are the following:

Chairman and Director: Dennis Wittenborn

Dennis Wittenborn is a member of the Board of Directors of Resources and served as its President and Treasurer from the creation of Resources in July, 1993 until March 2017. Prior to that time, Mr. Wittenborn was a member of the Board of Directors of Monical Pizza Corporation and served as its president and treasurer from 1987 until the end of July, 1993, when he left Monical Pizza Corporation to form Resources and begin development of franchises in Indiana. Mr. Wittenborn had been a full-time employee of Monical Pizza Corporation since he joined the corporation as a manager of a restaurant in 1974. In 1977, he became an area supervisor with the responsibility of hiring and training management staff and developing and documenting operating procedures. Mr. Wittenborn has been involved in the food service industry since 1969.

President and Director: Sean Wittenborn

Sean Wittenborn is both a member of the Board of Directors of Resources (since 2008) and its President (since March 2017). Prior to that time, Mr. Wittenborn had been a manager with Resources since 1999.

Director: Matthew Wittenborn

Matthew Wittenborn is a member of the Board of Directors of Resources, and served as its Vice-President until January 2015 when he purchased the Kentland, Indiana Monical's Pizza and became a franchisee of Resources. Prior to that time, Mr. Wittenborn was an employee of Monical Pizza Corporation from May, 1989 to October, 1992. He then joined Resources and was a full-time employee until January 2015. His responsibilities include general oversight of franchised restaurants.

Vice President, Franchise Business Director and Director: Stacy Davenport

Stacy Davenport is both a member of the Board of Directors of Resources and its Vice President, and has served in these capacities since April, 2008. Prior to that time, Mrs. Davenport had been a manager with Resources since 1996. Her responsibilities include overseeing company-owned stores, and is Franchise Business Director.

Chief Technology Officer, Vice President and Director: Nathan Horchem

Nathan Horchem is both a member of the Board of Directors of Resources and its Vice President, and has served in these capacities since April, 2008. Since 2017, he has also been Chief Technology Officer for Resources. Prior to that time, Mr. Horchem had been a manager with Resources since 1996. His responsibilities include corporate support for multiple Illinois and Indiana franchise locations, and is Director of Marketing for Resources.

Executive Vice President, Chief Financial Officer: Kristine Horchem

Kristine Horchem has been Secretary, Treasurer, and Chief Financial Officer for Pizza Resources Corporation since 2017. She has worked for Pizza Resources since 1993. Prior to that she was a payroll clerk for Monical Pizza Corporation, until beginning work with Resources in 1993.

Resources does not presently utilize any franchise brokers.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this ITEM.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

Franchise Agreement

You must pay a \$45,000 lump sum franchise fee when you sign the Franchise Agreement. You pay a \$30,000 lump sum franchise fee when you sign the Franchise Agreement for a second and subsequent franchise. If you are a Resources employee, you pay a lump sum franchise fee of \$45,000, less \$1,000 for every year of your employment with Resources, with a minimum franchise fee of \$25,000. Otherwise, the franchise fee is uniform for all franchisees.

We will refund 50% of the franchise fee you paid if we terminate the franchise for your failure to perform your pre-opening obligations under the Franchise Agreement. We do not give refunds under other circumstances. (For further information about termination of the franchise, see ITEM 17.)

Development Agreement

You must pay a development fee if and when you sign a Development Agreement. The development fee is paid to us in a lump sum and is nonrefundable. The development fee is equal to \$15,000 for each Monical's restaurant you agree to develop with Resources in addition to the franchise fee. The number of Resources restaurants under the Monical's restaurants you will open will be determined before you sign the Development Agreement.

For example, assuming you agree to develop five restaurants, your initial investment will include a franchise fee of \$30,000 for the first Monical's restaurant and a development fee of \$60,000 for the remaining four Monical's restaurants to be developed in the future.

Each time you sign a Franchise Agreement for one of the additional Monical's restaurants, you must pay us \$15,000 which is the balance of the discounted franchise fee for that franchise.

The development fee is calculated uniformly for all developers, but the amount of the actual fee will vary based on the number of Monical's restaurants you agree to develop.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	4% of gross sales	10th day of each month	You must pay your royalty fee directly to us. See definition of gross sales. ¹
Marketing Fund Contribution	Currently, none	10th day of each month, once initiated	If a marketing fund is established, you will pay your marketing fund contribution to us. We will give you 30 days' notice before initiating or increasing required contributions.
Local Advertising	At least 2% of gross sales	Monthly	You pay directly subject to our approval. (Section 0) We may require local advertising expenditures to be used in cooperative advertising. (Section 0). Further information about all advertising programs is included in ITEM 11.
Cooperative Advertising	Any or all of the marketing fund contribution plus any or all of required local advertising may be designated for cooperative advertising	As directed	We may establish and administer a cooperative advertising program within your regional marketing area. This fee is payable to us or to an advertising cooperative. There are currently no advertising cooperatives.
Telephone Directory Advertising	Varies according to area and type of listing	As invoiced	You must list and advertise in the "white pages" of your local telephone directory. (Section 0) Further information about all advertising programs is included in ITEM 11.
Audit Expenses ²	All costs and expenses associated with audit	Upon demand	Audit costs payable only if the audit shows you have not spent at least 1% of your monthly gross sales on local advertising or if you underreported amounts you owe us by 3% or more.
Late Fees ³	1.5% per month or the highest rate allowed by the law of the state where you are located, whichever is less	Upon demand	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit.
Approval of Products or Suppliers ⁴	All reasonable costs of evaluation	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee	\$10,000	At the time of transfer	Payable to us at the time of transfer. Does not apply to an assignment under Section 0 of the Franchise Agreement.
Relocation Assistance	Costs of providing relocation assistance	Time of assistance	If you need our assistance to relocate, you must reimburse our costs to assist you.
Customer Service ⁵	All costs incurred in assisting your customers	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your customers.
Systems Modifications	Not more than \$50,000 during the initial term of the franchise and not more than \$50,000 in any one renewal term	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or new Marks.
Substitute or New Manager Training/ Additional Training	Currently, \$500 per day plus your expenses in attending	Time of training	We provide an initial training program before you begin operations and ongoing training programs during the term of the franchise. If you have to repeat initial training, we may charge you a fee.
Temporary Management Assistance	Currently, \$500 per day, plus our expenses	Each month that it applies	If you breach the Franchise Agreement or following the death of incapacity of an owner of the franchise, we may temporarily manage your franchised restaurant.
Ongoing Training ⁶	You are required to pay your expenses as well as your employees' expenses in attending	Time of program	No tuition or training fees are assessed; attendance will not be required more than 2 times per year and will not exceed 4 days in any year.

Type of Fee	Amount	Due Date	Remarks
Additional Operations Assistance	Currently, \$500 per day plus our expenses	Time of assistance	We provide assistance around the beginning of operations. You pay for additional assistance if you request it.
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail.
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the franchised restaurant. We also provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks.

We may require that all fees payable to us be paid through an electronic depository transfer account.

All of the fees noted above are uniform. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are nonrefundable.

NOTES

¹ "Gross sales" means all revenue from the franchised restaurant. Gross sales do not include sales tax or use tax. (Section 1)

² We assume costs vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

³ Late fees begin within 5 days from the date payment was due, but not received, or date of underpayment.

⁴ Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.

⁵ Costs vary depending on factors, including nature of the complaint, expertise needed and the time involved. You pay our actual costs only.

⁶ We provide training programs to an individual you select to be the designated manager of the franchise. Your designated manager's attendance is required. We do not charge fees for these programs, but if you replace your designated manager and your manager changes are excessive or due to poor hiring practices, we may charge you a fee.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee ¹	\$25,000 - \$45,000	Cashier's Check	At Signing of Franchise Agreement	Us
Real Estate/Rent ²	\$2,000 - \$14,400	As Arranged	Before Beginning Operations	Lessor
Utility Deposits ³	\$500 - \$4,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements ⁴	\$25,000 - \$400,000	As Arranged	Before Beginning Operations	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Furniture, Fixtures & Equipment ⁵	\$275,000 - \$365,000	As Arranged	Before Beginning Operations	Suppliers
Initial Inventory ⁶	\$16,000 - \$20,000	As Arranged	Before Beginning Operations	Approved Suppliers, Suppliers
Office Equipment & Supplies ⁷	\$5,000 - \$6,000	As Arranged	Before Beginning Operations	Suppliers
Insurance ⁸	\$7,000 - \$15,000	As Arranged	Before Beginning Operations	Suppliers
Signage ⁹	\$15,000 - \$30,000	As Arranged	Before Beginning Operations	Suppliers
Training ¹⁰	\$5,000 - \$10,000	As Arranged	Before Beginning Operations	Suppliers
Grand Opening ¹¹	\$5,000 - \$10,000	As Arranged	First 3 Months of Operation	Suppliers
Dues & Subscriptions ¹²	\$50 - \$2000	As Arranged	Before Beginning Operations	Suppliers
Licenses & Permits ¹³	\$1,000 - \$3,000	As Arranged	Before Beginning Operations	Licensing Authorities
Legal & Accounting ¹⁴	\$2,000 - \$4,000	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds ¹⁵ (3 months)	\$100,000 - \$200,000	As Arranged	As Necessary	Employees, Utilities, Lessor, Suppliers
TOTAL	\$487,050 - \$1,133,400			

NOTES

¹ **Franchise Fee.** The franchise fee and its refund policy are described in greater detail in ITEM 5. We do not finance any fee or any part of the initial investment.

² **Real Estate/Rent.** You must lease or otherwise provide a suitable facility for the operation of the franchised restaurant. Typically, the facility will range in size from approximately 3,000 to 4,000 square feet. It is difficult to estimate lease acquisition costs or acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs. The low estimate is based on an assumption that you will have to pay a security deposit equal to one month's rent to lease the facility and is based on leasing a facility of 3,000 square feet. The high estimate is based on the assumption that you will have to pay a security deposit equal to 2 month's rent to lease the facility and is based on leasing a facility of 4,000 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of costs in this category only includes your costs to enter into a lease for the facility. Estimated rental costs for 3 months are included with the category "Additional Funds" (See Note 15 below).

³ **Utility Deposits.** If you are a new customer of your local utilities, you will generally have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending upon the policies of the local utilities. You should contact your local utilities for more information.

⁴ **Leasehold Improvements.** To adapt a newly acquired facility for the operation of the franchised restaurant, it must be renovated. The cost of the leasehold improvements will vary depending on factors including the size and location of the facility, local wage rates and the cost of materials. The low estimate assumes that your landlord will provide the

build-out. The amounts you pay for leasehold improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

⁵ Furniture, Fixtures & Equipment. You must purchase and/or lease and install furniture, fixtures, equipment and décor necessary to operate your franchised restaurant. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing. This amount also includes an estimated \$15,000 - \$30,000 for computer components.

⁶ Initial Inventory. You will be required to purchase an initial supply of various food items, including meats, cheeses, vegetables, beverages, etc. These costs will vary based upon the size and location of the franchised restaurant, suppliers and other related factors. We do not know if the amounts you pay for inventory items are refundable. Factors determining whether inventory items are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

⁷ Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

⁸ Insurance. You must purchase the following types and amounts of insurance:

Within ninety (90) days of the Effective Date, but in no event later than the commencement of operations, Franchisee shall procure and thereafter maintain in full force and effect during the term of this Agreement, the insurance listed below. The liability policy including any applicable umbrella/excess policies shall expressly name Franchisor as an additional insured. In addition to any other insurance that may be required by applicable law, or by any lender or lessor, Franchisee shall procure:

- “Special Form” (all risk) property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies, and leasehold improvements and betterments and other property used in the operation of the Franchised Restaurant at full replacement cost;
- Workers’ compensation insurance that complies with the statutory requirements of the state in which the Franchised Restaurant is located and employer liability coverage with a minimum limit of ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit as required by applicable state law;
- Commercial general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Restaurant, including premises and operations, contractual liability, products completed operations and personal and advertising injury, with minimum limits of liability for each type of insurance of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence and TWO MILLION DOLLARS (\$2,000,000.00) general aggregate or higher if required by any landlord or lease agreement or by state law
- Liquor liability/dram shop policy with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence and TWO MILLION DOLLARS (\$2,000,000.00) in the aggregate or, if higher, the statutory minimum limit required by applicable state law;
- Automobile liability insurance including liability coverage for autos owned, hired or borrowed, if applicable, by Franchisee, and liability coverage for autos owned by others (“non-owned auto”

coverage) with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence for bodily injury and property damage combined;

- Umbrella excess liability insurance with a minimum liability coverage of TWO MILLION DOLLARS (\$2,000,000.00) (umbrella excess liability must provide coverage in excess of commercial general liability, liquor liability, automobile liability and employers liability limits);
- Business interruption insurance in amounts and with terms acceptable to Franchisor;
- Cyber insurance policy with a minimum liability coverage of \$1,000,000;
- Restaurant Recovery Insurance (or equivalent) due to Food Borne Illness with a minimum liability coverage of \$1,000,000; and
- Such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 0.

Franchisee shall require each of its employees, who at any time, in connection with off-site delivery services, operates a vehicle which is owned by a person other than Franchisee, to maintain insurance insuring the employee's liability as driver of the vehicle in an amount no less than the minimum amount required by law, and Franchisee shall require and maintain at the Franchised Restaurant evidence of such insurance which evidence Franchisee shall provide to Franchisor upon request. Franchisee expressly waives and releases Franchisor and its affiliates and successors, and the respective officers, directors, shareholders, employees and agents of Franchisor and such successors and affiliates, from any obligation or responsibility with respect to any claim asserted, or which may be asserted, by a third party or parties, arising out of or relating to Franchisee's conduct of off-site delivery services.

Factors that may affect your cost of insurance include the size and location of the franchised restaurant, value of the leasehold improvements, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

⁹ Signage. This range includes the cost of all signage used in the Franchised Restaurant, including vehicle signage wrap according to MPC's specifications. The signage requirements and costs will vary based upon the size and location of the Franchised Restaurant, local zoning requirements, landlord requirements and local wage rates for installation, among other things. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of suppliers at or before the time of purchase.

¹⁰ Training. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically non-refundable. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the cancellation and refund policy in the event you need to cancel any reservation.

¹¹ Grand Opening. We will determine a minimum amount that you must spend on grand opening advertising during the first 3 months of operation. The minimum will not be less than \$5,000. We determine the minimum based on our assessment of your advertising costs in your area and the time of year that you are opening. You may choose to spend more than the minimum amount we specify. If you choose to spend more, the factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised restaurant, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

¹² Dues & Subscriptions. You may choose to purchase subscriptions to related trade organizations. These expenses are typically non-refundable. You should inquire about the cancellation and refund policy of the organizations at or before the time of purchase.

¹³ **Licenses & Permits.** State and local government agencies typically charge fees for occupancy permits, operating licenses, construction permits, etc. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the refund policy of the agencies at or before the time of hiring.

¹⁴ **Legal & Accounting.** You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchised restaurant. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

¹⁵ **Additional Funds.** We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities and employee's salaries, for the first 3 months that the franchised restaurant is open. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable. The estimate of additional funds comes from our experience in operating our own restaurants and the experience of our existing franchisees, related to average market size for our franchisees.

Development Agreement

The following chart provides an estimate of your initial investment to open your first Franchised Restaurant if, for example, you sign a Development Agreement for the development of 5 Monicals Restaurants.

Type of Expenditure	Amount	Method of Payment	When Due	Who You Have to Pay
Development Fee*	\$60,000	Cashier's Check	Upon Signing Development Agreement	Us
Franchise Fee	\$30,000	Cashier's Check	Upon Signing 1 st Franchise Agreement	Us
Other Expenditures** for 1 st business	\$462,550 \$1,088,400	As Disclosed in Preceding Table	As Disclosed in Preceding Table	As Disclosed in Preceding Table
TOTAL	\$552,550 \$1,178,400			

*The formula for the calculation of the development fee is described in greater detail in ITEM 5 of this Disclosure Document.

**The balance of your initial investment for the first franchised restaurant is as stated in the preceding table. Your costs to develop the second and each additional franchised restaurant may increase over time due to factors such as inflation, increases in the cost of labor and materials, and other factors not within our control.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase your furniture, fixtures, equipment, including computer equipment, inventory and signage as specified in the MPC "Confidential Operations Manual"). These specifications include standards and specifications for appearance, quality, price, performance and functionality. These standards and specifications are based on our experience in operating businesses of the type we are franchising and through research and testing in our businesses. We may communicate our standards and specifications directly to suppliers who wish to supply you with furniture, fixtures, equipment, inventory and signage under specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the franchised restaurant, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location and through the Confidential Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written or electronic notices. While we have created standards and specifications for the development of your franchised restaurant, we have not designated any vendors and suppliers. No officer of the franchisor has any ownership or other interest in any supplier.

If you would like to use any goods or services in establishing and operating the franchised restaurant that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You must pay our expenses to evaluate goods, services or suppliers. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services or use a particular supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; and dependability and general reputation.

Periodically, we may review our approval of any services, goods or suppliers. We will notify you in writing if we revoke our approval of any services, goods or suppliers, and you must immediately stop purchasing disapproved services or goods, or must immediately stop purchasing from a disapproved supplier. Additionally, we may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. Volume discounts may not be available to franchisees located in outlying markets that a particular supplier does not serve in significant volume. Presently, there are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

Although you are not required to buy anything from franchisor or our affiliates, there are certain branded items that you may purchase from the franchisor. We estimate that approximately 1% to 3% of your expenditures for leases and purchases in establishing your franchised restaurant will be for goods and services that must be purchased from us or an approved supplier or according to our standards and specifications. We estimate that approximately 25% to 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased from an approved supplier and according to our standards and specifications. As of the date of this Disclosure Document, we have not derived any revenue from the sale of goods and services by third party suppliers to our franchisees.

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether your purchases are through the sources we designate or approve. We have no purchasing or distribution cooperatives serving our franchise System.

Development Agreement

We have no required designated or approved suppliers for real estate relating to the Development Agreement. We receive no revenue, rebates or discounts as a result of developers' purchases or leases in connection with Development Agreements.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in the Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document ITEM
a.	Site selection and acquisition/lease	FA: Section 5 DA: None	ITEMS 11 and 12
b.	Pre-opening purchases/leases	FA: Sections 5, 12 and 15 DA: None	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	FA: Sections 5 and 8 DA: None	ITEMS 7, 8 and 11

Obligation		Section in the Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document ITEM
d.	Initial and ongoing training	FA: Section 8 DA: None	ITEMS 6, 7 and 11
e.	Opening	FA: Sections 5 and 8 DA: Section 4	ITEM 11
f.	Fees	FA: Sections 3, 5, 8, 10, 11, 13, 15, 18 and 21 DA: Sections 3 and 7	ITEMS 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	FA: Sections 6, 7, 9, 10 and 13 DA: None	ITEMS 8, 14 and 16
h.	Trademarks and proprietary information	FA: Sections 6, 7 and 9 DA: Section 6	ITEMS 13 and 14
i.	Restrictions on products/services offered	FA: Sections 5, 6 and 13 DA: None	ITEMS 8 and 16
j.	Warranty and customer service requirements	FA: Section 13 DA: None	ITEM 16
k.	Territorial development and sales quotas	FA: None DA: Sections 2 and 4, and Exhibit A	ITEM 12
l.	Ongoing product/service purchases	FA: Section 13 DA: None	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	FA: Sections 5, 10 and 13 DA: None	ITEM 6
n.	Insurance	FA: Section 15 DA: None	ITEMS 6, 7 and 8
o.	Advertising	FA: Section 11 DA: None	ITEMS 6, 7 and 11
p.	Indemnification	FA: Section 21 DA: Section 11	Not applicable
q.	Owner's participation/management/ staffing	FA: Section 13 DA: Section 4	ITEM 15
r.	Records and reports	FA: Section 12 DA: None	ITEM 11
s.	Inspections and audits	FA: Sections 6 and 12 DA: None	ITEMS 6, 11 and 13

Obligation		Section in the Franchise Agreement (FA) or Development Agreement (DA)	Disclosure Document ITEM
t.	Transfer	FA: Section 18 and Exhibits 1 and 5 DA: Section 7	ITEM 17
u.	Renewal	FA: Section 4 and Exhibits 1 and 5 DA: Section 5	ITEM 17
v.	Post-termination obligations	FA: Section 17 and Exhibits 2 and 5 DA: Section 9	ITEM 17
w.	Non-competition covenants	FA: Sections 7 and 17 and Exhibits 3 and 5 DA: Section 9	ITEM 17
x.	Dispute resolution	FA: Section 23 and Exhibit 5 DA: Section 13	ITEM 17
y.	Other	N/A	N/A

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

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

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

A. Before you open your franchised restaurant, we will:

1. if we have not already approved a site that you have selected before signing the Franchise Agreement, designate the area within which you will locate the franchised restaurant, provide you with our criteria for site selection and approve a site you have selected (which meets the criteria) for the location of the franchised restaurant. (Franchise Agreement, Sections 0 and 0)*
2. designate your non-exclusive area (area of primary responsibility). (Franchise Agreement, Section 2.5)
3. if you are a Developer, designate your development territory, as described in ITEM 12. (Development Agreement, Section 2.1)
4. review and approve your lease or purchase agreement for the site for the approved location. (Franchise Agreement, Section 0)

* All citations of Section numbers throughout this Disclosure Document refer to the Franchise Agreement attached as Exhibit C unless designated otherwise.

5. provide you with specifications for the build-out of the franchised restaurant along with a list of required equipment and improvements that you are required to purchase and install. (Franchise Agreement, Section 0) Typically, we will not assist you in the construction, remodeling or decorating of the site.

6. provide an initial training program. This training is described in detail later in this ITEM. (Franchise Agreement, Section 0) Typically, we will not assist you in hiring employees.

7. provide to you on-site assistance and guidance to assist you with the opening of the franchised restaurant and provide on-the-job training. (Franchise Agreement, Section 0)

8. provide to you, on loan, with access to an electronic copy of the confidential MPC Operations Manual. As of the date of this Disclosure Document, the Confidential Operations Manual is principally an on-line document, but has approximately 1,423 pages when printed in a standard format. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Franchise Agreement, Section **Error! Reference source not found.**)

B. After the opening of the franchised restaurant, we will:

1. periodically, advise and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods; however, you will use your own judgment to make all business decisions and should not rely solely upon any advice given or statements made by us. Our guidance is based on our and our franchisees' experience in operating Monical's restaurants. Such advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Franchise Agreement, Section 0)

2. at our discretion, make periodic visits to the franchised restaurant to give you assistance with or guidance on various aspects of the operation and management of a Monical's restaurant. We may prepare written reports outlining any suggested changes or improvements in the operations of the franchised restaurant and detail any deficiencies that become evident as a result of any such visit. If we prepare a report, we will provide it to you. (Franchise Agreement, Section 0)

3. make available to you operations assistance and ongoing training as we think necessary. (Franchise Agreement, Sections 0 and 0)

4. approve forms of advertising materials you will use for local advertising, grand opening advertising and cooperative advertising. (Franchise Agreement, Section 0)

5. notify you of modifications to the Confidential Operations Manual. (Franchise Agreement, Section 0)

C. Advertising and Promotion

1. During your first 3 months of operation, you must spend a minimum amount we specify on local advertisement and promotion of initial opening (grand opening advertising), including print, media or direct mail advertising, dues for business organizations, event dues or other solicitation and promotional efforts. We determine the minimum amount by assessing advertising costs in your area and taking into account the time of year that you are opening. We will provide you with guidance for conducting grand opening advertising, and we will review and approve the materials you use in your grand opening advertising. (Franchise Agreement, Section 0)

2. Each month, you must spend at least 2% of the previous month's gross sales on advertising, promotions and public relations in the local area surrounding the franchised restaurant. You will pay for your ads and promotions directly, but we will provide you with general marketing guidelines and we will review and approve your advertisements. We will not spend any funds on advertising your franchised restaurant in your local area. (Franchise Agreement, Section 0)

3. We may develop a System-wide marketing fund, and you must contribute to the fund. (Franchise Agreement, Section 0) We will set the exact percentage that you must contribute and we may adjust the percentage periodically. We will administer the marketing fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the marketing fund.

(b) We may use your contributions to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use marketing fund contributions for the direct solicitation of franchise sales.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the marketing fund before we use current contributions. We intend for the marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a *pro rata* basis.

(d) All Monical's restaurants owned by an affiliate or by us will make similar contributions to the marketing fund as required of franchisees.

(e) We will have an accounting of the marketing fund prepared each year and once completed, we will provide you with a copy if you request it. We may require that the annual accounting be audited by an independent certified public accountant at the expense of the marketing fund.

(f) The marketing fund is not a trust and we assume no fiduciary duty in administering the marketing fund.

We have not collected any marketing fund contributions. As a result, we have not spent any money from the System-wide marketing fund. Except for our reasonable administrative costs, overhead related to the administration of the marketing fund and salaries of any marketing personnel that may be employed by us, we do not and will not receive compensation for providing goods or services to the fund. No marketing funds are used for solicitation of new franchisees.

4. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all Resources' Monical Pizza restaurants located within a particular region. We have the right to collect and designate all or a portion of the local advertising for a cooperative advertising program. We will determine the geographic territory and market areas for each cooperative advertising program. You must participate in any cooperative advertising program established in your region. If a cooperative advertising program is implemented in a particular region, we may establish an advertising council for franchisees in that region to self-administer the program. If we establish a cooperative advertising program or programs with or without an advertising council, there are no limits on our right to change, dissolve or merge such program(s) and/or council(s) at any time. (Franchise Agreement, Section 0)

5. You should list the telephone number for the franchised restaurant in your local telephone directory. You may place the listings together with other Monical's restaurants operating within the distribution area of the directories. (Franchise Agreement, Section 0)

6. Under the Franchise Agreement, you are restricted from establishing a presence on, or marketing using, the Internet or by cellphone in connection with the franchised restaurant except under a Franchisor designated program or our prior written consent. However, you may market using the internet in connection with the franchised restaurant for the purpose of collecting e-mail addresses and cellphone numbers from guests of your restaurants for use in future e-mail or text marketing activities. You must continue to follow Monical Pizza Corporation's internet usage rules, policies and requirements. Monical Pizza Corporation has established and maintains an Internet website at the uniform resource locator www.monicalspizza.com that provides information about the System and about Monical's restaurants. In addition, Monical Pizza Corporation may include at their website an

interior page containing information about your franchised restaurant. All information shall be subject to MPC's approval before posting. MPC retains the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, on-line identifiers, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for MPC's Internet marketing and you must follow MPC's intranet and Internet usage rules, policies and requirements. MPC retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, on-line identifiers, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. MPC retains the sole right to approve any linking to, or other use of, the Monical's Pizza website. (Franchise Agreement, Section 0)

D. Computer/Point-of-Sale System

You must purchase, update, maintain and use any hardware and software programs we designate. (Franchise Agreement, Section 0) Presently, we require you to purchase the following hardware and software:

HARDWARE
Foodtec Solutions POS or other compatible hardware
Wireless router – PCI compliant
SonicWall wireless firewall router
SOFTWARE
Foodtec Solutions POS System Software

Although we don't specify the sources for your hardware, you will be required to comply with FoodTec specifications for compatible hardware. The approximate cost of the hardware and software is between \$15,000 and \$30,000.

You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limits on our rights to do so. There are no contractual limitation on Monical Pizza Corporation's right to independently access all information you collect or complete at any time without first notifying you. (Franchise Agreement, Sections 0, 0, and 0)

E. Methods Used to Select the Location of the Franchised Restaurant

We do not typically own the premises you will lease for the franchised restaurant. If you have a potential site for the franchised restaurant, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area within which you must locate the franchised restaurant and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Franchise Agreement, Sections 0 and 0) If you are signing an Area Development Agreement, the site specification requirements may differ from the requirements of franchise agreement included in this Franchise Disclosure Document.

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics of the surrounding area, proximity to other Monical's Restaurants, proximity to competitive businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, ease of ingress and egress, available parking and overall suitability. We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time after receiving all requested information. If you and we cannot agree on a suitable site for the Franchised Restaurant within 90 days after signing the Franchise Agreement, we may terminate the Franchise Agreement. (Franchise Agreement, Section 0)

If you are a developer, you must locate each of your franchised restaurants in the development territory, and for each, you must propose the specific sites for our consideration, according to the process above. (Development Agreement, Section 2.1)

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Monical's restaurant is 365 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You are required to open your franchised restaurant and be operational within 365 days after signing the Franchise Agreement. (Franchise Agreement, Sections 0 and 0)

G. Training

We provide you an initial training program that covers material aspects of the operation of the franchised restaurant. The topics covered are listed in the chart below. This training is conducted at our restaurant in Watseka, Illinois, or another location we designate. We offer our initial training program whenever a new franchise location is projected to be opening. You must designate a manager for the franchised restaurant and he or she must satisfactorily complete the initial training approximately 12 weeks before the opening of the franchised restaurant. Your designated manager and at least one individual Franchisee if not the same person must complete the initial training program to our satisfaction before we will approve an opening date for the franchised restaurant. Two assistants of your choosing may also attend at your option. We expect that your attendees will advance through the training program at different rates depending on a variety of factors including background and experience. The time frames provided in the following chart are an estimate of the time it will take to complete training. We do not charge for initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. You are responsible for training your own employees and other management personnel. This initial training is in addition to the on-site opening assistance we provide to you. Your franchised restaurant must at all times be under the day-to-day supervision of a designated manager who has satisfactorily completed our training program. If you replace your designated manager, your new designated manager must attend our training and complete the program to our satisfaction. A replacement for the designated manager has 60 days to complete approved training. You are not charged any fee to have a new designated manager attend our training program, unless your manager changes are excessive or caused by poor hiring practices. You must pay all travel costs and living expenses for a new designated manager's attendance. (Franchise Agreement, Section 8)

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Management Skills, Administrative Procedures, New Store Opening Procedures	40	40	Our Watseka, Illinois restaurant, or another location we designate
Accounting/Bookkeeping	8		Our Watseka, Illinois restaurant, or another location we designate
Personnel Policies & Procedures	12	16	Our Watseka, Illinois restaurant, or another location we designate
Training Specific Staff Positions as follows: ▪ Dough Makers ▪ Pizza Makers ▪ Preparation Personnel ▪ Oven Personnel ▪ Server Staff ▪ Host ▪ Cashiers ▪ Delivery Personnel		30 30 8 60 20 6 10 6	Our Watseka, Illinois restaurant, or another location we designate
Food Preparation & Sanitation	6		Our Watseka, Illinois restaurant, or another location we designate
Delivery Procedures	2		Our Watseka, Illinois restaurant, or another location we designate
Security Procedures	6		Our Watseka, Illinois restaurant, or another location we designate
Vendor Relations and Ordering	8		Our Watseka, Illinois restaurant, or another location we designate
Marketing and Public Relations	8		Our Watseka, Illinois restaurant, or another location we designate

Training will be conducted by Dennis Wittenborn, Matthew Wittenborn, Sean Wittenborn, Nathan Horchem and/or Stacy Davenport.

Dennis Wittenborn is a member of the Board of Directors of Resources and served as its President and Treasurer from the creation of Resources in July, 1993 until March, 2017. Prior to that time, Mr. Wittenborn was a member of the Board of Directors of Monical Pizza Corporation and served as its president and treasurer from 1987 until the end of July, 1993, when he left Monical Pizza Corporation to form Resources and begin development of franchises in Indiana. Mr. Wittenborn had been a full-time employee of Monical Pizza Corporation since he joined the corporation as a manager of a restaurant in 1974. In 1977, he became an area supervisor with the responsibility of hiring and training management staff and developing and documenting operating procedures. Mr. Wittenborn has been involved in the food service industry since 1969.

Matthew Wittenborn is a member of the Board of Directors of Resources and served as its Vice President until January 2015 when he purchased Kentland, Indiana Monical's Pizza and became a franchisee of Resources. Prior to that time, Mr. Wittenborn was an employee of Monical Pizza Corporation from May, 1989 to October, 1992. He then joined Resources and has been a full-time employee since August, 1993. His responsibilities include general oversight of company owned and franchised restaurants.

Sean Wittenborn is both a member of the Board of Directors of Resources (since 2008) and its President, (since March, 2017). Prior to that time, Mr. Wittenborn had been a manager with Resources since 1999. His responsibilities include overseeing the training of new managers and franchisees and general oversight of company owned and franchised restaurants. Sean Wittenborn specializes in accounting/bookkeeping, hiring and training policy's, food prep and sanitation, Vendor Relations and in staff training positions of oven, server staff, host and cashier and delivery personnel.

Stacy Davenport is both a member of the Board of Directors of Resources and its Vice President, and has served in these capacities since April, 2008. Prior to that time, Mrs. Davenport had been a manager with Resources since 1996. Her responsibilities include overseeing the Watseka Illinois Monical's Pizza locations, and oversight of franchise locations. Stacy Davenport specializes in training all staff positions.

Nathan Horchem is both a member of the Board of Directors of Resources and its Vice President, and has served in these capacities since April, 2008. Prior to that time, Mr. Horchem had been a manager with Resources since 1996. His responsibilities include corporate support for multiple Illinois and Indiana franchise locations, and is Director of Marketing for Resources. Nathan Horchem specializes in Hiring and Training policies, personnel procedures, food prep and sanitation, security procedures and marketing and public relations.

If circumstances require, a substitute trainer may provide training. We also reserve the right to name additional trainers periodically. There are no limits on our right to assign a substitute to provide training.

The training will include the following instructional materials: Access to the Monical Pizza Corporation's **Confidential** Operations Manual and other material which may be included at a later time. The training will occur at our headquarters in Illinois or another location we designate, and at your franchised restaurant location. The dates and location of the training will be communicated to you.

Periodically, we may require that previously trained and experienced franchisees, managers or employees attend refresher-training programs to be conducted at our headquarters. We do not charge a fee for these training programs, but attendance at these programs will be at your sole expense. We will not require you to attend more than 2 of these programs in any calendar year and these programs will not exceed 4 days during any calendar year unless we determine in our reasonable judgment that the additional training is required based on the designated manager's performance. (Franchise Agreement, Section 0)

ITEM 12. TERRITORY

Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from outlets that MPC owns, or from other channels of distribution or competitive brands that we control. The area that you will receive (called an "area of primary responsibility" or "area") will be described and depicted in

a map attached to the Franchise Agreement. We determine the boundaries of the area based on a variety of factors, including population, median population age, proximity to competitors, median income characteristics, proximity to other franchisees and natural, physical or political boundaries.

Monical Pizza Corporation also reserves the right to establish other channels of distribution for the sale of Monical's Pizza menu items, including Internet sales, catalog sales, telemarketing, or other direct marketing sales, while using its principal trademark or any other of its trademarks. These activities may compete with your franchised restaurant. We will not compensate you for any sales made in your area through an alternate channel of distribution. You may not focus your marketing on customers located outside your area of primary responsibility, although you may collect e-mail addresses and cellphone numbers from guests of your restaurants for use in future e-mail or text marketing activities. Any sales you make of any products to be resold will be made only in strict compliance with the provisions of the Confidential Operations Manual. Unless you are advertising cooperatively with another franchisee, you may not advertise in any media primarily circulated within another franchisee's area of primary responsibility without our permission.

You will operate the franchise from one location that we approve. You must receive our written permission before relocating. If you can no longer use the location due to circumstances beyond your control, including destruction of the premises, you may be allowed to relocate either permanently or temporarily. If you attempt to sell your franchised restaurant or transfer your interest from the franchised restaurant to a third party, we may exercise our right of first refusal to purchase your franchise on the same terms and conditions as offered by a third party. You do not receive the right to acquire additional franchises within your area of primary responsibility. You must meet our qualifications for new franchisees and pay a franchise fee to qualify for an additional franchise location. There are no minimum sales quotas. If we request, you must combine advertising with other franchises that are located in the market targeted by the advertising.

Development Agreement

If you are a Developer, we will grant you a development territory. The development territory will vary in size depending upon the number of Monical's restaurants you intend to develop and the population density and demographics of the area under consideration. So long as you meet the minimum development schedule, comply with all other provisions described in the Development Agreement and otherwise comply with the provisions of each related Franchise Agreement, we will not establish or operate, or license others to establish or operate, a Monical's restaurant or substantially similar business in your development territory.

At the expiration of the Development Agreement, if you have complied with all of its terms and conditions, and if we determine that the development territory can be further developed by opening additional Monical's restaurants, we will, for one year after the expiration of the Development Agreement give you a right of refusal to develop, own and operate any additional Monical's restaurants proposed for development inside of the development territory.

ITEM 13. TRADEMARKS

Under the Franchise Agreement, Resources grants you the right to operate your restaurant under the trademark Monical's Pizza®, which is the principal Mark used to identify the MPC System. You may also use any other current or future Mark to operate your franchised restaurant that we designate in writing, including the logo on the front of this Disclosure Document and the trademarks listed below. Resources has the right to grant you the use of the marks and logo noted above on the basis of Resources' agreement with Monical Pizza Corporation referenced above. By "Mark," we mean any trade name, trademark, service mark or logo used to identify your restaurant. You may not use any Marks that we have not designated to identify your business. As of the date of this Disclosure Document, Monical Pizza Corporation has a registration of the following Marks on the U.S. Patent and Trademark Office ("USPTO") Principal Register:

Mark	Serial or Registration Number	Filing or Registration Date
	Reg. No.3,911,116	January 25, 2011
	Reg. No. 6,124,216	August 11,2020
MONICAL'S PIZZA	Reg. No. 2,176,932	July 28, 1998
MONICAL'S PIZZA	Reg. No.6,124,699	August 11, 2020
	Reg. No. 2,306,219	January 4, 2000
Monical's	Reg. No. 1,030,310	January 13, 1976
Family Pleaser	Reg. No. 1,034,950	March 2, 1976
Budget Pleaser	Reg. No. 1,624,268	November 20, 1990
People Pleasing People	Reg. No. 2,024,985	December 24, 1996
The Point	Reg. No. 3,140,463	September 6, 2006

As of the date of this Disclosure Document, we have a registration of the following Mark with The State of Illinois Department of Business Services, Trademark/Service Mark Section:

Mark	Registration Number	Registration Date
Budget Pleaser	065671	November 20, 1989

Monical's Pizza Corporation has filed the necessary affidavits and renewal applications for the trademarks as required by the USPTO. We know of no currently effective material determinations of the USPTO, trademark Trial And Appeal Board, the trademark administrator of any state or any court, state or federal involving the Marks. Monical's Pizza Corporation knows of no pending infringement, opposition or cancellation proceeding; we know of no pending material litigation in federal court or in any state court regarding our use or ownership of the Marks.

There are no agreements currently in effect that significantly limit the rights of Resources to use or license the use of the Marks in any manner material to the franchise.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in the State of Illinois or any other state in which the franchised restaurant is to be located.

You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your franchised restaurant. You must follow our rules when you use the Marks. You cannot use our name or Mark as part of a corporate name. You may not use a name or Mark with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products,

or in any other manner that we do not authorize in writing. You may only use the Marks in accordance with our standards, operating procedures and specifications. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

While we are not required to defend you against a claim arising from your use of, any Mark, or any claim by any person of any rights in any Marks, we are obligated to reimburse you certain costs as outlined below. You may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

If we require, you must modify or discontinue the use of any Mark and to use other trademarks or service marks. If we adopt and use new or modified Marks, you may be required to add or replace equipment, signs and fixtures, and you may have to make other modifications as necessary to maintain uniformity with our current standards and specifications; however, you will not be required to spend more than \$50,000 in the aggregate during the initial term of the Franchise Agreement and not more than \$50,000 in the aggregate during any one renewal term. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

PRC may reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify PRC of the proceeding in a timely manner and you have complied with their directions with regard to such proceeding. We have the right to control the defense and settlement of any such proceeding or to assign the defense and settlement of any such proceeding to Monical Pizza Corporation. Monical Pizza Corporation's reimbursement, if any, does not include your expenses for removing signage or discontinuing your use of any Mark. Monical Pizza Corporation's reimbursement, if any, also does not apply to any disputes where we challenge your use of a Mark. Monical Pizza Corporation's reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the franchised restaurant, but you may not use any Mark or part of any Mark as part of your corporate or other business entity name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or website using any domain name containing the words "Monical's Pizza" or any variation of the words "Monical's Pizza" without our prior written consent. You may not advertise on the Internet without our consent.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We have no pending patent applications that are material to the franchise. Resources or MPC own copyrights in the Operations Manual, the Monical's website, marketing materials and other copyrightable items that are part of the System. While MPC and Resources claim copyrights in these and similar items, they have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Franchised Restaurant and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

MPC and Resources have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Monical's restaurant. We will provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised restaurant. You may only divulge trade secrets and other confidential information to employees who must have access to it in order to operate the franchised restaurant. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to our trade secrets or other confidential information, including your owners (and members of their immediate families and households), officers, directors, executives, managers, members of your professional staff, all employees and other individuals having access to trade secrets or other confidential information may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary of these agreements and we have the independent right to enforce their restrictive covenants.

All ideas, concepts, techniques or materials concerning the franchised restaurant, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement.

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

The franchised restaurant must always be under the direct full-time day-to-day supervision of your designated manager, which will include you if you are an individual, or is an individual you select if you are a business entity. You may hire and train designated managers who are not you or owners of your business entity. Thereafter, you must request our consent to select another individual to replace you as the designated manager. If you are a corporation or other business entity, you will select a designated manager for the franchise and we may require that the individual you select be an owner of the franchise. The designated manager must attend and satisfactorily complete our initial training program before opening the franchised restaurant. You must keep us informed at all times of the identity of your designated manager. If you must replace the designated manager, your replacement must satisfactorily complete our approved training program.

Your owners (and members of their immediate families and households), officers, directors, executives, managers, members of your professional staff, all employees and other individuals having access to trade secrets or other confidential information may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

If you operate the franchise through a business entity, each person owning a beneficial or equity interest in the entity must sign the franchise agreement or must personally guarantee the performance of all of the obligations under the Franchise Agreement and agree to be personally liable for the operating entity's breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the menu items and other products and services we specify. You may not sell any products or services that we have not authorized and you must discontinue offering any products or services that we may, in our sole discretion, disapprove in writing at any time. We may take action, including terminating your franchised restaurant, if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized products or services. There are no limits on our right to do so, except that

your investment required to change required or authorized services will not exceed \$35,000 during the initial term of the franchise or \$35,000 during any one renewal term.

Any additions or remodeling of the franchised restaurant during any term of the Franchise Agreement must be submitted to us in writing and be pre-approved by us before any construction or remodeling of the Franchised Restaurant or we may terminate your Franchise Agreement.

Periodically, we may allow certain menu items or other products or services that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing, your qualifications, and regional or local differences.

Unless a customer initiates contact with you, you may not provide goods or services to a customer who resides outside of your area of primary responsibility. Otherwise, we do not place restrictions on you with respect to who may be a customer of your franchised restaurant.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Franchise Agreement

Provision	Section in the Franchise Agreement	Summary
a. Length of franchise term	Section 4.1	The initial term is 5 years.
b. Renewal or extension of the term	Section 4.2	You may renew for 3 additional terms of 5 years each. If you fail to meet any one of the conditions in (c) below, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for franchisee to renew or extend	Section 4.2 and Exhibit 5	You may renew the Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may have materially different terms and conditions than your original Franchise Agreement; comply with current qualifications and training requirements; and sign a General Release in a form satisfactory to us and similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	Section 16.1	You may terminate the Franchise Agreement if you are in compliance with it and we materially breach it

Provision	Section in the Franchise Agreement	Summary
		and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
g. "Cause" defined-curable defaults	Section 16.2	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of receiving our notice of default. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate.
h. "Cause" defined-non-curable defaults	Section 16.2 and Exhibit 5	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to select an approved site for or establish, equip and begin operations of the franchised restaurant; fail to have your designated manager satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the franchised restaurant; after notices to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either party or the franchised restaurant; use the Operations Manual, trade secrets or other confidential information in an unauthorized manner; abandon the franchised restaurant for 5 or more consecutive days; surrender or transfer of control of the franchised restaurant in an unauthorized manner; fail to maintain the franchised restaurant under the supervision of a designated manager following the death or incapacity of one of your owners; submit

Provision	Section in the Franchise Agreement	Summary
		reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate any health, safety or other laws or conducts the franchised restaurant in a manner creating a health or safety hazard to customers, employees or the public; engage in any activity reserved to us; fail to comply with laws or regulations after notice of non-compliance; on 2 or more separate occasions, breach the Franchise Agreement or fail to comply with requirements, specifications, standards or procedures on 2 or more occasions within any 12 months; or default under any other agreement between you and us (or an affiliate) such that we (or the affiliate) have the right to terminate the agreement.
i. Franchisee's obligations on termination/non-renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the franchised restaurant; stop using any trade secret or other confidential information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; promptly return to any third party any leased, loaned or other third-party equipment used in the operation of the franchised restaurant; pay all sums owed to us (or an affiliate) including damages and costs incurred in enforcing the Franchise Agreement; surrender access to and return any paper copies of the Operations Manual, trade secrets and all other confidential information; assign your telephone, facsimile numbers and on-line identifiers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	Section 18.2	"Transfer" includes transfer of any interest in the franchise, in an entity through which the franchise is operated, in the Franchise Agreement, or in the franchised restaurant's assets.

Provision	Section in the Franchise Agreement	Summary
l. Franchisor's approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor's approval of transfer	Section 18.2 and Exhibit 5	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a General Release; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current franchise agreement (All terms and provisions of the then current Franchise Agreement [as of the date of the transfer] shall be fully effective against the transferee); you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee of \$10,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; the transferee or all of its equity owners have signed a Nondisclosure and Non-Competition Agreement; the transferee has agreed that its designated manager will complete the initial training program before assuming management of the franchised restaurant; and the transferee has obtained all necessary types of insurance.
n. Franchisor's right of first refusal to acquire franchisee's franchised restaurant	Section 19	We may match an offer for your franchised restaurant or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's franchised restaurant	Section 17.4	Except as described in (n) above, we do not have the right to purchase your franchised restaurant; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised restaurant for fair market value.
p. Death or disability of franchisee	Section 18.6	Following the death or incapacity of an owner of the franchised restaurant or the death or incapacity of any holder of a legal or beneficial interest in the franchised restaurant, your or his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchised restaurant within 180 days of death or incapacity or we may terminate the Franchise Agreement.

Provision	Section in the Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 7.4	You, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the franchised restaurant to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business (if you are a franchisee holding a franchise agreement on April 1, 2008 and you own an interest in, manage, operate, or perform services for a competitive business as of April 1, 2008, you shall be permitted to continue to own an interest in, manage, operate, or perform services for that/those specific competitive business(es) only).
r. Non-competition covenants after the franchise is terminated or expires	Sections 17.2 and Exhibit 5	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other Monical's restaurant (if you are a franchisee holding a franchise agreement on April 1, 2008 and you own an interest in, manage, operate, or perform services for a competitive business as of April 1, 2008, you shall be permitted to continue to own an interest in, manage, operate, or perform services for that/those specific competitive business(es) only); or soliciting or influencing any of our customers, employees or business associates to compete with, or terminate their relationship with us or any other Monical's restaurant.
s. Modification of the agreement	Sections 0, 0 and 0	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Confidential Operations Manual without your consent if the modification does not materially alter your fundamental rights under the Franchise Agreement.
t. Integration/merger clause	Section 22.7 and Exhibit 5	Only the representations made in this Franchise Disclosure Document and the terms of the Franchise Agreement are binding. Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in any agreements is intended to disclaim

Provision	Section in the Franchise Agreement	Summary
		the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 23.7 and Exhibit 5	Except for claims relating to the Marks, trade secrets or other confidential information and covenants not to compete, and subject to state law, all disputes must be arbitrated in Tippecanoe County, Indiana.
v. Choice of forum	Section 23.2 and Exhibit 5	Subject to state law, any litigation must be pursued in courts located in Tippecanoe County, Indiana.
w. Choice of law	Section 23.1 and Exhibit 5	Subject to state law, Indiana law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

Development Agreement

Provision	Section in the Development Agreement	Summary
a. Length of development rights term	Section 5.1	The term expires on the last opening date on the development schedule.
b. Renewal or extension of the term	Section 5.2	You have no right to renew, but you do have a right of refusal to open additional franchises in the development territory during the year after the Development Agreement expires.
c. Requirements for developer to renew or extend	None	
d. Termination by developer	None	
e. Termination by franchisor without cause	Section 9.1	Termination of any of your Franchise Agreements, will constitute termination of your Development Agreement for cause.
f. Termination by franchisor with cause	Section 8 and 9.1	We may terminate the Development Agreement only if you default or if one of your Franchise Agreements is terminated..
g. "Cause" defined-curable defaults	Section 8.2	You can avoid termination of the Development Agreement if you cure a default arising from your failure to comply with mandatory specifications in the Development Agreement within 30 days of receiving our notice of termination.

Provision	Section in the Development Agreement	Summary
h. “Cause” defined-non-curable defaults	Section 8.1	We have the right to terminate the Development Agreement without giving you an opportunity to cure if you: transfer of control of Development Agreement or an interest in the your business entity in an unauthorized manner; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the goodwill associated with the Marks; misuse or make unauthorized use of the Marks; terminate any Franchise Agreement with or without cause; fail to meet the timing requirements and deadlines contained in the development schedule; or fail to comply with any provision of the Development Agreement after notice of non-compliance.
i. Developer’s obligations on termination/non-renewal	Section 9	If the Development Agreement is terminated or not renewed, you must: stop using any trade secrets and other confidential information; pay all sums owed to us; and comply with the covenants not to compete and any other surviving provisions of the Development Agreement.
j. Assignment of contract by franchisor	Section 7.1	There are no restrictions on our right to assign our interest in the Development Agreement.
k. “Transfer” by developer-definition	Section 7.2	“Transfer” includes transfer of ownership in the development rights or the Development Agreement.
l. Franchisor’s approval of transfer by developer	Section 7.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor’s approval of transfer	Section 6.7	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a General Release satisfactory to us and similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our business and financial standards; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee equal to \$10,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Development Agreement; the transferee has obtained all necessary consents and approvals of third parties; and you or all of your equity owners have signed a nondisclosure and non-competition agreement in a form acceptable to us and the same as or substantially similar to the Nondisclosure

Provision	Section in the Development Agreement	Summary
		and Non-Competition Agreement attached to the Franchise Agreement.
n. Franchisor's right of first refusal to acquire developer's development rights	Section 7.5	We may match an offer for your development rights or an ownership interest you propose to sell.
o. Franchisor's option to purchase developer's development rights	None	
p. Death or disability of developer	None	
q. Non-competition covenants during the term of the Development Agreement	None	
r. Non-competition covenants after the Development Agreement is terminated or expires	Section 9.4	The Development Agreement incorporates by reference the post-term non-competition covenants of the Franchise Agreement.
s. Modification of the agreement	Section 12.8	The Development Agreement can be modified only by written agreement between you and us.
t. Integration/merger clause	Sections 12.1 and 12.8	Only the terms of the Development Agreement are binding, although if there is a conflict between the Development Agreement and any Franchise Agreement, the terms of the Franchise Agreement control. Any other promises may not be enforceable. Notwithstanding the foregoing, nothing in any agreements is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 13.7	Except for claims relating to the Marks, trade secrets or other confidential information and covenants not to compete, and subject to state law, all disputes must be arbitrated in Tippecanoe County, Indiana.
v. Choice of forum	Section 13.2	Subject to state law, any litigation must be pursued in courts located in Tippecanoe County, Indiana.

Provision	Section in the Development Agreement	Summary
w. Choice of law	Section 13.1	Subject to state law, Indiana law applies, 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.) and disputes over copyrights will be governed by federal copyright laws of the United States.

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Sean Wittenborn, 1998 E. 2100 N. Road, Watseka, Illinois 60970, (815) 432-2439, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISE INFORMATION

Table 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised				
	2022	13	12	-1
	2023	12	11	-1
	2024	11	10	-1
Company-Owned				
	2022	3	3	0
	2023	3	3	0
	2024	3	3	0
Total Outlets*				
	2022	16	15	-1
	2023	15	14	-1
	2024	14	13	-1

* This chart includes both franchised and Resources-owned (company-owned) restaurants.

Table 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)		
State	Year	Number of Transfers
Indiana		
	2022	1
	2023	0
	2024	0
Total		
	2022	1
	2023	0
	2024	0

Table 3

STATUS OF FRANCHISE OUTLETS								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Indiana								
	2022	13	0	1	0	0	0	12
	2023	12	0	1	0	0	0	11
	2024	11	0	1	0	0	0	10
Total*								
	2022	13	0	1	0	0	0	12
	2023	12	0	1	0	0	0	11
	2024	11	0	1	0	0	0	11

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

Table 4

STATUS OF COMPANY-OWNED OUTLETS							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois							
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3

STATUS OF COMPANY-OWNED OUTLETS							
	2024	3	0	0	0	0	3
Indiana							
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total							
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3

Table 5

PROJECTED NEW FRANCHISED OUTLETS AS OF JANUARY 1, 2025			
State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Indiana	0	1	0
Total*	0	1	0

* Exhibit G contains a list of the names and last known addresses and telephone numbers of every current franchisee and, separately, every franchisee who has had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure Document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

Currently, we have no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit F are our audited financial statements for the periods ending December 31, 2022 2023 and 2024. Also attached is our unaudited financial statement for the third quarter of 2024.

Our fiscal year end is December 31.

ITEM 22. CONTRACTS

The Pizza Resources Corporation Sub-Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

The Pizza Resources Corporation General Release is attached to the Franchise Agreement as Exhibit 1.

The Pizza Resources Corporation Nondisclosure and Non-Competition Agreement is attached to the Franchise Agreement as Exhibit 2.

The Pizza Resources Corporation Unlimited Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit 3.

The Pizza Resources Corporation Addendum to Lease is attached to the Franchise Agreement as Exhibit 4.

The Holders of Legal or Beneficial Interests in the Franchise Operation Agreement is attached as Exhibit 5 to the Franchise Agreement.

The Multi-State Addendum is attached as Exhibit 6 to the Franchise Agreement.

The Pizza Resources Corporation Area Development Agreement (with exhibits) is attached to this Disclosure Document as Exhibit E.

The Monical Pizza Corporation Financial Statements are attached as Exhibit F to the Disclosure Document.

The List of Current and Terminated Franchisees is attached as Exhibit G to the Disclosure Document.

The List of Company Owned Units is attached as Exhibit H to the Disclosure Document.

The Franchisee Disclosure Questionnaire is attached as Exhibit I to the Disclosure Document.

The Monical Pizza Corporation Multi-State Addenda is attached as Exhibit J to the Disclosure Document.

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPTS

Our copy and your copy of the Franchise Disclosure Document Receipts are located on the last 2 pages of this Disclosure Document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS; DISCLOSURE DOCUMENT DISCLOSURE DOCUMENT EFFECTIVE DATES FOR EACH STATE

The following is a list of state administrators responsible for registration and review of franchises and the Effective Date of this Disclosure Document for these states. The Effective Date of this Disclosure Document for any state that is not included in this list is as shown on the cover of the Disclosure Document. We are registered only in the following states:

Illinois

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

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Florida

Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, Florida 32399-6500

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We are registered only in these states.

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

PIZZA RESOURCES CORPORATION**SUB-FRANCHISE AGREEMENT****EXHIBIT C TO THE DISCLOSURE DOCUMENT****TABLE OF CONTENTS**

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3. UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS
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5. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE; OFFICERS; DIRECTORS
6. MULTI-STATE ADDENDA

PIZZA RESOURCES CORPORATION

SUB-FRANCHISE AGREEMENT

This Sub-Franchise Agreement, made this ____ day of _____, 20____, is by and between Pizza Resources Corporation, an Illinois corporation, having its principal place of business at 1998 E. 2100 N. Road, Watseka, Illinois 60970 (“PRC”), and the following individual(s)

Name

Address

Address

Phone Number

Name

Address

Address

Phone Number

Name

Address

Address

Phone Number

Name

Address

Address

Phone Number

(Additional individuals subject to this Agreement may be listed on a separate sheet, attached.)

All of the foregoing individuals shall be jointly referred to as the “Franchisee” or the “Franchisees.” The Franchisees represent and warrant that they own all of the legal and beneficial equity interest as described in Exhibit 4 to this Agreement in the following entity _____ (“Franchise Operating Entity”) which is incorporated or organized in the State of _____ and authorized to do business in the State of Indiana.

WITNESSETH:

WHEREAS, PRC has rights pursuant to a Master Development Agreement with Monical Pizza Corporation (“MPC”) to offer franchises in the State of Indiana and in conjunction therewith to utilize and allow franchises to use a System* identified by the service mark “MONICAL’S PIZZA®” relating to the establishment and operation of dine-in restaurants, which are referred to in this Agreement as “Monical’s Restaurants,” featuring pizza and an extensive menu offering salads, sandwiches and pasta; and

WHEREAS, in addition to the Marks, the distinguishing characteristics of the System include, uniform standards and procedures for recipes; food preparation and presentation techniques; efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor other strategies, techniques and Trade Secrets and other Confidential Information; and the Operations Manual; and

WHEREAS, Franchisee desires to operate a Monical’s Restaurant, has applied for the Franchise and such application has been approved by PRC in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of PRC’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Restaurant in strict conformity with MPC’s System; and

WHEREAS, PRC is willing to grant to Franchisee the right, pursuant to the terms of this Agreement, to own and operate a Monical’s Restaurant using the System and the Marks.

NOW, THEREFORE, PRC and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with PRC;

“**Agreement**” means this Franchise Agreement and all exhibits, attachments and amendments hereto;

“**Approved Location**” has the meaning given to such term in Section 0;

“**Approved Supplier**” has the meaning given to such term in Section 0;

“**Area of Primary Responsibility**” has the meaning given to such term in Section 0;

“**Competitive Business**” means any business, whether direct or indirect, that offers (or grants franchises or licenses to others to operate a business that offers) menu items the same as or similar to those provided by Monical’s Restaurants or in which Trade Secrets or other Confidential Information could be used to the disadvantage of MPC,

*Capitalized terms not otherwise defined are defined in Section 1.

PRC, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with PRC, (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest, or (c) any business such as supermarkets, grocery stores, convenience stores or other retail stores, the primary business of which is not a restaurant;

“Confidential Information” means technical and non-technical information used in or related to Monical’s Restaurants, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by PRC. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“Confidential Operations Manual” means the confidential MPC Operations Manual, whether in paper or electronic form, and any other items as may be provided or modified by MPC from time to time that contain or describe the standards, methods, procedures and specifications of the System, including any other operations, administration and managers’ manuals and all books, computer programs, relevant portions of an intranet site, pamphlets, memoranda and other publications prepared by, or on behalf of, PRC;

“Cooperative Advertising” means the combined advertising program of two (2) or more franchisees established within a marketing area that PRC may define for Monical’s Restaurants within a particular region;

“Designated Area” has the meaning given to such term in Section 0;

“Designated Manager” means the Franchisee or if Franchisee is a business entity, the Designated Manager shall be the person designated by Franchisee, or if Franchisee is an individual who dies or becomes incapacitated, that person designated by Franchisee’s personal representative, who has primary responsibility for managing the day-to-day affairs of the Franchised Restaurant;

“Effective Date” means the date on which Franchisee and PRC fully execute this Agreement;

“Electronic Transfer Account” means an account established by Franchisee at a national banking institution approved by PRC and providing PRC with access to electronically withdraw or deposit any funds due to or from PRC;

“Franchise” means the rights granted to Franchisee by PRC to use the System and the Marks pursuant to the terms of this Agreement;

“Franchise Fee” has the meaning given to such term in Section 0;

“Franchised Restaurant” means the Monical’s Restaurant to be established and operated by Franchisee pursuant to this Agreement;

“Franchisee” means the individual(s) listed as “Franchisee” in the introductory paragraph of this Agreement and any additional attached list, together with the Franchise Operating Entity, if any, listed in the introductory paragraph and owned and controlled by the listed individual(s);

“Franchise Operating Entity” means either (a) the entity, if any, (i) listed in the introductory paragraph, the entire legal and beneficial ownership of which shall at all times be held only by individuals meeting the definition of Franchisee and listed on Exhibit 4 to this Franchise Agreement, (ii) the charter for which provides that its activities are confined exclusively to the operation of the Franchised Restaurant, and (iii) each stock certificate or other

ownership interest certificate for which has conspicuously endorsed upon the face thereof a statement in a form satisfactory to PRC that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; or (b) a Controlled Entity as defined in Section 18.3 below;

“Franchisor” means, depending on context, PRC as the entity entering into this Agreement with Franchisee or MPC as the ultimate owner of the rights being franchised through this Agreement.

“PRC” means Pizza Resources Corporation;

“PRC Indemnitees” has the meaning given to such term in Section 0;

“General Release” has the meaning given to such term in Section 0;

“Generally Accepted Accounting Principles” or “GAAP” means the standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.

“Grand Opening Advertising” has the meaning given to such term in Section 0;

“Gross Sales” means the entire gross receipts of every kind and nature from sales and services made in, upon and from the Franchised Restaurant without reserve or deduction for inability or failure to collect. Gross Sales shall not include refunds, credits or discounts to customers or the amount of any sales tax levied upon retail sales and payable over to the appropriate governmental authority;

“Gross Sales Reports” has the meaning given to such term in Section 0;

“Incapacity” means the inability of Franchisee to operate or oversee the operation of the Franchised Restaurant on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“Internet” means any local or global interactive communications media now available, or that may become available, including sites and domain names on the World Wide Web;

“Local Advertising” has the meaning given to such term in Section 0;

“Marketing Fund” has the meaning given to such term in Section 0;

“Marketing Fund Contribution” has the meaning given to such term in Section 0;

“Marks” means the service mark “MONICAL’S PIZZA®” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as MPC may designate in writing from time to time to be used in connection with Monical’s Restaurants;

“Nondisclosure and Non-competition Agreement” has the meaning given to such term in Section 0;

“Royalty Fee” has the meaning given to such term in Section 0;

“System” means the uniform standards, methods, procedures and specifications developed by MPC and as may be provided or, modified by MPC from time to time for the operation of Monical’s Restaurants; and

“Trade Secrets” means information in any form, including, but not limited to, technical or non-technical data, formulas, recipes, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers, related to or used in Monical’s Restaurants that is not commonly known by or available to the public and which information:

(a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE

2.1 Grant

2.1.1 PRC hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) Monical's Restaurant using the System and Marks. Although each Franchisee will remain individually liable to the PRC for the Franchisee's obligations under this Franchise Agreement, the Franchisee may meet its obligations to operate the Franchised Restaurant through the actions of Franchise Operating Entity; so, by way of example, the Franchise Operating Entity may sign the necessary lease, enter contracts with necessary vendors and employ the necessary employees. PRC's acceptance of performance from the Franchise Operating Entity shall not mitigate Franchisee's individual liability for further performance. Franchisee acknowledges that PRC is a sub-franchisor of MPC. This Agreement describes rights and obligations as between PRC and Franchisee. PRC's rights and obligations reflect the rights and obligations of MPC.

2.1.2 Franchisee, in using MPC's System, acknowledges and shall not contest MPC's exclusive ownership and rights to each and every aspect of the System. The right to use the said System is limited to the location and territory identified in this Agreement.

2.2 Approved Location

The street address (or detailed description of the premises) of the Approved Location is:

2.3 Approved Location Not Determined

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location of the Franchised Restaurant is not identified as of the Effective Date, then the geographic area in which the Franchised Restaurant is to be located shall be within defined area described below ("Designated Area"). Franchisee shall select and submit possible sites for PRC's evaluation in accordance with Section 0. When the Approved Location has been proposed by Franchisee and approved by PRC, its address shall be inserted into Section 0, shall be initialed and dated by Franchisee and PRC and the Designated Area shall lapse. The failure to insert such address shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. A detailed description of the Designated Area is:

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as may be permitted pursuant to Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

2.5 Area of Primary Responsibility

2.5.1 Franchisee will not receive an exclusive territory. Franchisee shall receive a territory called the "Area of Primary Responsibility," to be mutually agreed upon by PRC and Franchisee, and depicted in the map in Section 2.6 below. Franchisee will operate the Franchised Restaurant in the designated Area of Primary Responsibility and shall focus all direct marketing and advertising within that area subject to Sections 2.7 and 11.5. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, PRC shall not limit or alter the boundaries of Franchisee's Area of Primary Responsibility. Franchisee's rights in the Area of Primary Responsibility are subject to PRC's rights articulated in Section 2.6.

2.5.2 The Area of Primary Responsibility shall be defined by and exist within the following zip codes or other physical, political or natural boundaries:

2.5.3 The map of the Area of Primary Responsibility is attached by reference.

2.5.4 Franchisee's Area of Primary Responsibility does not amount to an exclusive territory. All marketing and direct solicitation efforts shall be focused on Franchisee's Area of Primary Responsibility Subject to Sections 0 and 11.5 of this Agreement.

2.5.5 Any sales made by Franchisee of any products to be resold shall be made only in strict compliance with the provisions of the Operations Manual.

2.6 PRC's Rights

Franchisee acknowledges that except to the extent provided in Section 0 above, MPC expressly retains all rights and discretion with respect to the Marks and System, including the right to authorize PRC to:

2.6.1 establish, own or operate, and license others to establish, own or operate, Monical's Restaurants outside of the Area of Primary Responsibility as PRC deems appropriate;

2.6.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Area of Primary Responsibility;

2.6.3 purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to the Franchised Restaurant (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Area of Primary Responsibility. If PRC purchases or acquires franchises or licenses, PRC may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or

license agreement(s) between PRC and such franchisee(s) or licensee(s). If PRC purchases or acquires such businesses within the Area of Primary Responsibility which are not franchised or licensed, PRC may, in its sole discretion:

2.6.3.1 offer to sell any such businesses to Franchisee or to any third party at the business's fair market value to be operated as a Monical's Restaurant; or

2.6.3.2 offer Franchisee the opportunity to operate such business(s) in some form of business entity or arrangement with PRC (or an Affiliate) under the businesses' existing trade name or a different trade name.

2.6.4 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Area of Primary Responsibility;

2.6.5 provide the services and sell the products authorized for Monical's Restaurants using the Marks or other trademarks, service marks and commercial symbols through an alternate channel of distribution on such terms and conditions as PRC deems appropriate;

2.6.6 provide the services and sell the products authorized for Monical's Restaurants to a customer whose principal residence (or principal business office if the customer is a business entity) is located within the Area of Primary Responsibility if contact with PRC is initiated by the customer and not PRC; and

2.6.7 engage in any activities not expressly forbidden by this Agreement.

2.7 Marketing and Solicitation Restrictions

Franchisee shall focus its marketing on customers whose principal residence (or principal business office, if the customer is a business entity) is outside Franchisee's Area of Primary Responsibility. Except as part of Cooperative Advertising implemented pursuant to Section 0 and acknowledging that on-line media has no identifiable geographic boundary and is addressed in Section 11.5 below, Franchisee shall not advertise in any media whose primary circulation is within the area of primary responsibility of another franchisee. MPC shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other Monical's Restaurants, but under no circumstances shall MPC be required to engage in litigation or similar actions with regard to these restrictions.

3. FEEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to PRC of _____ DOLLARS (\$_____). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except under certain conditions set forth under Sections 0, 0 and 0. The Franchise Fee is payment, in part, for expenses incurred by PRC in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by PRC, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Royalty Fee

3.2.1 On the tenth day of each month for so long as this Agreement is in effect, Franchisee shall pay to PRC without offset, credit or deduction of any nature, a monthly fee ("Royalty Fee") equal to four percent (4%) of Gross Sales for the previous month. Each month's Royalty Fee shall accompany the Gross Sales Report, as required by Section 0 for the same period.

3.3 Taxes

Franchisee shall pay to PRC an amount equal to all sales, excise, use, withholding, and other taxes imposed on the fees payable by Franchisee to PRC hereunder and on services or goods furnished to Franchisee by PRC at the same time as Franchisee remits such fees to PRC, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on PRC for doing business in the state where the Franchised Restaurant is located.

3.4 Electronic Transfer

PRC has the right to require all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from PRC and other amounts due to PRC to be paid through an Electronic Transfer Account. At PRC's request, Franchisee shall open and maintain an Electronic Transfer Account, and shall provide PRC with continuous access to such account for the purpose of collecting any payments due to PRC or depositing residual payments or other payments due to Franchisee. Every month, Franchisee shall make timely deposits to the account sufficient to cover amounts owed to PRC prior to the date such amounts are due. Franchisee shall be responsible for any fees or charges resulting from failure to make timely deposits. Franchisee shall execute any documents PRC's or Franchisee's bank requires to establish and implement the Electronic Transfer Account. Once established, Franchisee shall not close the Electronic Transfer Account without PRC's prior written consent.

3.5 Late Fees

All Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from PRC and other amounts that are not received by PRC within five (5) days after the due date shall incur late fees at the rate of one and one-half percent (1.5%) per month or the highest rate allowed by the law of the state where the Franchised Restaurant is located, whichever is lower, from the date payment is due to the date full payment is received by PRC. Franchisee shall pay PRC for all costs incurred by PRC in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due PRC, including reasonable accounting and legal fees and whether or not suit is required. This Section shall not constitute an agreement by PRC to accept any payments after the due date or a commitment by PRC to extend credit to or otherwise finance Franchisee.

3.6 Application of Payments

Notwithstanding any designation by Franchisee, PRC has the right to apply all or any portion of any payments by Franchisee to any past due indebtedness of Franchisee to PRC with respect to any fees or any other amount owed to PRC in any proportion or priority.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of five (5) years from the Effective Date, unless sooner terminated pursuant to Section 16.

4.2 Successor Terms

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the initial term and at the expiration of the first and second renewal terms of this Agreement by entering into a new franchise agreement with PRC. Franchisee's right to a successor franchise is limited to three (3) successive terms of five (5) years each, such that the total term of the Franchise shall not exceed twenty (20) years. To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term, substantially complied with all material provisions of this Agreement;

4.2.2 Franchisee has access to and, for the duration of the successor franchise, the right to remain in possession of the Approved Location, or a suitable substitute location approved by PRC, that is in full compliance with PRC's then-current specifications and standards;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any MPC-required System modifications such that the Franchised Restaurant reflects MPC's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to PRC (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and PRC;

4.2.6 Franchisee has given written notice of its intent to operate a successor franchise to PRC not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.7 Franchisee has executed PRC's then-current form of franchise agreement (or has executed other documents at PRC's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee, provided Franchisee remains in the Approved Location;

4.2.8 Franchisee has complied with PRC's then-current qualifications for a new franchisee and has agreed in writing to comply with any training requirements PRC may determine necessary; and

4.2.9 Franchisee has executed a general release, in a form satisfactory to PRC and substantially similar to the General Release attached as Exhibit 1 ("General Release"), releasing any and all claims against PRC, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners and employees.

5. ESTABLISHING THE FRANCHISED RESTAURANT

5.1 Selection of Site

If an Approved Location for the Franchised Restaurant has not been determined as of the Effective Date, PRC shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisee shall promptly select a site for the Franchised Restaurant and shall notify PRC of such selection. PRC shall evaluate the site and notify Franchisee of its approval or disapproval of a proposed site within a reasonable time, usually thirty (30) days, after Franchisee notifies PRC of the selection of such site. If PRC approves of such selection, the site shall be designated as the Approved Location. If PRC does not approve of such selection, Franchisee shall select and notify PRC of new sites until PRC approves a site for the Franchised Restaurant. PRC has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other existing or potential sites for Monical's Restaurants, proximity to Competitive Businesses, lease requirements, traffic patterns, visibility, vehicular and pedestrian access, proximity to major roads, available parking and overall suitability. Franchisee shall not locate the Franchised Restaurant on a selected site without the prior written approval of PRC. ***PRC does not represent that it, or any of its Affiliates, owners or employees, have special expertise in selecting sites. Neither PRC's assistance in selecting, nor approval of, any Approved Location shall***

be, or be deemed to be, any representation, guarantee or indication by PRC that the Franchised Restaurant will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location.

5.2 Failure to Select Site

Should Franchisee fail to select a site for the Franchised Restaurant, which meets with PRC's approval within ninety (90) days after the Effective Date, PRC has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 0, PRC shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon PRC's receipt of a General Release, the same as or similar to the General Release attached as Exhibit 1, releasing any and all claims against PRC, any Affiliate and their officers, directors, legal representatives, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

5.3 Acquisition of Approved Location

After the designation of the Approved Location, Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by PRC in writing. PRC shall not unreasonably withhold its approval. ***PRC's review of a lease or purchase agreement, or any advice or recommendation offered by PRC, shall not constitute a representation, guarantee or indication that Franchisee will succeed at the Approved Location nor constitute an expression of PRC's opinion regarding the terms of such lease or purchase agreement.*** PRC shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, PRC's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to remain in good standing under any lease of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder, and the time to cure the same hereunder shall expire when the lease is terminated. PRC has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to PRC, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. PRC's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to PRC and PRC the lease shall contain a Lease Addendum in the form of Exhibit 4, fully executed by the Franchisee and the Lessor of the location.

5.4 Development of Approved Location

PRC shall make available to Franchisee, at no charge to Franchisee, specifications for the development of a Monical's Restaurant, including specifications for the exterior and interior design and layout, fixtures, equipment, décor and signs. Such specifications are subject to alteration as PRC deems necessary. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such plans and specifications and shall begin operating the Franchised Restaurant within three hundred sixty-five (365) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.4.1 employ an approved competent licensed architect and engineer to prepare, for PRC's approval, preliminary specifications for improvement of the Approved Location adapted from the specifications furnished by PRC;

5.4.2 obtain all zoning approvals, permits and clearances which may be required by state and local laws, ordinances or regulations, and submit to PRC, for PRC's approval, final plans for construction based upon the preliminary specifications;

5.4.3 obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the development and operation of the Franchised Restaurant and certify in writing and provide evidence to PRC that all such permits and certifications have been obtained;

5.4.4 employ a qualified, licensed general contractor approved by PRC to complete construction of all required improvements to the Approved Location;

5.4.5 purchase all supplies or inventory, including non-perishable food or beverage inventory, necessary for the operation of the Franchised Restaurant;

5.4.6 purchase and install all point-of-sale and computer equipment, signs, furniture, fixtures and any other equipment required for the operation of the Franchised Restaurant; and

5.4.7 establish broadband or high-speed Internet access (where available) and obtain at least one (1) telephone number and one (1) facsimile number solely dedicated to the Franchised Restaurant.

5.5 Failure to Develop Approved Location

Should Franchisee fail to develop the Approved Location for the Franchised Restaurant within three hundred sixty-five (365) days after the Effective Date, PRC has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 0, PRC shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon PRC's receipt of a General Release. Franchisee is entitled to such refund only in the event PRC terminates the Franchise Agreement solely based on its determination that Franchisee has failed to satisfactorily develop the Approved Location.

5.6 Opening

5.6.1 Before opening the Franchised Restaurant and commencing business, Franchisee must:

5.6.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 0;

5.6.1.2 furnish PRC with copies of all insurance policies required by this Agreement and by the lease, and such other evidence of insurance coverage and payment of premiums as PRC may request;

5.6.1.3 complete initial training to the satisfaction of PRC;

5.6.1.4 hire and train the personnel necessary or required for the operation of the Franchised Restaurant;

5.6.1.5 obtain all necessary permits and licenses;

5.6.1.6 purchase all perishable or date-sensitive food and beverage inventory not purchased pursuant to Section 0;

5.6.1.7 if Franchisee includes a business entity, such entity has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof with a statement in a form satisfactory to PRC that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.6.1.8 pay in full all amounts due to PRC; and

5.6.1.9 complete any other actions reasonably required by PRC to help assure the smooth and efficient commencement to the operation of the Franchised Restaurant.

5.6.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Restaurant within three hundred sixty-five (365) days after the Effective Date. Time is of the essence.

5.7 Failure to Open

Should Franchisee fail to commence operations of the Approved Location for the Franchised Restaurant within three hundred sixty-five (365) days after the Effective Date, PRC has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 0, PRC shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and Franchise Development Expenses of PRC up to the date of Franchisee's failure to timely commence operations of the Franchised Restaurant and shall not be construed as nor considered to be a penalty.

5.8 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of a Monical's Restaurant in full compliance with this Agreement and the Operations Manual, unless otherwise approved in writing in advance by PRC.

5.9 Relocation

Franchisee shall not relocate the Franchised Restaurant without the prior written consent of PRC. If the lease for the Approved Location expires or terminates through no fault of Franchisee or if the Franchised Restaurant's premises are destroyed, condemned or otherwise rendered unusable through no fault of Franchisee. Franchisee may request the right to relocate the Franchised Restaurant either permanently or temporarily as appropriate under the circumstances and PRC shall not unreasonably withhold its consent to such relocation. Should Franchisee desire to relocate the Franchised Restaurant for any other reason, Franchisee shall request the right and PRC may approve or disapprove such request. . Any relocation of the Franchised Restaurant shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 0 through 0. PRC has the right to charge Franchisee for any costs incurred by PRC in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, PRC has no obligation to provide relocation assistance. If PRC and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in Section 0.

6. PROPRIETARY MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is non-exclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by PRC and MPC. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of PRC and MPC in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of PRC and MPC. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by PRC and MPC. Franchisee shall give such notices of trademark and service mark registrations as PRC specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Restaurant. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at any office location, a prominent notice stating that the Franchised Restaurant is an “Independently Owned and Operated Monical’s Pizza Franchise” of Franchisee.

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify PRC and MPC of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than PRC, MPC’s and PRC’s counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee’s counsel at Franchisee’s expense. MPC and PRC shall have the right to take such action as deemed appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of MPC’s and MPC’s counsel, be necessary or advisable to protect and maintain MPC’s interests in any such litigation or other proceeding or to otherwise protect and maintain MPC’s interest in the Marks.

6.4 Indemnification for Use of Marks

Subject to the conditions and limitations herein, PRC shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee’s authorized use of any Mark, provided that Franchisee has timely notified PRC of such proceeding and has complied with this Agreement and PRC’s directions in responding to such proceeding, but only to the extent of any amount that PRC receives from MPC, the owner of the Marks, to provide to you for reimbursement, if any. At PRC’s option, PRC or its designee may defend and control the defense of any proceeding arising directly from Franchisee’s use of any Mark or may assign the defense and control of such proceeding to MPC. This indemnification, if any, shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification, if any, shall not apply to litigation between PRC and Franchisee wherein Franchisee’s use of the Marks is disputed or challenged by PRC. This indemnification, if any, shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing PRC and Franchisee in the event of litigation disputing PRC and Franchisee’s use of the Marks.

6.5 Discontinuance of Use

If PRC or MPC deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with PRC’s directions within a reasonable time after notice to Franchisee by PRC and subject to the limitations in Section 0. Neither PRC nor MPC shall be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Restaurant, PRC and its designees have the right to enter and inspect the Franchised Restaurant at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Restaurant in accordance with the quality control provisions and performance standards established by PRC. PRC and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, or used in rendering services, to test whether such products or items meet PRC's then-current standards. PRC or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Restaurant and to interview and survey (whether in person or by mail) customers and employees. Franchisee and its employees shall fully cooperate with PRC's representatives in conducting any such inspections and surveys and shall provide PRC's representatives with any and all requested information, data, reports and documents requested by PRC's representatives and shall provide PRC's representatives with copies of any requested documents or materials.

6.7 MPC's Sole Right to Domain Name and On-Line Identifier

Franchisee shall not advertise on the Internet using, and shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "MONICAL'S PIZZA", or any variation thereof. Franchisee shall not advertise or establish a social media or other on-line presence using the Marks or the words "MONICAL'S PIZZA," or any variation thereof other than under a program established by MPC. MPC is the sole owner of all right, title and interest in and to such domain names which Franchisee has the right to use as MPC shall designate in the Operations Manual.

7. CONFIDENTIAL INFORMATION

7.1 Confidentiality

Franchisee acknowledges that PRC shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Restaurant and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by PRC to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to MPC and PRC for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed through PRC to MPC

and shall be deemed the sole and exclusive property of MPC and works made-for-hire for MPC, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign through PRC to MPC all right, title and interest in any intellectual property so developed. MPC has the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for MPC, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to MPC) and shall sign any assignment or other document as PRC or MPC requests to assist MPC in obtaining or preserving intellectual property rights in the item. PRC shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As MPC may reasonably request, Franchisee shall take all actions to assist MPC’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that PRC would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Monical’s Pizza franchisees if owners of Monical’s Restaurants, members of their immediate families or households, and/or Franchise personnel were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business or customer of the Franchised Restaurant or any other Monical’s Restaurant to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located. Notwithstanding the foregoing, any franchisee holding a franchise agreement on April 1, 2008 who owns an interest in, manages, operates, or performs services for a Competitive Business as of April 1, 2008 shall be permitted to continue to own an interest in, manage, operate, or perform services for that/those specific Competitive Business(es) only.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

PRC has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee to execute a nondisclosure and non-competition agreement, in a form acceptable to PRC and the same as or substantially similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 2 (“Nondisclosure and Non-Competition Agreement”), upon execution of this Agreement or prior to each such person’s affiliation with Franchisee. Upon PRC’s request, Franchisee shall provide PRC with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. PRC shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, PRC would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of PRC, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

PRC shall make an initial training program available to the Designated Manager and up to two (2) assistants. At least twelve (12) weeks prior to the opening of the Franchised Restaurant, the Designated Manager must attend and successfully complete, to PRC's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Restaurant including, but not limited to, food preparation and presentation methods and techniques; sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. PRC shall conduct the initial training program at its headquarters or at another designated location. PRC may, at its discretion, require additional training. PRC shall not charge tuition or similar fees for the initial training described above, however, all expenses incurred by Franchisee and its personnel in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with the beginning of operation of the Franchised Restaurant, PRC shall make available to Franchisee, at PRC's expense, one (1) of PRC's representatives, experienced in the System, for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Restaurant. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Restaurant, and should PRC deem it necessary and appropriate to comply with such request, Franchisee shall pay PRC's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If PRC determines that Franchisee's Designated Manager and/or its other personnel are unable to satisfactorily complete the training program described above, PRC has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 0, PRC shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon PRC's receipt of the General Release, releasing any and all claims against PRC, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to PRC's reasonable satisfaction, Franchisee may be permitted to select one (1) substitute manager and such substitute manager must promptly complete the initial training to PRC's satisfaction.

8.4 New Designated Manager

Franchisee shall maintain a Designated Manager, which may be Franchisee, at all times during the term of this Agreement. Franchisee shall notify PRC in writing within two (2) business days of any change with respect to the Designated Manager, and if a Designated Manager ceases to act in this capacity, Franchisee will name a replacement Designated Manager within twenty-eight (28) days and promptly notify PRC in writing of the identity of the new Designated Manager. The new Designated Manager must complete the approved training program to PRC's satisfaction within sixty (60) days of being named.

8.5 Additional Training

From time to time PRC may provide additional training, in which event PRC has the right to require that the Designated Manager attend such training programs or seminars during the term of this Agreement. PRC shall not charge a fee for any mandatory ongoing training. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

9. OPERATIONS MANUAL

9.1 Availability

While this Agreement is in effect, MPC shall grant Franchisee access to an electronic copy of the Confidential Operations Manual. The Franchisee must have access to the Confidential Operations Manual, located on the Franchisor's Intranet. If the Franchisee is not involved with the day-to-day operation the Designated Manager must also have access to the Confidential Operations Manual, located on MPC's Intranet. Franchisee shall conduct the Franchised Restaurant in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual may consist of one (1) or more separate manuals and other materials as designated by MPC and may be in electronic form. The Confidential Operations Manual shall, at all times, remain the sole property of MPC, shall promptly be returned to MPC, shall not be copied or distributed by Franchisee, and upon expiration or termination of this Agreement, Franchisee shall not keep any copies thereof in any form or continue to make use of any of the information contained therein.

9.2 Revisions

MPC has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by MPC; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. MPC may make such additions or modifications without prior notice to Franchisee. When MPC makes any change to the Operations Manual, it will notify Franchisees by email or other reliable means of communication. Franchisee will be required to acknowledge the notification in writing and will have the affirmative obligation to notify its Designated Manager of the changes. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that any printed material from the Manual is current and up-to-date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by MPC at MPC's headquarters shall control.

9.3 Confidentiality

The Confidential Operations Manual contains Trade Secrets and other Confidential Information of MPC and PRC and its contents shall be kept confidential by Franchisee both during the term of this Agreement and after its expiration or termination. If the Confidential Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Confidential Operations Manual in a secure manner in Franchisee's office; if the Confidential Operations Manual is in electronic form, Franchisee shall maintain the Confidential Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the Confidential Operations Manual or any key, combination or passwords needed for access to the Confidential Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Restaurant to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual and communications to Franchisee by PRC.

10.2 Modification of the System

10.2.1 MPC has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or additional computer hardware, software, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall

promptly accept and implement any such changes in, or additions to, the System. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) ONE DOLLAR (\$1.00) during the first (1st) year of the term of this Agreement; (b) FIFTY THOUSAND DOLLARS (\$50,000.00) in the aggregate during the initial term or during any one (1) renewal term of this Agreement (which amounts may be increased consistent with increases to the Consumer Price Index, [U.S. City Average, all items, 1982-84=100], as published by the United States Department of Labor, Bureau of Labor Statistics); or (c) ONE DOLLAR (\$1.00) during the final year of the term of this Agreement if Franchisee provides written notice of its intention not to operate a successor franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 0.

10.2.2 Any additions or remodeling of the Franchised Restaurant during any term of the Franchise Agreement must be submitted to PRC in writing and be pre-approved by PRC prior to any construction or remodeling of the Franchised Restaurant or the Franchise Agreement may be terminated.

10.3 Variance

PRC has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which PRC deems to be of importance to the successful operation of any particular Monical's Restaurant. PRC shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Grand Opening Advertising

Prior to, and/or during a period of approximately three (3) months following the initial opening of the Franchised Restaurant, Franchisee shall spend an amount specified by PRC on local advertising and promotion of the initial opening ("Grand Opening Advertising"). PRC shall determine and specify an appropriate minimum amount which Franchisee shall be required to expend on Grand Opening Advertising based upon PRC's general assessment of the area surrounding the Franchised Restaurant and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors. Further, PRC shall specify the time at which Franchisee shall conduct Grand Opening Advertising. Prior to their use, all materials to be used in Grand Opening Advertising must be approved by PRC through the process set forth in Section 0. Grand Opening Advertising expenditures shall be in addition to any Local Advertising and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall be required to spend at least two percent (2%) of the previous month's Gross Sales on advertising, promotions and public relations within the immediate locality surrounding the Franchised Restaurant ("Local Advertising"). If required, such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of PRC. PRC shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty (30) days after the end of each month, Franchisee shall furnish to PRC an accurate accounting of the expenditures on Local Advertising that month.

11.2.2 Franchisee shall submit to PRC, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, ad copy, coupons, flyers, scripts and direct mail. Although PRC shall use reasonable efforts to provide notice of approval or disapproval within 10 days from the date PRC receives all the materials, materials are only approved upon PRC's affirmative written notice. Franchisee shall not use any marketing or promotional material prior to approval by PRC. The submission of

advertising materials to PRC for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.3 Marketing Fund

11.3.1 MPC may establish and administer a System-wide marketing, advertising and promotion fund ("Marketing Fund"). In that case, Franchisee shall be required to contribute monthly to the Marketing Fund in an amount specified by MPC and which MPC may adjust from time to time ("Marketing Fund Contributions"). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 0. MPC shall notify Franchisee at least thirty (30) days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by MPC or its designee as follows:

11.3.2 MPC shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. MPC does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide.

11.3.3 Franchisee's Marketing Fund Contributions may be used to pay the costs of, or to reimburse MPC for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of MPC and shall not be used to defray any of MPC's general operating expenses, except for such reasonable costs and expenses, if any, that MPC may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.4 MPC shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during MPC's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and then out of current contributions.

11.3.5 Although MPC intends the Marketing Fund to be an ongoing fund, MPC has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee with respect to the fiscal years during which the Marketing Fund Contributions then remaining were collected.

11.3.6 Each Monical's Restaurant operated by PRC or an Affiliate shall make Marketing Fund Contributions at the same rate as Franchisee.

11.3.7 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. MPC retains the right to have the Marketing Fund audited, at the expense of the Marketing Fund, by an independent certified public accountant selected by MPC.

11.3.8 Franchisee acknowledges that the Marketing Fund is not a trust and neither PRC nor MPC assumes no fiduciary duty in administering the Marketing Fund.

11.4 Cooperative Advertising

PRC has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of Monical's Restaurants located within a particular region. PRC has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to PRC for the funding of a Cooperative Advertising program. PRC has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in any Cooperative Advertising program established with respect to Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, PRC has the right to administer the Cooperative Advertising Program or to establish an advertising council of franchisees to administer the Cooperative Advertising program. Franchisee shall participate in the council according to the rules and procedures established by the council and Franchisee shall abide by the council's decisions. Should PRC establish a Cooperative Advertising program or programs with or without an advertising council, PRC has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

11.5 On-Line Advertising

11.5.1 Franchisee may not establish a presence on, or market using, the Internet or cellphone (each an "on-line" use in connection with the Franchised Restaurant without PRC's prior written consent or under any program that MPC may institute from time to time in MPC's discretion. On-line advertising has no identifiable geographic boundary and therefore cannot be excluded from reaching customers in another franchisee's Area of Primary Responsibility.

11.5.2 MPC has established and maintains an Internet website at www.monicalspizza.com that provides information about the System and the services that MPC, PRC and its franchisees provide. MPC includes at the Monical's Pizza website an intranet section or an interior page containing information about the Franchised Restaurant. If MPC includes such information on the Monical's Pizza website, PRC has the right to require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense, using a template that MPC provides. All such information shall be subject to MPC's approval prior to posting. MPC retains the sole right to advertise and sell the products and services offered by Monical's Pizza Restaurants and to use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, on-line identifiers, keywords, linking, search engines and search engine optimization techniques, banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for MPC's Internet marketing and shall be required to follow MPC's intranet and Internet usage rules, policies and requirements. PRC, in conjunction with MPC, retains the sole right to approve any linking to, or other use of, the Monical's Pizza website.

11.5.3 Franchisee may market the Franchised Restaurant by e-mail. Franchisee may only use e-mail addresses obtained from guests of its restaurants or persons in their protected territory who have registered with Monical's for the Monical Dippin' Club or any successor to the Monical Dippin' Club for use in future e-mail marketing activities. "Guests of its restaurants" shall include those guests who are physically present in the restaurant and those persons who provide an e-mail address in the course of placing telephone orders or orders utilizing the internet.

11.5.4 Franchisee may engage in text marketing. Franchisee may use only cellphone numbers obtained from guests of its restaurants. "Guests of its restaurants" shall include those guests who are physically present in the restaurant and those guests who have placed telephone orders or on-line orders with Franchisee's restaurant. Franchisee is prohibited from enrolling guests using social media or other digital means (other than in conjunction with its on-line ordering platform). Franchisee may market only to cellphone numbers from those guests that have "opted in" or agreed to be contacted through their cellphones for marketing purposes. This program must be managed by an approved 3rd party vendor.

11.5.5 Consistent with Section 11.2.2 above, Franchisee shall submit all on-line advertising and promotional materials to PRC for its prior approval.

11.5.6 On-line advertising shall be deemed local advertising under Section 11.2.1 above.

11.6 Telephone Directory Advertising

Franchisee must list and advertise the telephone number(s) for the Franchised Restaurant in the “white pages” any local telephone directories.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed in the Confidential Operations Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Restaurant including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts, disbursement journals, general ledgers, and any other financial records designated by PRC or required by law.

12.2 Gross Sales Reports

Franchisee shall maintain an accurate record of monthly Gross Sales and shall deliver to PRC a statement of Gross Sales signed and verified by Franchisee or Franchisee’s chief financial officer (“Gross Sales Report”) for each month within ten (10) days of the close of each month in a form that PRC approves or provides in the Operations Manual. The Gross Sales Report for the preceding month must be provided to PRC by the close of business on the tenth (10th) day of each month, or such other day as specified in writing by PRC. If PRC requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 0, the Gross Sales Reports shall be submitted to PRC via facsimile transmission, email or other method designated by PRC in writing; otherwise the Gross Sales Reports shall be submitted in paper format to PRC accompanied by the Royalty Fee.

12.3 Financial Statements

Franchisee shall supply a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date to PRC on or before the last day of each month, in a form approved by PRC. Franchisee shall, at its expense, submit to PRC within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of that calendar year. Such financial statements shall be prepared in accordance with GAAP applied on a consistent basis. If required by PRC, such financial statements shall be reviewed or audited by a certified public accountant at Franchisee’s expense. Franchisee shall submit to PRC such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to PRC copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as PRC may reasonably request from time to time or as specified in the Operations Manual. PRC has the right to release financial and operational information relating to the Franchised Restaurant to PRC’s lenders or prospective lenders, or to use or disclose such information in an earnings claim created in connection with the sale of Monical’s Pizza Franchises. Franchisee or Franchisee’s chief financial officer shall certify as true and correct all reports submitted pursuant to this Agreement.

12.5 Computer/Point-of-Sale System

Franchisee shall purchase, install, update, maintain and use computer and point-of-sale systems consisting of software in accordance with PRC's specifications and hardware in accordance with either the Franchisor's or software vendor's specifications. PRC shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related store operational information by means of direct access, either in person and by broadband or other Internet to permit PRC to verify Franchisee's compliance with its obligations under this Agreement. If Franchisee uses the system for any other purposes, Franchisee shall have the obligation to partition its system to limit access to its non-operational systems.

12.6 Right to Inspect

PRC or its designee has the right to require Franchisee to provide the books, records and tax returns of Franchisee via electronic or other means selected by PRC for purposes of inspection, examination, copy and audit. If the audit or any other inspection discloses that any payments to PRC have been underpaid, then Franchisee shall immediately pay to PRC the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum, or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower. If the inspection should reveal that Franchisee has not spent at least two percent (2%) of its monthly Gross Sales on Local Advertising or if the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse PRC for any and all costs and expenses connected with the inspection, including, without limitation, travel expenses and reasonable accounting and attorneys' fees. The foregoing remedies shall be in addition to any other remedies PRC may have.

12.7 Release of Records

At PRC's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to PRC all accounting and financial records arising from or relating to the operation of the Franchised Restaurant including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to PRC on a monthly basis during the term of this Agreement or until such time as PRC withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to PRC.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide, and offer for sale and use at the Franchised Restaurant only those menu items, ingredients, food, beverages, packaging, supplies, signs, equipment and other items and services that PRC from time to time approves, and which are not thereafter disapproved, and that comply with MPC's specifications and quality standards. If required by PRC, any such items or services shall be purchased only from "Approved Suppliers" that PRC designates or approves, which might include, or be limited to, PRC or an Affiliate. Franchisee shall not offer for sale, sell or provide through the Franchised Restaurant or from the Approved Location any products or services that PRC has not approved.

13.1.2 MPC shall provide Franchisee, in the Confidential Operations Manual or other written or electronic form, with a list of specifications and a list of Approved Suppliers, and PRC may from time to time issue revisions to such list. If PRC or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by PRC or its Affiliate. If Franchisee desires to utilize any services or products that PRC has not approved, or any services or products that require supplier approval, Franchisee shall first provide PRC with sufficient information, specifications and samples for PRC to determine

whether the service or product complies with MPC's standards and specifications or the proposed supplier meets its Approved Supplier criteria. Franchisee shall pay all expenses incurred by MPC or PRC in connection with determining whether it shall approve an item, service or supplier. PRC will decide within a reasonable time, usually thirty (30) days after receiving all required information, whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on, among other things, the supplier's: ability to provide sufficient quantity and quality of products or services at competitive prices, production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require PRC to approve any particular supplier, or to require PRC to make available to prospective suppliers any standards or specifications that PRC deems confidential.

13.1.3 Notwithstanding anything to the contrary in this Agreement, PRC has the right to review from time to time its approval of any items or suppliers. PRC may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by PRC and shall promptly cease purchasing from suppliers disapproved by PRC.

13.1.4 PRC has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as PRC determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. PRC has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 0 and shall not create any rights in Franchisee to provide the same products or services.

13.2 Appearance and Condition of the Franchised Restaurant

Franchisee shall maintain the Franchised Restaurant and the equipment and signage used in connection with the Franchised Restaurant in "like new" condition, and shall repair or replace equipment, fixtures and signage as necessary to comply with health and safety standards and applicable laws or regulations. The expense of such maintenance shall be paid by Franchisee and shall be in addition to any required System modifications, as described in Section 0.

13.3 Ownership and Management

The Franchised Restaurant shall, at all times, be under the direct supervision of Franchisee. The Designated Manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Restaurant, but not less than forty (40) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep PRC informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

Franchisee shall keep the Franchised Restaurant open for business during normal business hours on the days specified in the Operations Manual.

13.5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain PRC's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or providing any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization).

13.6 Licenses and Permits

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Restaurant and shall operate the Franchised Restaurant in full compliance with all applicable laws, ordinances and regulations. PRC makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Restaurant, and Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Restaurant.

13.7 Notification of Proceedings

Franchisee shall notify PRC in writing of the receipt of a notice of demand or threatened claim of liability of, or damages against or involving, Franchisee or the Franchised Restaurant not more than five (5) days after Franchisee's receipt of such notice. Franchisee shall notify PRC in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Restaurant, and of the issuance of any order, writ, injunction, award or decree which may affect the operation or financial condition of the Franchised Restaurant not more than five (5) days after Franchisee receives notice of any such commencement or issuance. Franchisee shall deliver to PRC not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and Franchisee's employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain the highest standards of quality and service in the operation of the Franchised Restaurant. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Restaurant. Franchisee and all of Franchisee's personnel shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If PRC deems that Franchisee did not fairly handle a customer complaint, PRC has the right to intervene and satisfy the customer. Franchisee shall reimburse PRC for all costs incurred by PRC in servicing a customer of the Franchised Restaurant pursuant to this Section. PRC has the right to terminate this Agreement for violation of this Section.

13.9 Uniforms

Franchisee shall abide by any uniform requirements stated in the Operations Manual. Uniforms must be purchased from an Approved Supplier.

13.10 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment or software and shall have arrangements in place with Visa, MasterCard, Discover, and/or such other credit card issuers as PRC may designate, from time to time, to enable the Franchised Restaurant to accept such methods of payment from its customers. All hardware and software of the card processing must be in compliance with all requirements of Fiserv Services (or the then-provider of credit card processing and clearing house services to PRC) in order to provide an appropriate level of security, integrity, confidentiality and/or privacy. Franchisee shall use such credit card processing and clearing house services as PRC specifies in the Operations Manual.

13.11 Vending Machines

Franchisee shall not install or use at the Franchised Restaurant any vending machines, amusement devices, jukeboxes, video machines or other similar devices without first securing PRC's written approval.

13.12 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Restaurant. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

14. PRC'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

PRC shall make a reasonable effort to discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, or other methods with respect to planning, opening and operating the Franchised Restaurant. However, Franchisee shall use its independent judgment to make all business decisions and should not rely solely upon any advice given or statements made by PRC. PRC shall not charge for this service, however, PRC retains the right to refuse to provide, or to charge a fee for, this service should PRC deem Franchisee to be utilizing this service too frequently or in an unintended manner. PRC's advice or guidance to Franchisee relative to prices for products and services that, in PRC's judgment, constitutes good business practice is based upon the experience of PRC and its franchisees in operating Monical's Restaurants and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Restaurant.

14.2 Periodic Visits

PRC or PRC's representatives may, but are not required to, make periodic visits to the Franchised Restaurant, which may be announced or unannounced for the purposes of inspection, consultation, assistance or guidance with respect to various aspects of the operation and management of the Franchised Restaurant. PRC and PRC's representatives who visit the Franchised Restaurant may prepare, for the benefit of both PRC and Franchisee, written reports detailing any problems or concerns noted during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Restaurant. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

15. INSURANCE

15. Types and Amounts of Coverage

Within ninety (90) days of the Effective Date, but in no event later than the commencement of operations, Franchisee shall procure and thereafter maintain in full force and effect during the term of this Agreement, the insurance listed below. The liability policy including any applicable umbrella/excess policies shall expressly name PRC and MPC as additional insureds. In addition to any other insurance that may be required by applicable law, or by any lender or lessor, Franchisee shall procure:

15.1.1 "Special Form" (all risk) property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies, and leasehold improvements and betterments and other property used in the operation of the Franchised Restaurant at full replacement cost;

15.1.2 Workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Restaurant is located and employer liability coverage with a minimum limit of ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit as required by applicable state law;

15.1.3 Commercial general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Restaurant, including premises and operations, contractual liability, products completed operations and personal and advertising injury, with minimum limits of liability for each type of insurance of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence and TWO MILLION DOLLARS (\$2,000,000.00) general aggregate or higher if required by any landlord or lease agreement;

15.1.4 Liquor liability/dram shop policy with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence and TWO MILLION DOLLARS (\$2,000,000.00) in the aggregate or, if higher, the statutory minimum limit required by applicable state law;

15.1.5 Automobile liability insurance including liability coverage for autos owned, hired or borrowed, if applicable, by Franchisee and liability coverage for autos owned by others ("non-owned auto" coverage) with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence for bodily injury and property damage combined;

15.1.6 Umbrella excess liability insurance with a minimum liability coverage of TWO MILLION DOLLARS (\$2,000,000.00) (Umbrella excess liability must provide coverage in excess of Comprehensive General Liability, Liquor Liability, Automobile Liability and Employers Liability limits.);

15.1.7 Business interruption insurance in amounts and with terms acceptable to PRC;

15.1.8 Cyber insurance policy with a minimum liability coverage of \$1,000,000;

15.1.9 Restaurant Recovery Insurance (or equivalent) due to Food Borne Illness with a minimum liability coverage of \$1,000,000; and

15.1.10 Such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 0.

Employee Vehicles. Franchisee shall require each of its employees, who at any time, in connection with off-site delivery services, operates a vehicle which is owned by a person other than Franchisee, to maintain insurance insuring the employee's liability as driver of the vehicle in an amount no less than the minimum amount required by law, and Franchisee shall require and maintain at the Franchised Restaurant evidence of such insurance which evidence Franchisee shall provide to PRC upon request. Franchisee expressly waives and releases PRC and MPC and their respective affiliates and successors, and the respective officers, directors, shareholders, employees and agents of PRC and MPC and such successors and affiliates, from any obligation or responsibility with respect to any claim asserted, or which may be asserted, by a third party or parties, arising out of or relating to Franchisee's conduct of off-site delivery services.

15.2 Future Increases

PRC has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company approved by the state insurance department in the state in which Franchisee operates and having at least an “AVII” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. Although A.M. Best groups “A” and “A-” in the same classification, PRC demands an “AVII” rating.

15.4 Evidence of Coverage

Franchisee’s obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance that may be maintained by PRC, nor shall Franchisee’s performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 0. Franchisee shall provide, annually, and at least ten (10) days prior to the scheduled expiration of each such policy, certificates of insurance showing compliance with the foregoing requirements for the following twelve (12) month period. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days’ prior written notice to PRC.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, PRC has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by PRC in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in full compliance with all the terms of this Agreement and PRC materially breaches this Agreement and fails to cure such breach within thirty (30) days after receiving written notice identifying the breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee may elect to terminate this Agreement only if PRC does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.2 Termination by PRC

16.2.1 PRC has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to select an approved site for, or establish, equip and commence operations of, the Franchised Restaurant pursuant to Section 5, or if PRC and Franchisee do not agree upon a substitute site pursuant to Section 0;

16.2.1.2 fails to have its Designated Manager satisfactorily complete the initial training program pursuant to Section 8;

16.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to PRC in the course of entering into this Agreement;

16.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of PRC, Franchisee or the Franchised Restaurant;

- 16.2.1.5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of PRC, Franchisee or the Franchised Restaurant;
- 16.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Confidential Operations Manual or any Trade Secret or other Confidential Information;
- 16.2.1.7 abandons, fails or refuses to actively operate the Franchised Restaurant for five (5) or more consecutive days (unless the Franchised Restaurant has not been operational for a purpose approved by PRC);
- 16.2.1.8 surrenders or transfers control of the operation of the Franchised Restaurant, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or of an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;
- 16.2.1.9 fails to maintain the Franchised Restaurant under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 0;
- 16.2.1.10 submits to PRC on two (2) or more separate occasions at any time during the term of this Agreement and any renewals or extensions, any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to PRC by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;
- 16.2.1.11 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of Franchisee's property or any part thereof is appointed by a court; if Franchisee makes a general assignment for the benefit of Franchisee's creditors; if a final judgment against Franchisee remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against Franchisee's property or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;
- 16.2.1.12 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;
- 16.2.1.13 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from PRC and any Affiliate, or to pay any other payment when due to PRC or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;
- 16.2.1.13 violates any health or safety law, ordinance or regulation, or operates the Franchised Restaurant in a manner that presents a health or safety hazard to customers, employees or the public;
- 16.2.1.14 engages in any activity exclusively reserved to PRC;

16.2.1.15 fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

16.2.1.16 on two (2) or more separate occasions at any time during the term of this Agreement and any renewals or extensions, breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Operations Manual on two (2) or more separate occasions within any period of twelve (12) consecutive months, whether or not previous breaches or failures are cured; or

16.2.1.17 defaults under any other agreement between PRC (or any Affiliate) and Franchisee, such that PRC or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2 Without limiting the provisions of Section 0, PRC also has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to PRC that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 five (5) days after giving notice to Franchisee of Franchisee's failure to pay any amounts due to PRC;

16.2.2.2 ten (10) days after giving notice to Franchisee of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

16.2.2.3 thirty (30) days after giving notice to Franchisee of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Confidential Operations Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, PRC may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of PRC's rights under this Agreement.

16.4 Right of PRC to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and PRC delivers to Franchisee a notice of termination pursuant to Section 0, PRC has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which PRC is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of PRC to Operate Franchised Restaurant

Following the delivery of a notice of termination pursuant to Section 0, if necessary in PRC's discretion, PRC shall have the right, but not the obligation, to assume the operation of the Franchised Restaurant until such time as Franchisee corrects the breach. PRC may charge a management fee as stated in the Confidential Operations Manual from time to time, currently equal to FIVE HUNDRED DOLLARS (\$500.00) per day, and PRC shall further be entitled to reimbursement of any expenses PRC incurs that are not paid out of the

operating cash flow of the Franchised Restaurant. Should PRC elect to assume the operation of the Franchised Restaurant on a temporary basis, PRC shall have no responsibility or liability for the obligations, debts or payments under the lease for the Approved Location or otherwise.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Restaurant and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of PRC;

17.1.2 cease to use the Trade Secrets and other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by PRC immediately assign (or, if an assignment is prohibited and PRC approved the form of lease containing such prohibition, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in any lease then in effect for the Approved Location to PRC, and Franchisee shall furnish PRC with evidence satisfactory to PRC of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and PRC has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 take such action as may be necessary to cancel or assign to PRC, at PRC's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "MONICAL'S PIZZA®" or any other Mark, and Franchisee shall furnish PRC with evidence satisfactory to PRC of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.5 promptly return to any third party any leased, loaned or other third-party equipment used in the operation of the Franchised Restaurant, except to the extent PRC shall otherwise direct in writing by which PRC shall agree to assume the responsibility of Franchisee with respect thereto under any applicable lease or agreement, but without release of the original liability of Franchisee thereunder;

17.1.6 pay all sums owing to PRC and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement, and any other amounts due to PRC or any Affiliate;

17.1.7 pay to PRC all costs and expenses, including reasonable attorneys' fees, incurred by PRC subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.8 immediately surrender access to and return any paper copies of the Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by PRC to Franchisee relating to the operation of the Franchised Restaurant, all of which are acknowledged by Franchisee to be PRC's property;

17.1.9 assign all telephone listings and numbers and e-mail addresses for the Franchised Restaurant to PRC, notify the telephone company, Internet service provider and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers, facsimile numbers, e-mail addresses and on-line

identifiers associated with the Marks in any regular, classified or other telephone directory or Internet listing, and authorize transfer of same to or at the direction of PRC; and

17.1.10 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of PRC;

17.2.1.2 to induce PRC to grant a Franchise to Franchisee; and

17.2.1.3 to protect PRC with respect to its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

17.2.2 Except as otherwise approved in writing by PRC, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

own an interest in, manage, operate or provide services to any Competitive Business, whether directly or indirectly, located or operating (a) within a twenty-five (25) mile radius of the Approved Location or within the Area of Primary Responsibility (whichever is greater), or (b) within a twenty-five (25) mile radius of the location of any other Monical's Restaurant, either owned by or affiliated with MPC or Pizza Resources Corporation in existence at the time of termination or expiration (franchisees holding a franchise agreement on April 1, 2008 who own an interest in, manage, operate, or perform services for a Competitive Business as of April 1, 2008 shall be permitted to continue to own an interest in, manage, operate, or perform services for that/those specific Competitive Business(es) only); or

solicit or otherwise attempt to induce or influence any customer, employee or other business associate of PRC to terminate or modify his, her or its business relationship with PRC or any Monical's Restaurant, or to compete against PRC or any Monical's Restaurant.

17.2.2.1 In furtherance of this Section, PRC has the right to require certain individuals to execute a Nondisclosure and Non-Competition Agreement.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute PRC's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with PRC. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Section 0 or 0. Upon termination or expiration of this Agreement, Franchisee shall immediately cease all use of the Marks, change telephone and fax numbers website

address and on-line identifiers, and take such other actions as may be necessary to prevent any association between PRC and/or the System and Franchisee and any business subsequently operated by Franchisee. If Franchisee fails or refuses to comply with the requirements of this Section, PRC has the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall promptly pay upon demand.

17.4 PRC's Option to Purchase Certain Business Assets

PRC has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Restaurant including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If PRC elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of PRC and Franchisee, which expressly or by their nature are intended to survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by PRC

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by PRC and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of PRC, the assignee shall assume the obligations of PRC hereunder and PRC shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee, and PRC has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in the Franchise Operating Entity, may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, its assets or any part or all of the ownership interest in Franchise Operating Entity without the prior written approval of PRC. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, PRC's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to PRC, and all other outstanding obligations relating to the Franchised Restaurant, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners of Franchise Operating Entity) has executed a General Release, releasing any and all claims against PRC, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners and employees (in their corporate and individual capacities) including, without limitation, claims incident to the termination of this Agreement, to the transfer of Franchisee's interest herein, and to the transfer of Franchisee's ownership of all or any part of the Franchise Operating Entity; provided, however, that if a General Release is prohibited by law, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied PRC that such transferee meets PRC's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as PRC may require to demonstrate ability to conduct the Franchised Restaurant;

18.2.5 the transferee and, if PRC requires, all persons owning any interest in any entity that is to become a Franchise Operating Entity, have executed the then-current Franchise Agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement. Notwithstanding the foregoing, any franchisee holding a franchise agreement on April 1, 2008 may on one occasion transfer that franchise agreement to a transferee who shall then be entitled to retain, for so long as that transferee holds a franchise agreement from Franchisor, the four percent (4%) royalty rate in effect on April 1, 2008. All of the other terms and provisions of the then current Franchise Agreement (as of the date of the transfer) shall be fully effective against the transferee;

18.2.6 the transferee has executed a General Release, releasing any and all claims against PRC and its officers, directors, shareholders, managers, members, partners, owners and employees (in their corporate and individual capacities) with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee and/or PRC;

18.2.7 written certification that Franchisee has provided PRC with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to PRC a transfer fee in the amount of TEN THOUSAND DOLLARS (\$10,000.00);

18.2.9 the transferee, and all holders of a legal or beneficial interest in any entity that is to be a Franchise Operating Entity, have agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance of the new franchise agreement by the transferee, if required by the PRC;

18.2.11 the transferee has obtained all necessary consents and approvals from third parties and all applicable federal, state and local laws, rules, ordinances and has complied with or satisfied requirements applicable to the transfer;

18.2.12 the transferee has, and if the transferee is to be a Franchise Operating Entity, all of the holders of a legal and beneficial interest in the transferee have executed and delivered to PRC a Nondisclosure and Non-Competition Agreement;

18.2.13 the transferee agrees that its Designated Manager shall complete, to PRC's satisfaction, a training program in substance similar to the initial training described in Section 0 prior to assuming the management of the day-to-day operation of the Franchised Restaurant; and both Franchisee and the transferee have satisfied PRC that the Franchised Restaurant shall continue to be operated by a properly trained Designated Manager until such time as the transferee's Designated Manager shall have completed the necessary training; and

18.2.14 the transferee has obtained all necessary types of insurance as described in Section .

18.3 Transfer to a Controlled Entity

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by, or controlled by, Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, PRC's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

8.3.1.1 the Controlled Entity is newly organized or the Franchise Operating Entity and its charter provides that its activities are confined exclusively to the operation of the Franchised Restaurant;

8.3.1.2 Franchisee owns all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

8.3.1.3 Franchisee is in compliance with all of the provisions of this Agreement, and all obligations of Franchisee to PRC or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 0;

8.3.1.4 the Controlled Entity has entered into a written agreement with PRC expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Restaurant. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to PRC prior to consent by PRC;

8.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with PRC jointly and severally personally guaranteeing the full payment of the Controlled Entity's obligations to PRC and the performance by the Controlled Entity of all the obligations of this Agreement;

8.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to PRC that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

8.3.1.7 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to PRC. Any amendment to any such documents shall also be furnished to PRC immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 PRC's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Restaurant, shall not constitute a waiver of any claims PRC may have against the transferor or the transferee, nor shall it be deemed a waiver of PRC's right to demand compliance with the terms of this Agreement.

18.3.4. The transferee entity will be treated as a Franchise Operating Entity.

18.4 PRC's Disclosure to Transferee

PRC has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of PRC's records relating to this Agreement, the Franchised Restaurant or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by PRC and releases and agrees to hold PRC harmless from and against any claim, loss or injury resulting from an inspection of PRC's records relating to the Franchised Restaurant by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

Franchisee shall not, without prior written consent of PRC, place in, on or upon the location of the Franchised Restaurant, or in any communication media, any form of advertising relating to the sale of the Franchised Restaurant or the rights granted hereunder. Franchisee shall not, whether in or on the location of the Franchised Restaurant or in any communication media, advertise a "going-out-of-business," inventory liquidation or similar sale or event.

18.6 Transfer by Death or Incapacity

18.6.1 Upon the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in a Franchisee Operating Entity, the appropriate representative of that person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer the deceased or incapacitated Franchisee's interest in the Franchised Restaurant or in the Franchise Operating Entity to a third party who is either (a) another Franchisee and/or owner of the Franchise Operating Entity or (b) approved by PRC. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state where such individual resided, provided that the foregoing provision regarding governing law shall be applicable only for this Section 0. During such one hundred eighty (180) day period, the Franchised Restaurant must remain at all times under the primary management of a Designated Manager who otherwise meets PRC's management qualifications.

18.6.2 Following such a death or Incapacity of such person as described in this Section 0, if necessary in PRC's discretion, PRC shall have the right, but not the obligation, to assume operation of the Franchised Restaurant until the deceased or incapacitated owner's interest is transferred to a third party approved by PRC. PRC may charge a management fee as stated in the Manual from time to time, currently equal to FIVE HUNDRED DOLLARS (\$500.00) per day, and PRC shall further be entitled to reimbursement of any expenses PRC incurs that are not paid out of the operating cash flow of the Franchised Restaurant.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee proposes to sell the Franchised Restaurant (or any of its assets outside of the normal course of business), any ownership interest in Franchisee Operating Entity or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract and all due diligence materials, to PRC. The offer must relate only to a sale of the assets or interests related to the Franchised Restaurant, and may not include any other property or rights.

19.2 PRC's Right to Purchase

PRC shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the

same terms and conditions contained in such offer communicated to Franchisee. PRC has the right to substitute cash for the fair market value of any form of payment proposed in such offer. PRC's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of PRC's intent to exercise this right of first refusal, PRC shall have up to sixty (60) days to close the purchase. PRC shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest together with all representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If PRC does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to PRC's prior written approval and all of the requirements of Section 0. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to PRC, PRC's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If Franchisee proposes to sell or otherwise transfer the Franchised Restaurant (or any of its assets outside of the normal course of business), any ownership interest in Franchisee Operating Entity or any ownership interest in the Franchise granted hereunder to a member of Franchisee's family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 0 shall be construed to relieve Franchisee or the transferee from full compliance with the terms of and conditions of Section 0 prior to a sale or transfer to family or to another current Franchisee pursuant to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

In the event Franchisee shall desire to transfer this Agreement to a Controlled Entity, Franchisee shall represent and warrant that the individuals identified in Exhibit 5 as Holders of a Legal or Beneficial Interest are the sole holders of all of the legal or beneficial interests (in the stated proportions) of the entity to which this Agreement shall be transferred.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of PRC for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of PRC, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of PRC, or to create any obligation, expressed or implied, on PRC's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Restaurant operating the Franchised Restaurant pursuant to a franchise from PRC. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice in the form specified in Section 0 and on all forms, stationery or other written materials, the content of which PRC has the right to specify. Under no circumstances shall PRC be liable for any act, omission, contract, debt or any other obligation of Franchisee. PRC shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Restaurant.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain PRC's written consent or permits PRC to take any action or refrain from taking any action, PRC

is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting PRC's right, except as may be provided by statute or regulation.

21.3 Indemnification

Franchisee and the Franchise Operating Entity, if any, shall hold harmless and indemnify MPC, PRC, any Affiliate, all holders of a legal or beneficial interest in MPC, PRC and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "PRC Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Restaurant; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and PRC (or an Affiliate); (d) defamation of PRC or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Restaurant, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. PRC shall have the right to independently take any action it may deem to be necessary in its sole discretion to protect and defend itself against any threatened action, and shall have the right to indemnification hereunder, without regard to expense, forum or other parties that may be involved.

21.4 Right to Retain Counsel

Franchisee shall give PRC immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a PRC Indemnatee. PRC has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, reputation and/or goodwill, PRC has the right to, at any time without notice, take such remedial or corrective actions as it deems reasonably required with respect to any action, suit, demand, claim, investigation or proceeding if, in PRC's sole judgment, there are grounds to believe any of the acts or circumstances for which PRC is to be indemnified by Franchisee have occurred. If PRC's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to PRC without the need for any further action on either party's part. Under no circumstances shall PRC be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by PRC from Franchisee.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of PRC to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of PRC's right to demand exact compliance with the terms of this Agreement. Waiver by PRC of any particular default by Franchisee shall not be binding unless in writing and executed by PRC and shall not affect nor impair PRC's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by PRC of any payment(s) due shall not be deemed to be a waiver by PRC of any breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

Franchisee acknowledges that any breach by Franchisee of any of the restrictions contained in Sections 6, 0 and 17 would result in irreparable injury to PRC, and that the damages arising out of any such breach would be difficult to ascertain, therefore, in addition to all other remedies provided by law or in equity, PRC shall be entitled to all equitable remedies, including injunctive relief (whether a restraining order, a preliminary

injunction or a permanent injunction) against without requirement to post bond, with respect to any such breach, whether actual or contemplated, and Franchisee specifically waives any and all defenses to injunctive relief and Franchisee shall be responsible for PRC's reasonable attorneys' fees incurred in pursuing the same. PRC's right to seek injunctive relief shall take precedence over the covenant to arbitrate all disputes in accordance with Section 0. PRC's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by certified or registered mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 0. All notices, payments and reports required by this Agreement shall be sent to Franchisee at its address on file with PRC and to PRC at the following address:

Pizza Resources Corporation
Attn: Sean Wittenborn
1998 E. 2100 N. Road
Watseka, Illinois 60970

22.4 Cost of Enforcement or Defense

If PRC or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees, in connection with such proceeding. Any amounts due from Franchisee to PRC shall accrue interest at a rate equal to eighteen percent (18%) per annum, or the maximum rate allowed by applicable law, from the date such payment is due until it is paid in full.

22.5 Unlimited Guaranty and Assumption of Obligations

Simultaneously with the execution of this Agreement, all holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute and deliver to PRC the Unlimited Guaranty and Assumption of Obligations attached as Exhibit 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of PRC, Franchisee shall make a timely written request to PRC for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. PRC assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval, and no waiver, approval, advice, consent or services provided by PRC to Franchisee shall constitute any warranty or guarantee of any nature.

22.7 Entire Agreement

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise

Disclosure Document that Franchisor furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the Franchised Restaurant and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

22.8 Severability and Modification

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 0 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid by a court of competent jurisdiction, then it shall be amended to provide for limitations on disclosure of Trade Secrets and other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except the payment of money due, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 0, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, and to pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor may set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. DISPUTE RESOLUTION

23.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Indiana, without reference to its conflict of laws principles, excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Tippecanoe County, Indiana. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested or by any other manner provided by law. Claims for injunctive relief may be brought by PRC where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

23.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to PRC or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar PRC's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4 Limitations of Claims

Any claim concerning the Franchised Restaurant or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which

Franchisee or PRC knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

23.5 Limitation of Damages

Franchisee and PRC each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it, including costs, interest and reasonable accounting and legal fees as provided in Section 0. Franchisee waives and disclaims any right to incidental or consequential damages in any action or claim against PRC concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against PRC concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

23.6 Waiver of Jury Trial

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

23.7 Arbitration

This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any of Franchisor's Marks or the unauthorized use or disclosure of Franchisor's Trade Secrets or other Confidential Information and except for claims for injunctive relief, all disputes arising out of or relating to this Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Champaign County, Illinois, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Illinois located in or serving Champaign County, Illinois. The decision of the arbitrator shall be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Franchisee acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of Franchisor or any of Franchisor's agents or employees.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document and that Franchisor has accorded Franchisee ample time and opportunity to consult with legal, business, tax and other advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen (14) calendar-days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for such business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

24.5 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Monical's Restaurant involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.6 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Restaurant. Franchisee acknowledges and agrees that there have been no representations by Franchisor or anyone on behalf of Franchisor that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document and this Agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

PIZZA RESOURCES CORPORATION:

FRANCHISEE: _____
(type/print name)

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

[or, if an individual]

Signed: _____

Name printed: _____

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

GENERAL RELEASE

This General Release is made and given on this ____ day of _____, 20____ by _____, (“Releasor”) an individual/corporation/limited liability company/partnership with a principal address of _____, in consideration of: (check applicable provision)

_____ the execution by Pizza Resources Corporation (“Releasee”) of a successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”) granted to Releasor by Releasee pursuant to that certain Franchise Agreement (the “Franchise Agreement”) between Releasor and Releasee; or

_____ Releasee’s consent to Releasor’s assignment of its rights and duties under the Franchise Agreement;
or

_____ Releasee’s consent to Releasor’s assumption of rights and duties under the Franchise Agreement;
or

_____ Releasee’s refund of fifty percent (50%) of the Franchise Fee Releasor paid to Releasee,

and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and accordingly Releasor hereby releases and discharges Releasee, Releasee’s Affiliates (as defined in the Franchise Agreement), Releasee’s officers, directors, shareholders, and employees (in their corporate and individual capacities), and Releasee’s successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that Releasor and Releasor’s heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from any time prior to the date hereof to the date of this Release arising out of or related to the Franchise, the Franchise Agreement or any claimed act or omission by Releasee or anyone representing Releasee, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, .

This General Release constitutes the entire agreement between the parties with respect to the subject matter hereof. This General Release supersedes any prior agreements, negotiations and discussions between Releasor and Releasee. This General Release cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

Releasor shall reimburse Releasee for any and all costs and reasonable attorney fees incurred by Releasee in the enforcement of the terms of this General Release, whether or not suit shall be required.

This General Release shall be effective as of the date executed and shall be binding upon the successors and assigns of the parties and shall inure to the benefit of Releasee, its affiliates and their successors and assigns.

This General Release shall be governed by and construed in accordance with the laws of the State of Indiana, without resort to its choice of law provisions.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by Releasor and Releasee.

IN WITNESS WHEREOF, Releasor has executed this General Release as of the date first above written.

RELEASOR: _____
Franchisee (print name)

Signed: _____

RELEASOR: _____
Franchisee (print name)

Signed: _____

RELEASOR: _____
Franchisee (print name)

Signed: _____

RELEASOR: _____
Franchisee (print name)

Signed: _____

RELEASOR: _____
(Franchise Operating Entity)

By: _____

Title: _____

ACKNOWLEDGMENT

State of _____)
) ss
County of _____)

On this ____ day of _____, 20____ before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission expires:

(NOTARIAL SEAL)

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" made as of the ____ day of _____, 20____, is by and between _____ ("Franchisee Operating Entity") (d/b/a a Pizza Resources Franchisee) and _____ ("Franchisee(s)/Recipient").

WITNESSETH:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20____ ("Franchise Agreement") by and between Franchisee Operating Entity and Pizza Resources Corporation ("Company"); and

WHEREAS, Franchisee Operating Entity desires Recipient to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee Operating Entity is required by the Franchise Agreement to have Recipient execute this Agreement prior to providing Recipient access to said Trade Secrets and other Confidential Information; and

WHEREAS, Recipient understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee Operating Entity or any other franchisee operating entity of Company in any business (i) that offers (or grants franchises or licenses to others to operate a business that offers) menu items the same as or similar to those provided by Franchisee Operating Entity or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee Operating Entity, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee Operating Entity under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Recipient understands Franchisee Operating Entity possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, recipes, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Monical's Pizza Restaurants that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to Monical's Pizza Restaurants that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee Operating Entity shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Recipient; (ii) Recipient can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee Operating Entity as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Recipient of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Recipient understands Franchisee Operating Entity’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Recipient and Franchisee Operating Entity with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Recipient shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee Operating Entity, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Recipient must take all steps reasonably necessary and/or requested by Franchisee Operating Entity to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Recipient must comply with all applicable policies, procedures and practices that Franchisee Operating Entity has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Recipient’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Recipient’s relationship with Franchisee Operating Entity, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee Operating Entity is entitled to communicate Recipient’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee Operating Entity for protection of its rights hereunder and regardless of whether Recipient or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Monical’s Pizza Restaurant.

3. Non-Competition

a) During the term of Recipient’s relationship with Franchisee Operating Entity and for a period of two (2) years after the expiration or termination of Recipient’s relationship with Franchisee Operating Entity, regardless of the cause of expiration or termination, Recipient shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee Operating Entity to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company’s service mark “Monical’s Pizza®” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with Monical’s Pizza Restaurants or the Company’s uniform standards, methods, procedures and specifications for the establishment and operation of Monical’s Pizza Restaurants.

b) During the term of Recipient’s relationship with Franchisee Operating Entity and for a period of two (2) years thereafter, regardless of the cause of termination, Recipient shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within the United States without the express written consent of Franchisee Operating Entity.

c) For a two (2) year period following the term of Individual’s relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within a twenty-five (25) mile radius of Franchisee’s Franchised Restaurant or within Franchisee’s Area of Primary Responsibility, whichever is greater, or within twenty-five (25) miles of any other Monical’s Pizza Restaurant without the express written consent of Franchisee. For purposes of this Agreement, Franchisee’s “Area of Primary Responsibility” is defined as:

For purposes of this Agreement the “Area of Primary Responsibility” will be defined as follows:

d) During the term of Recipient's relationship with Franchisee Operating Entity and for a period of two (2) years thereafter, regardless of the cause of termination, Recipient shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee Operating Entity, Company or any other Monical's Pizza Restaurant to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee Operating Entity, Company or any other Monical's Pizza Restaurant.

4. Reasonableness of Restrictions

Recipient acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee Operating Entity, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Recipient waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Recipient shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Recipient further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee Operating Entity and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee Operating Entity and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Recipient of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee Operating Entity and Company may have at law or in equity.

6. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Recipient and Franchisee Operating Entity. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Indiana (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Tippecanoe County, Indiana. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Company where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Recipient agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Recipient and shall inure to the benefit of Franchisee Operating Entity, its

subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

f) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Recipient, Franchisee Operating Entity and Company.

j) The existence of any claim or cause of action Recipient might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee Operating Entity or Company of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee Operating Entity or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

l) Where Recipient is also a Franchisee under the Franchise Agreement, Recipient's obligations as a Recipient will continue for the longer of the period (a) during which Recipient is a Franchisee and for a two (2) years after the expiration or termination of Recipient's relationship as a Franchisee, regardless of the cause of expiration or termination or (b) During the term of Recipient's relationship with Franchisee Operating Entity and for a period of two (2) years after the expiration or termination of Recipient's relationship with Franchisee Operating Entity, regardless of the cause of expiration or termination.

IN WITNESS WHEREOF, Franchisee Operating Entity has executed this Agreement and Recipient has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

FRANCHISEE/RECIPIENT: _____ FRANCHISEE/RECIPIENT: _____

Signed: _____ Signed: _____

Address: _____ Address: _____

WITNESS: _____ WITNESS: _____

FRANCHISEE/RECIPIENT: _____

Signed: _____

Address: _____

WITNESS: _____

FRANCHISEE/RECIPIENT: _____

Signed: _____

Address: _____

WITNESS: _____

FRANCHISE OPERATING ENTITY:

By: _____

Its: _____

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20____, by _____

As used herein, "Related Agreement" shall mean any agreement entered into by and between Franchisor and Franchisee or any Affiliate (as defined in the Franchise Agreement) in connection with or relating to the Franchise Agreement.

For valuable consideration received, and as an inducement to Franchisor to enter into the Franchise Agreement, the undersigned ("Guarantor") hereby unconditionally guarantees to Franchisor and its Affiliates: (a) the full and timely performance by Franchisee of the Franchise Agreement and each related Agreement and all terms, conditions and covenants thereof, and (b) the payment by Franchisee of royalties and all other sums payable by Franchisee under the Franchise Agreement and each Related Agreement.

Guarantor agrees that (1) its obligations hereunder shall be enforceable against Guarantor without the necessity for any suit or proceedings whatsoever against Franchisee, and without the necessity of any notice of nonpayment, nonperformance or nonobservance or any notice of acceptance of this Guaranty Agreement or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; (2) immediately upon each and every breach or default of the Franchise Agreement or any Related Agreement by Franchisee, whether before or during the term of the Franchise Agreement or any Related Agreement or thereafter (e.g., during any renewal term), without any notice to or demand upon Guarantor, Guarantor will (i) pay to Franchisor or an Affiliate as applicable, the sum or sums in arrears, (ii) pay to Franchisor or an Affiliate, as applicable, all damages, including but not limited to any expenses, costs and fees incurred by Franchisor or an Affiliate, as applicable, that may be occasioned by Franchisee's nonperformance, and (iii) comply with or perform all terms and conditions of the Franchise Agreement and each Related Agreement; (3) no extension, forbearance or leniency extended by Franchisor or any Affiliate to Franchisee shall wholly or partially discharge Guarantor hereunder, notwithstanding that Guarantor had no notice of any breach or default of the Franchise Agreement or any Related Agreement or of any such leniency, forbearance or extension; (4) Franchisor or an Affiliate, as applicable, and Franchisee, without notice to or consent by Guarantor, may at any time(s) enter into modifications, renewals, extensions, amendments and/or other agreements respecting the Franchise Agreement or any Related Agreement, and Guarantor shall not be wholly or partially released thereby, it being intended that Guarantor shall continue as guarantor with respect to the Franchise Agreement and each Related Agreement as so modified, renewed, extended, amended or otherwise affected and notwithstanding any transfer or assignment of the Franchise Agreement or any Related Agreement.

The obligations of Guarantor herein shall be co-extensive with those of Franchisee under the Franchise Agreement and each Related Agreement and shall remain in effect as long as Franchisee's obligations under the Franchise Agreement and each Related Agreement are in effect. This Guaranty Agreement is absolute and unconditional and shall continue without being affected by any impairment, release or limitation of the liability of Franchisee or its estate in bankruptcy resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or from the decision of any court interpreting the same. Guarantor further agrees to be bound by each and every obligation of Franchisee under the Franchise Agreement and each Related Agreement, with the same force and effect as if Guarantor were designated in and had executed the Franchise Agreement and each Related Agreement as Franchisee thereunder.

This Guaranty Agreement is a primary guaranty of payment and performance and shall not be subject to any counterclaim, set-off, deduction or defense. No failure or delay on the part of Franchisor or any Affiliate in exercising

any right or remedy under the Franchise Agreement, any Related Agreement and/or this Guaranty Agreement shall operate as a waiver thereof nor shall a single or partial exercise of any right or remedy preclude any other or further exercise thereof, and all rights and remedies of Franchisor and each Affiliate hereunder and under the Franchise Agreement and each Related Agreement shall be cumulative. Until all Franchisee's obligations under the Franchise Agreement and each Related Agreement are fully performed, Guarantor waives any rights that it may have against Franchise or any Affiliate by reason of Guarantor's compliance with the Guaranty Agreement, and subordinates any liability or indebtedness of Franchisee held by Guarantor to the obligations of Franchisee to Franchisor and each Affiliate under the Franchise Agreement and each Related Agreement.

If Guarantor consists of more than one person and/or entity, (a) this Guaranty Agreement shall be binding on all of them jointly and severally, and (b) notice to or from any of them will constitute notice to or from each of them.

Any notice or other communication to Franchisor may be addressed to Pizza Resources Corporation, 1998 E 2100 N Road, Watseka, Illinois, 60970, Attention: President, or such other address as may be designated by Franchisor by registered or certified mail, return receipt requested, and the time of rendition of such notice or other communication shall be when it is deposited in an official United States Mail receptacle, postage prepaid.

This Guaranty Agreement, which is to be governed by and construed in accordance with the laws of the State of Illinois, shall also bind Guarantor's legal or personal representatives, heirs, successors and assigns (as the case may be) and inure to the benefit of Franchisor and its Affiliates and their successors and assigns and any other person or entity at any time having the rights of Franchisor or any Affiliate under the Franchise Agreement and each Related Agreement.

Guarantor will forthwith pay to Franchisor and/or an Affiliate, as applicable, all attorney's fees and disbursements incurred by Franchisor and/or an Affiliate, as applicable, in connection with any breach or default by Franchisee under the Franchise Agreement or any Related Agreement and/or the enforcement of this Guaranty Agreement, in each instance whether or not suit is brought (and if suit is brought, through appeals and collection efforts).

Any sums not paid to Franchisor or any Affiliate when due hereunder will bear interest at the rate of 18% per annum, from the due date until full payment is received by Franchisor or such Affiliate.

As a further inducement to Franchisor to make and enter into the Franchise Agreement and in consideration thereof, Guarantor agrees that in any action or proceeding brought on, under or by virtue of this Guaranty Agreement, Guarantor shall and does hereby waive trial by jury and the benefit of any statute of limitations defense, and Guarantor agrees that the applicable courts of Illinois may have jurisdiction over Guarantor upon appropriate service on Guarantor anywhere in the United States in a manner in accordance with the laws of Illinois. Without limiting the foregoing, Guarantor hereby irrevocably appoints Franchisee as Guarantor's agent for service of process related to this Guaranty Agreement.

The Guaranty Agreement contains the entire agreement between the parties with respect to the matters covered hereby, and Guarantor acknowledges that no agent, representative, salesman or officer of Franchisor or any Affiliate has authority to make or has made any statement, agreement or representation, either oral or written, in connection herewith, modifying, adding to or changing the terms and conditions herein set forth. No customs or dealings between the parties shall be permitted to contradict or modify the terms hereof. This Guaranty Agreement shall not be construed more strictly against one party merely by reason of such party's preparation hereof. If any provision of this Guaranty Agreement shall be held to be invalid or unenforceable, to the maximum extent possible the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall continue in full force and effect. Neither this Guaranty Agreement nor any of its provisions can be waived, modified or terminated orally, but only by a written instrument duly executed by or on behalf of the party against whom enforcement of any waiver, modification or termination is sought.

Guarantor fully and expressly intends that the foregoing requirements as to a writing be strictly adhered to and strictly interpreted and enforced by any court which may be asked to consider the matter. This Guaranty shall be effective for the full term of the Franchise Agreement and each Related Agreement, including any extensions or renewals thereof.

GUARANTOR:

Driver's License #

Notice Address: _____

Witnessed By:

X _____

Print Name: _____

Address: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT
LEASE ADDENDUM

THIS LEASE ADDENDUM (the "Addendum") is made and entered into this ____ day of _____, 20__ by and between _____ ("Landlord") and _____ ("Tenant") and modifies that certain lease (the "Lease") identified below.

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to a Lease dated _____ concerning real estate commonly known as _____ as more fully described in the Lease (the "Premises").

NOW THEREFORE, in consideration of the mutual promises hereinafter contained, the sufficient of which is hereby acknowledged, the parties agree as follows:

1. Landlord agrees that PIZZA RESOURCE CORPORATION or a Franchisee of PIZZA RESOURCE CORPORATION selected by PIZZA RESOURCE CORPORATION, shall have the right to receive an assignment of this Lease upon the transfer, termination or expiration of the Franchise Agreement between PIZZA RESOURCE CORPORATION and Tenant. Upon such transfer, termination or expiration of said Franchise Agreement, Landlord shall promptly execute an acknowledgment of and consent to the assignment of the Lease. Any such assignment shall be acknowledged without payment of any assignment fee or similar charge and without a requirement for the payment of an additional security deposit or any increase in rent or other fees. Landlord agrees that, before the effective date of any assignment of the lease to PIZZA RESOURCE CORPORATION or its designee, Tenant shall be solely responsible for all obligations, debts and payments under the lease. Tenant shall not be entitled to a return of its security deposit;

2. Landlord shall provide PIZZA RESOURCE CORPORATION, its Franchisee, or its agents, employees or contractors, full access to the Premises upon the expiration or termination of either the Lease or Franchise Agreement, for a period of fifteen days to de-identify and remove from the Premises any trademarked property, proprietary software, equipment, and any and all furniture and fixtures installed by the Tenant or installed in connection with the Lease. PIZZA RESOURCE CORPORATION, or an approved franchisee for the Premises, shall have the right, but not the obligation to repaint any portion of the interior of the Premises. Landlord acknowledges that PIZZA RESOURCE CORPORATION has a prior right, title and interest in and to any such trademarked property, proprietary software, equipment, and furniture and fixtures, notwithstanding any agreement between the Landlord and any lender of the Landlord with respect thereto.

3. Landlord shall provide any written Notice of Default of Tenant to PIZZA RESOURCE CORPORATION simultaneously with the delivery thereof to Tenant. Such notice shall be delivered to PIZZA RESOURCE CORPORATION in writing by overnight delivery by FedEx or other nationally recognized overnight courier. Landlord and Tenant hereby acknowledge and agree that PIZZA RESOURCE CORPORATION shall have the right for fifteen (15) days after the expiration of the period given to Tenant to cure any deficiency under the Lease, to cure such deficiency if Tenant should fail to do so. In no event is PIZZA RESOURCE CORPORATION obligated to cure such deficiency. All notices shall be sent to: PIZZA RESOURCE CORPORATION, Attn: Sean Wittenborn, 1998 E 2100 N Road, Watseka, IL 60970.

4. Landlord grants Tenant and any successor franchisee of PIZZA RESOURCE CORPORATION the right to display the registered trademark Monical Pizza's standard signage package on the Premises, subject only to the provisions of governing local sign and zoning ordinances.

5. Tenant expressly authorizes Landlord to provide PIZZA RESOURCES CORPORATION all sales and other information Landlord may have obtained or received relating to the operation of the Franchised Restaurant at the Premises, as PIZZA RESOURCES CORPORATION may request

6. The parties agree that the Premises shall be used only for the operation of a Monical Pizza Restaurant during the entire initial term, and any extension(s), of the Lease.

7. Landlord shall provide PIZZA RESOURCES CORPORATION a copy of all proposed lease amendments and assignments and related documents at the same time Landlord provides them to Tenant, and a copy of all letters and notices Landlord sends to Tenant relating to the Lease or the Premises;

8. Landlord shall not amend or otherwise modify the Lease in any manner that would affect any of the foregoing provisions set forth above without PIZZA RESOURCES CORPORATION'S prior written consent.

This Addendum amends the Lease between the parties described hereinabove; and except as provided herein, all other terms of said Lease shall remain unchanged.

DATED this _____ day of _____, _____.

LANDLORD:

TENANT:

Signature

Name: _____

Title: _____

Signature

Name: _____

Title: _____

EXHIBIT 5 TO THE FRANCHISE AGREEMENT

HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISE OPERATING COMPANY AND/OR CONTROLLED ENTITY; OFFICERS, DIRECTORS, MANAGERS AND TRUSTEES

Holders of Legal or Beneficial Interest:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____ %

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____ %

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership: _____ %

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____ %

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____ %

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Percentage of ownership _____ %

Officers and Directors:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

EXHIBIT 6 TO THE FRANCHISE AGREEMENT
MULTI-STATE ADDENDA

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, between
Pizza Resources Corporation and _____
_____.

1. Illinois law governs the Franchise Agreement and Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.5. IF THE FRANCHISOR DECIDES TO MAKE CHANGES TO ITS SYSTEM (SUCH AS NEW EQUIPMENT, FIXTURES, SOFTWARE AND/OR TRADEMARKS), YOU MAY BE REQUIRED TO SPEND UP TO \$35,000 DURING THE 5-YEAR TERM OF YOUR FRANCHISE AGREEMENT (AS WELL AS EACH 5-YEAR RENEWAL TERM) TO BRING YOUR RESTAURANT INTO COMPLIANCE.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

By: _____
Title: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

FOR THE STATE OF INDIANA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, between Pizza Resources Corporation and _____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for Pizza Resources Corporation is amended as follows:

- Sections 0, 0 and 0 do not provide for a prospective general release of claims against PRC that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 16 is amended to prohibit unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 0 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 0 is amended to provide that Franchisee shall not be required to indemnify PRC for any liability imposed upon PRC as a result of Franchisee's reliance upon or use of procedures or products which were required by PRC, if such procedures or products were utilized by Franchisee in the manner required by PRC.
- Section 0 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law shall prevail.
- Section 0 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 0 is amended to provide that arbitration between PRC and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

By: _____

Title: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

PIZZA RESOURCES CORPORATION

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PIZZA RESOURCES CORPORATION
AREA DEVELOPMENT AGREEMENT

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PIZZA RESOURCES CORPORATION

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement is made this ____ day of _____, 20__ and is by and between Pizza Resources Corporation, an Illinois corporation, having its principal place of business at 1998 N. Road, Watseka, Illinois 60970 ("PRC"), and _____ ("Developer").

WITNESSETH:

WHEREAS, PRC has rights pursuant to a Master Development Agreement with Monical Pizza Corporation ("MPC") to offer franchises in the State of Indiana and in conjunction therewith to utilize and allow franchises to use a System* identified by the service mark "MONICAL'S PIZZA®" relating to the establishment and operation of dine-in restaurants, which are referred to in this Agreement as "Monical's Restaurants," featuring pizza and an extensive menu offering salads, sandwiches and pasta; and

WHEREAS, PRC and Developer are concurrently entering into the Initial Franchise Agreement; and

WHEREAS, Developer desires to, and has applied for the right to, develop additional Monical's Restaurants* and has applied for such a right, and PRC has approved Developer's application in reliance upon all of the representations made herein and therein.

NOW, THEREFORE, PRC and Developer, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Development Agreement, the following words and terms have the following meanings:

"Developer" means the individual or entity defined as "Developer" in the introductory paragraph of this Development Agreement;

"Development Agreement" means this Development Agreement and all exhibits, attachments and amendments hereto;

"Development Fee" has the meaning given to such term in Section 3.2;

*Capitalized terms not otherwise defined are defined in Section **Error! Reference source not found.**

* Capitalized terms not defined in Section 1 or in the text of this Development Agreement are defined in the Initial Sub-Franchise Agreement.

“Development Rights” means the rights granted to Developer pursuant to this Development Agreement to establish and operate Monical’s Restaurants in the Development Territory;

“Development Schedule” means the schedule attached as Exhibit A setting forth the number and the Opening Dates of Monical’s Restaurants to be established pursuant to this Development Agreement;

“Development Territory” has the meaning given to such term in Section 2.1;

“Franchise Agreement” means the then-currently used form of the Pizza Resources Corporation Sub-Franchise Agreement that PRC is offering to new Developers;

“Initial Franchise Agreement” means that certain Pizza Resources Corporation Sub-Franchise Agreement between Developer and PRC whereby Developer is granted the right to establish and operate its first Monical’s Restaurant; and

“Opening Date” means any date by which Developer is required to begin operations for each Monical’s Restaurant, as listed in the Development Schedule.

2. DEVELOPMENT RIGHTS

2.1 Grant of Development Rights

PRC hereby grants to Developer, and Developer undertakes and accepts, upon the terms and conditions of this Development Agreement, the Development Rights to establish and operate not less than _____ (___) Monical’s Restaurants at sites located within a defined geographic area (“Development Territory”). The Development Territory shall be defined by and exist within the following zip codes or other physical, political or natural boundaries:

2.2 Retained Rights

PRC shall not, so long as this Development Agreement is in force and effect and Developer is not in default under any of the terms hereof or of any Franchise Agreement for any Monical's Restaurant, establish, own or operate, or license others to establish, own or operate, any Monical's Restaurant within the Development Territory other than to Developer pursuant to this Development Agreement; provided, however, MPC, PRC and its Affiliates retain the right:

2.2.1 to continue to own and operate, and allow others to continue to own and operate, Monical's Restaurants existing inside of the Development Territory as of the date of this Development Agreement;

2.2.2 to establish, or grant to others the right to establish, Monical's Restaurants outside of the Development Territory;

2.2.3 to establish and operate, and license others to establish and operate, businesses under other systems using other proprietary marks, both within and outside the Development Territory;

2.2.4 to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to Monical's Restaurants (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Territory. If PRC purchases or acquires franchises or licenses, PRC may, in its sole discretion, act as PRC or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between PRC and such franchisee(s) or licensee(s). If PRC purchases or acquires such businesses within the Development Territory which are not franchised or licensed, PRC may, in its sole discretion:

2.2.4.1 to offer to sell any such businesses to Developer or to any third party at the business's fair market value to be operated as an Monical's Restaurant; or

2.2.4.2 to offer Developer the opportunity to operate such business(s) in partnership with PRC (or an Affiliate) under the business(s) existing trade name or a different trade name.

2.2.5 to be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Development Territory; and

2.2.6 to engage in any activities not expressly forbidden by this Development Agreement.

3. DEVELOPMENT FEE AND FRANCHISE FEES

3.1 Franchise Fees

Simultaneously, with the execution of this Development Agreement, Developer shall execute the Initial Franchise Agreement and shall pay a Franchise Fee of THIRTY THOUSAND DOLLARS (\$30,000.00) for the first Monical's Restaurant to be developed pursuant to this Development Agreement. Developer shall execute Franchise Agreements for the additional Monical's Restaurants to be developed on a periodic basis, and shall pay a Franchise Fee of THIRTY THOUSAND DOLLARS (\$30,000.00) for each additional Monical's Restaurant upon execution of each additional Franchise Agreement.

3.2 Development Fee

Upon the execution of this Development Agreement, Developer shall pay a fee ("Development Fee") equal to FIFTEEN THOUSAND DOLLARS (\$15,000.00) multiplied by the number of Monical's Restaurants to be developed after the first Monical's Restaurant pursuant to this Development Agreement. The total amount of the Development Fee to be paid by Developer upon the execution of this Development Agreement is _____ THOUSAND DOLLARS (\$_____). The Development Fee is fully earned by PRC and is nonrefundable; provided, however, that PRC shall credit FIFTEEN THOUSAND DOLLARS (\$15,000.00) of the Development Fee against the Franchise Fee for the second (2nd) and each subsequent Monical's Restaurant opened pursuant to, and in accordance with, this Development Agreement, such that the balance due on the Franchise Fee for any Monical's Restaurant included in the calculation of the Development Fee shall be FIFTEEN THOUSAND DOLLARS (\$15,000.00), until such credits equal the Development Fee. In no event shall PRC issue an aggregate amount of credit greater than the amount of the Development Fee.

4. DEVELOPMENT OF FRANCHISED RESTAURANT

4.1 Minimum Development Obligation

Developer shall strictly follow the Development Schedule set forth in Exhibit A. Time is of the essence. By the dates set forth within the Development Schedule, Developer shall establish and operate Monical's Restaurants in the number indicated in the Development Schedule. Developer shall at all times continuously maintain in operation, pursuant to each Franchise Agreement, at least the number of Monical's Restaurants required to be operational at

such time as set forth in the Development Schedule; provided, however, that such obligation does not apply to Monical's Restaurants that are closed pursuant to Section **Error! Reference source not found.**

4.2 Developer May Exceed Minimum Development Obligation

During the term of this Development Agreement, Developer may, subject to the terms and conditions of this Development Agreement, develop and operate more Monical's Restaurants in the Development Territory than required by this Development Agreement; provided, however, that Developer shall give PRC reasonable assurances that Developer has the required skill, financial resources and managerial skills to perform its duties under this Development Agreement and each Franchise Agreement. Developer shall pay the full Franchise Fee for each additional Monical's Restaurant developed in excess of the requirements of this Development Agreement, and PRC shall not credit any part of the Development Fee against the Franchise Fee for any additional Monical's Restaurant.

4.3 Exercise of Development Rights

Developer shall submit a separate application and enter into a separate Franchise Agreement for each additional Monical's Restaurant established pursuant to this Development Agreement. Upon approval of the site by PRC, as provided in Section 5.1 of the Franchise Agreement, PRC shall deliver two (2) copies of the Franchise Agreement along with a copy of its then-current Disclosure Document. Immediately upon receipt of the Disclosure Document, Developer shall return to PRC a signed copy of the acknowledgment of Receipt of the Disclosure Document. After any applicable waiting periods have expired, Developer shall execute and deliver to PRC two (2) copies of the Franchise Agreement and shall pay the Franchise Fee, less any applicable credit as provided in Section 3.1.

4.4 Conditions Precedent to PRC's Obligation

PRC shall not execute the Franchise Agreement if: (a) Developer is not in compliance with all, or is in default of any, of its obligations under this Development Agreement or any other agreement between PRC and Developer; or (b) in the case of each then existing Franchise Agreement, Developer, as Franchisee, is not in compliance with all, or is in default of any, of its obligations under any Franchise Agreement. PRC and Developer shall execute the Franchise Agreement for each additional Monical's Restaurant before the date stated in the Development Schedule that such Monical's Restaurant must be established and operating.

4.5 No Subfranchising by Developer

Developer has no right under this Development Agreement to sublicense, subfranchise, resell, or otherwise transfer any interest in any Franchised Restaurant.

4.6 Management Obligations

Each Monical's Restaurant developed pursuant to this Agreement must always be under the direct full-time supervision of Developer. Developer's Designated Managers must devote their full-time efforts (at least 35 hours per week) to the management of the day-to-day operation of the Monical's Restaurants developed pursuant to this Development Agreement.

5. TERM AND RIGHT OF FIRST REFUSAL

5.1 Term

Unless sooner terminated in accordance with the terms of this Development Agreement, the term of this Development Agreement and all Development Rights granted hereunder to Developer shall expire on the last Opening Date as set forth in the Development Schedule. At the end of the term of this Development Agreement, the exclusive Development Rights with respect to the Development Territory will automatically terminate, and Developer shall have no right to renew or extend the term of this Development Agreement.

5.2 Developer's Right of Refusal

Following the expiration of this Development Agreement, PRC shall have the right to re-evaluate the prospects for the establishment of Monical's Restaurants in the Development Territory, and PRC may determine that the Development Territory can be further developed by opening additional Monical's Restaurants in the Development Territory without having an unreasonably adverse effect on the Monical's Restaurants already existing within the Development Territory. During a one (1) year period beginning on the day after the Development Agreement expires, if PRC elects to further develop the Development Territory, Developer shall have the right to establish, own and operate any additional Monical's Restaurant PRC proposes to locate within the Development Territory, if Developer meets all other terms and conditions stated in this Development Agreement. PRC shall give Developer written notice of its proposal to develop additional Monical's Restaurants within the Development Territory and Developer shall have thirty (30) days to accept in writing PRC's proposal to own and operate such additional Monical's Restaurants. Developer's ownership and operation of such additional Monical's Restaurants shall be subject to the terms and conditions set forth in PRC's written proposal, which may vary in form and substance from the terms, conditions and economics set forth in this Development Agreement. If Developer fails to accept in writing PRC's written proposal within

such thirty (30) day period (or if Developer fails to comply with the terms of the proposal), then PRC shall have the right to establish, own and operate, or license others to establish, own and operate, Monical's Restaurants in the Development Territory.

6. MARKS AND CONFIDENTIAL INFORMATION

6.1 No License Under Development Agreement

Notwithstanding any provision to the contrary under this Development Agreement, this Development Agreement does not grant Developer any right to use the Marks. The right to use the Marks may only be granted by the terms of a Franchise Agreement. Developer shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms designs, or symbols, or in any modifying words, terms designs or symbols, or in any modified form, nor may Developer use any Mark in connection with any business or activity other than the business conducted by Developer pursuant to a Franchise Agreements or in any other manner not explicitly authorized in writing by PRC.

6.2 Confidential Information

Except as hereinafter provided, Developer shall not, during the term of this Development Agreement or at any time thereafter, communicate, divulge or use for the benefit of any other person or entity, any Trade Secrets or other Confidential Information which may be communicated to Developer or of which Developer may learn by virtue of Developer's activities under this Development Agreement. Developer may divulge Trade Secrets and other Confidential Information only to such of its employees as deemed necessary by Developer. At PRC's request, Developer shall require its employees and any other person to whom Developer wishes to disclose any Trade Secrets or other Confidential Information to execute a nondisclosure agreement in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Initial Franchise Agreement ("Nondisclosure and Non-Competition Agreement").

7. TRANSFERABILITY OF INTEREST

7.1 By PRC

This Development Agreement and all rights hereunder may be assigned and transferred by PRC and, if so, shall be binding upon and inure to the benefit of PRC's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of PRC, the assignee shall assume the obligations of PRC hereunder and PRC shall have no liability for the performance of any obligations contained in this Development Agreement after the effective date of such transfer or assignment.

7.2 By Developer

7.2.1 The Development Rights set forth in this Development Agreement are personal to Developer and are granted in reliance upon the personal qualifications of Developer. Developer has represented, and hereby represents, that it is entering into this Development Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder.

7.2.2 Developer, without PRC's prior written consent, by operation of law or otherwise, shall not sell, assign, transfer, convey, give away or encumber any part of its interest in this Development Agreement, its interest in the Development Rights granted hereby or its interest in any entity that owns any interest in such rights, and shall not offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way. Developer shall not, without the prior written consent of PRC, fractionalize any of the Development Rights granted pursuant to this Development Agreement. Any purported sale, assignment, transfer, conveyance, gift or encumbrance of any of Developer's rights herein not having PRC's express consent shall be null and void and shall constitute a material default of this Development Agreement.

7.2.3 So long as Developer is in full compliance with this Development Agreement, and should PRC not elect to exercise its right of refusal as provided in Section 7.5, PRC shall not unreasonably withhold its approval of an assignment or transfer to proposed assignees or transferees if:

7.2.3.1 Developer has complied with the requirements of Section 7.5;

7.2.3.2 all obligations owed to PRC by Developer are fully paid and satisfied;

7.2.3.3 Developer (and any transferring owners, if Developer is a business entity) has executed a General Release in a form satisfactory to PRC and substantially similar to the General Release attached to the Franchise Agreement ("General Release"), releasing any and all claims against PRC, including its equity owners, officers, directors and employees, in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Development Agreement or to the transfer of Developer's interest herein or to the transfer of Developer's ownership of all or any part of the Development Rights; provided, however, that if a General Release is prohibited, Developer shall give the maximum release allowed by law;

7.2.3.4 the prospective transferee has satisfied PRC that it meets PRC's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as PRC may require to demonstrate its ability to carry out the obligations contained herein and in the Franchise Agreement;

7.2.3.5 the transferee has executed a General Release releasing any and all claims against PRC and its equity owners, officers, directors and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Developer;

7.2.3.6 Developer has provided PRC with a complete copy of all contracts and agreements and related documentation between Developer and the prospective transferee relating to the intended sale or transfer of the Development Rights;

7.2.3.7 Developer, or the transferee, has paid to PRC a transfer fee in the amount of TEN THOUSAND DOLLARS (\$10,000.00);

7.2.3.8 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Development Agreement for the remainder of its term;

7.2.3.9 the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied; and

7.2.3.10 Developer has, and if Developer is an entity, all of the holders of a legal and beneficial interest in Developer have, executed and delivered to PRC a Nondisclosure and Non-Competition Agreement.

7.3 Transfer by Death or Incapacity

Upon the death or incapacity (as determined by a court of competent jurisdiction) of Developer or any holder of a legal or beneficial interest in Developer, if Developer is an entity, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest herein or transfer such individual's ownership of all or any part of the Development Rights to a third party approved by PRC. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Development Agreement, unless prohibited by the

laws of the state where such individual resided, provided that the foregoing provision regarding governing law shall be applicable only for this Section 7.3.

7.4 Public or Private Offerings

If Developer desires to make either a public or a private offering of its securities, prior to such offering and sale and prior to the public release of any statements, data or other information of any kind relating to the proposed offering of Developer's securities, Developer shall secure the written approval of PRC, which approval shall not be unreasonably withheld. Developer shall secure PRC's prior written approval of any and all press releases, news releases and any and all other publicity, the primary purpose of which is in the public interest in its offering. Only to the extent that written approval has been given by PRC may Developer proceed to file, publish, issue and release and make public any data, material or information regarding its securities offering. Any review by PRC is solely for its own information, and its approval shall not constitute any kind of authorization, acceptance, agreement, endorsement, approval or ratification of the same, either express or implied; and Developer shall make no oral or written notice of any kind whatsoever indicating or implying that PRC or related corporations or persons have any interest in or relationship whatsoever to the proposed offering other than acting as PRC. Developer shall indemnify and hold harmless PRC and its subsidiaries, and their owners, directors, officers, employees, successors and assigns, from all claims, demands, costs, fees, charges, liabilities or expenses (including attorneys' fees) of any kind whatsoever arising from Developer's offering or information published or communicated and any actions taken with regard thereto.

7.5 PRC's Right of First Refusal

If Developer or its owners shall at any time determine to sell, assign, transfer, convey, give away or encumber the Development Rights under this Development Agreement or any of their respective ownership interests in Developer, or any of Developer's assets (except in the ordinary course of business), Developer or its owners shall obtain a *bona fide*, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to PRC, and PRC shall, for a period of thirty (30) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer, to purchase such interests for the price and on the terms and conditions contained in such offer; provided, however, that PRC may substitute cash for any form of payment proposed in such offer and that PRC shall have not less than sixty (60) days from the date of delivery of its written notice of intent to purchase to complete such purchase. PRC's credit shall be deemed at least equal to the credit of said purchaser. If PRC does not exercise this right of first refusal, Developer may complete the sale of such interest, subject to Section 7.2. If such sale, assignment, transfer, conveyance, gift or encumbrance is not completed within one hundred and twenty (120) days after delivery of such offer to PRC, PRC shall again have the right of first refusal provided herein.

8. DEFAULT AND TERMINATION

8.1 Termination Without Opportunity to Cure

PRC has the right to immediately terminate this Development Agreement by delivering a notice to Developer stating that PRC elects to terminate this Development Agreement as a result of any of the breaches set forth below:

8.1.1 Developer makes or attempts to make an unauthorized sale, assignment, transfer, conveyance, gift or encumbrance of any part of its interest in this Development Agreement or an ownership interest in Developer;

8.1.2 Developer has made any material misrepresentation or omission in its application for the Development Rights conferred by this Development Agreement;

8.1.3 Developer is convicted of or pleads no contest to a felony or other crime or offense that may adversely affect the goodwill associated with the Marks;

8.1.4 Developer makes any unauthorized use of the Marks or unauthorized use or disclosure of the Confidential Information;

8.1.5 PRC has delivered a notice of termination for a Franchise Agreement between PRC and Developer in accordance with its terms and conditions, or Developer has terminated a Franchise Agreement without cause;

8.1.6 Developer fails to meet or satisfy any timing requirement or deadline contained in the Development Schedule; or

8.1.7 Developer fails to comply with any other provision of the Development Agreement and does not correct within thirty (30) days after written notice from PRC.

8.2 Termination With Opportunity to Cure

If Developer fails to comply with any other provision of this Development Agreement, PRC may terminate this Development Agreement by delivering notice of termination to Developer stating the reason for termination, provided that Developer shall have the right to cure a breach within thirty (30) days after delivery of PRC's notice of termination.

9. RIGHTS AND DUTIES ON TERMINATION OR EXPIRATION

9.1 Loss of Development Rights

Upon termination of this Development Agreement, the Development Rights granted to Developer under this Development Agreement shall automatically terminate. Developer shall have no additional rights to establish or operate any Monical's Restaurant for which a Franchise Agreement has not been executed by PRC and Developer. No default under this Development Agreement shall constitute a default under any Franchise Agreement between the parties, except to the extent that any default under this Development Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by the Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

Upon termination of an of Developer's Franchise Agreements, Developer's further rights under this Development Agreement shall also be terminated.

Amounts Owed to PRC

Developer shall immediately pay to PRC upon termination or expiration of the Development Agreement any amounts owed by Developer to PRC that are then unpaid, plus any interest due.

9.2 Confidential Information

Upon termination or expiration of this Development Agreement, Developer and all of its employees, agents or other representatives shall immediately sign a confidentiality agreement, and will cease to use and maintain the absolute confidentiality of any Trade Secrets and other Confidential Information disclosed or otherwise learned or acquired by Developer and shall not use such Trade Secrets and other Confidential Information in any other business or venture.

9.3 Covenant Not to Compete

During the term and after the termination of this Development Agreement, Developer and any owner of a five percent (5%) or greater interest in Developer shall be subject to all of the restrictive covenants set forth in Sections 7.3, 7.4 and 17.2 of the Initial Franchise Agreement, which covenants by this reference are incorporated herein.

9.4 Continuing Obligations

All obligations of PRC and Developer under this Development Agreement that expressly or by their nature survive the expiration or termination of this Development Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Development Agreement and until they are satisfied in full or by their nature expire.

10. BENEFICIAL OWNERS OF DEVELOPER

Developer represents, and PRC enters into this Development Agreement in reliance upon such representation, that the individuals identified in Exhibit C as Holders of a Legal or Beneficial Interest are the sole holders of a legal or beneficial interest (in the stated proportions) of Developer.

11. RELATIONSHIP AND INDEMNIFICATION

11.1 Relationship

This Development Agreement is purely a contractual relationship between the parties and does not appoint or make Developer an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of PRC for any purpose whatsoever. Developer may not represent or imply to third parties that Developer is an agent of PRC, and Developer is in no way authorized to make any contract, agreement, warranty or representation on behalf of PRC, or to create any obligation, expressed or implied, on PRC's behalf. Under no circumstances shall PRC be liable for any act, omission, contract, debt or any other obligation of Developer. In no event shall this Development Agreement or any conduct pursuant hereto make PRC a fiduciary with respect to Developer. PRC shall in no way be responsible for any injuries to persons or property resulting from the development of any Monical's Restaurant pursuant to this Development Agreement. Any third party contractors and vendors retained by Developer for remodeling or construction are independent contractors of Developer alone.

11.2 Standard of Care

This Development Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Development Agreement with respect to certain issues, whenever this Development Agreement requires Developer to obtain PRC's written consent or permits PRC to take any action or refrain from taking any action, PRC is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Developer or to act subject to any other standard of care limiting PRC's right, except as may be provided by statute or regulation.

11.3 Indemnification

Developer shall hold harmless and indemnify PRC, its Affiliates, all holders of a legal or beneficial interest in PRC and its Affiliates, and all of PRC's and its Affiliates' officers, directors, executives, managers, employees, agents, successors and assigns (collectively "PRC Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arise from, are based upon or are related to Developer's (a) development, ownership or operation of any Monical's Restaurant; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Development Agreement or any other agreement between Developer and PRC (or any of its Affiliates); (d) defamation of PRC or the System; (e) acts, errors or omissions by Developer or any of its officers, directors, employees or agents, committed or incurred in connection with the development of Monical's Restaurants, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information. PRC shall have the right to independently take any action it may deem to be necessary in its sole discretion to protect and defend itself against any threatened action, and shall have the right to indemnification hereunder, without regard to expense, forum or other parties that may be involved.

12. GENERAL CONDITIONS AND PROVISIONS

12.1 Superiority of Franchise Agreement

For each Monical's Restaurant developed by Developer in the Development Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by PRC shall be paid to PRC. Developer acknowledges that any and all Franchise Agreements executed in connection with an individual Monical's Restaurant within the Development Territory are independent of this Development Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Development Agreement. If any conflict shall arise in connection with this Development Agreement and any such Franchise Agreement, the latter shall have precedence and superiority over the former.

12.2 No Waiver

No failure of PRC to exercise any power reserved to it hereunder, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of PRC's right

to demand exact compliance with the terms of this Development Agreement. Waiver by PRC of any particular default by Developer shall not be binding unless in writing and executed by PRC and shall not affect nor impair PRC's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by PRC of any payment(s) due shall not be deemed to be a waiver by PRC of any breach by Developer of any terms, covenants or conditions of this Development Agreement.

12.3 Injunctive Relief

Developer acknowledges that any breach by Developer of any of the restrictions contained in Sections 6.1, 6.2, 7.4, 9.2 or 9.3 would result in irreparable injury to PRC, and that the damages arising out of any such breach would be difficult to ascertain, therefore, in addition to all other remedies provided by law or in equity, PRC shall be entitled to all equitable remedies, including injunctive relief without requirement to post bond, with respect to any such breach, whether actual or contemplated, and Developer specifically waives any and all defenses to injunctive relief.

12.4 Notices

All notices required or permitted under this Development Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system when accompanied by system-generated confirmation of successful transmission; (c) on the next business day after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by certified or registered mail, return receipt requested. All notices shall be sent to Developer at the address listed on page one (1) of this Development Agreement, or such other address as Developer may designate in writing to PRC. All notices, payments and reports required by this Development Agreement shall be sent to PRC at the following address unless and until a different address has been designated in writing to Developer:

Pizza Resources Corporation
Attn: President
1998 E 2100 N Road
Watseka, IL 60970

12.5 Cost of Enforcement or Defense; Interest

If PRC or Developer is required to enforce this Development Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of all of

its costs and expenses incurred including, without limitation, reasonable accounting and attorneys' fees and related fees and costs, in connection with such proceeding. Any amounts due from Developer to PRC shall accrue interest at a rate equal to eighteen percent (18%) per annum, or the maximum rate allowed by applicable law, from the date such payment is due until it is paid in full. If PRC incurs costs and expenses due to Developer's failure to pay when due amounts owed to PRC or its Affiliates, to submit when due any reports, information, or supporting records, or otherwise comply with this Development Agreement, Developer agrees, whether or not PRC initiates a formal legal proceeding, to reimburse PRC for all of the costs and expenses that PRC incurs including, without limitation, reasonable accounting, attorneys' and related fees and costs.

12.6 Unlimited Guaranty and Assumption of Obligations

Simultaneously with the execution of this Development Agreement, all holders of a legal or beneficial interest in Developer of five percent (5%) or greater shall be required to execute and deliver to PRC the Unlimited Guaranty and Assumption of Obligations attached as Exhibit B, through which such holders agree to assume and discharge all of Developer's obligations under this Development Agreement and to be personally liable hereunder for all of the same.

12.7 Approvals

Whenever this Development Agreement requires the prior approval or consent of PRC, Developer shall make a timely written request to PRC for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. PRC assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Development Agreement, or by reason of any neglect, delay or denial of any request for approval, and no waiver, approval, advice, consent or services provided by PRC to Franchisee shall constitute any warranty or guarantee of any nature.

12.8 Entire Agreement

This Development Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations PRC made in the Franchise Disclosure Document that PRC furnished to Developer. Developer acknowledges that Developer is entering into this Development Agreement as a result of its own independent investigation of the Franchised Restaurant and not as a result of any representations about PRC made by its

shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Development Agreement, or in any disclosure document, prospectus or other similar document required or permitted to be given to Developer pursuant to applicable law.

12.9 Severability and Modification

12.9.1 Except as noted below, each paragraph, part, term and provision of this Development Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Development Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Development Agreement. If PRC determines that a finding of invalidity adversely affects the basic consideration of this Development Agreement, PRC has the right to, at its option, terminate this Development Agreement.

12.9.2 Notwithstanding the above, each of the covenants contained in Sections 6 and 9 shall be construed as independent of any other covenant or provision of this Development Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid by a court of competent jurisdiction, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent permitted by law.

12.10 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

12.11 Force Majeure

Whenever a period of time is provided in this Development Agreement for either party to perform any act, except the payment of money due, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorist acts, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Development Agreement.

12.12 Timing

Time is of the essence. Except as set forth in Section **Error! Reference source not found.**, failure to perform any act within the time required or permitted by this Development Agreement shall be a material breach.

12.13 Further Assurances

Each party to this Development Agreement shall execute and deliver such further instruments, contracts, forms or other documents, and shall perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Development Agreement.

12.14 Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Development Agreement is intended, nor shall be deemed, to confer any rights or benefits upon any person or legal entity other than PRC or Developer, and their respective successors and assigns.

12.15 Multiple Originals

Both parties shall execute multiple copies of this Development Agreement and each executed copy shall be deemed an original.

13. DISPUTE RESOLUTION

13.1 Choice of Law

Except to the extent this Development Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Development Agreement shall be governed by and construed in accordance with the laws of the State of Indiana (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

13.2 Consent to Jurisdiction

Any action brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state or federal court located in or serving Tippecanoe County, Indiana. The parties waive all questions of personal jurisdiction or venue

for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Claims for injunctive relief may be brought by PRC where Developer is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

13.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to PRC or Developer by this Development Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar PRC's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

13.4 Limitations of Claims

Any claim concerning the Development Rights or this Development Agreement or any related agreement shall be barred unless an action for that claim is commenced within one (1) year from the date on which Developer or PRC knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim. Notwithstanding the above, PRC's claims attributable to underreporting, failure to pay monies owed and/or indemnification should be subject to applicable state or federal statutes of limitation.

13.5 Limitation of Damages

Developer and PRC each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each shall be limited to the recovery of actual damages sustained by it, including costs, interest and reasonable accounting and legal fees as provided in Section **Error! Reference source not found..** Developer waives and disclaims any right to incidental or consequential damages in any action or claim against PRC concerning this Development Agreement or any related agreement. In any claim or action brought by Developer against PRC concerning this Development Agreement, Developer's contract damages shall not exceed and shall be limited to refund of Developer's Development Fee payments.

13.6 Waiver Of Jury Trial

DEVELOPER AND PRC EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

13.7 Arbitration

This Development Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. Except for controversies or claims relating to the ownership of any and all intellectual property rights, including, but not limited to, PRC's Marks, copyrights or the unauthorized use or disclosure of PRC's Confidential Information and except for claims for injunctive relief, all disputes arising out of or relating to this Development Agreement or to any other agreements between the parties, or with regard to interpretation, formation or breach of this or any other agreement between the parties, shall be settled by binding arbitration conducted in Tippecanoe County, Indiana, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator agreed upon by the parties or otherwise appointed by the Circuit Court for the State of Indiana and located in Tippecanoe County, Indiana. The decision of the arbitrator shall be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

Developer acknowledges that it has read the terms of this binding arbitration provision and affirms that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on the part of PRC or any of PRC's agents or employees.

14. ACKNOWLEDGMENTS

14.1 Receipt of this Development Agreement and the Franchise Disclosure Document

Developer represents and acknowledges that it has received, read and understands this Development Agreement and PRC's Franchise Disclosure Document, and that PRC has accorded Developer ample time and opportunity to consult with legal, business, tax and other advisors of its own choosing about the potential benefits and risks of entering into this Development Agreement. Developer represents and acknowledges that it has received, at least fourteen (14) calendar-days prior to the date on which this Development Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

14.2 Consultation by Developer

Developer represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Development Agreement, the business

franchised hereby and the prospects for such business. Developer represents that it has either consulted with such advisors or has deliberately declined to do so.

14.3 True and Accurate Information

Developer represents that all information set forth in any and all applications, financial statements and submissions to PRC is true, complete and accurate in all respects, and Developer acknowledges that PRC is relying upon the truthfulness, completeness and accuracy of such information.

14.4 Risk

DEVELOPER REPRESENTS THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS DEVELOPMENT AGREEMENT AND ACKNOWLEDGES THAT, LIKE ANY OTHER BUSINESS, AN INVESTMENT IN A MONICAL'S RESTAURANT INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE IS DEPENDENT, AMONG OTHER FACTORS, UPON THE BUSINESS ABILITIES AND EFFORTS OF DEVELOPER. PRC MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, IN THIS DEVELOPMENT AGREEMENT OR OTHERWISE, AS TO THE POTENTIAL SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREBY.

14.5 No Guarantee of Success

DEVELOPER REPRESENTS AND ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY GUARANTEE, EXPRESS OR IMPLIED, AS TO THE REVENUES, PROFITS OR LIKELIHOOD OF SUCCESS OF ANY MONICAL'S RESTAURANT TO BE DEVELOPED PURSUANT TO THIS DEVELOPMENT AGREEMENT. DEVELOPER ACKNOWLEDGES AND AGREES THAT THERE HAVE BEEN NO REPRESENTATIONS BY PRC OR ANYONE ON BEHALF OF PRC THAT ARE NOT CONTAINED IN, OR ARE INCONSISTENT WITH, THE STATEMENTS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT AND THIS DEVELOPMENT AGREEMENT.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Development Agreement on the day and year first above written.

PIZZA RESOURCES CORPORATION

By:_____

Title:_____

Developer:_____

Signed:_____

Name Printed:_____

EXHIBIT A TO THE
AREA DEVELOPMENT AGREEMENT
DEVELOPMENT SCHEDULE*

[illegible]

*For each Franchised Restaurant to be established pursuant to this Development Agreement, assign a Center Number, *i.e.*, 1, 2, 3, etc., a date which the Franchised Restaurant is required to be open “Opening Date,” and the cumulative number of open Franchised Restaurants. The cumulative number shall take into account any Franchised Restaurants, which Developer has established or is in the process of opening or that were purchased from a transferring franchisee, as the case may be, prior to entering into this Development Agreement.

EXHIBIT B TO THE
AREA DEVELOPMENT AGREEMENT

UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20_____, in connection with that certain Development Agreement of even date herewith (which Development Agreement, as may have been modified, amended and/or supplemented in writing, is hereunder called the Development Agreement) by and between Pizza Resources Corporation as “PRC” and _____ as “Developer”.

As used herein, “Related Agreement” shall mean any agreement entered into by and between PRC and Developer or any Affiliate (as defined in the Development Agreement) in connection with or relating to the Development Agreement.

For valuable consideration received, and as an inducement to PRC to enter into the Development Agreement, the undersigned (“Guarantor”) hereby unconditionally guarantees to PRC and its Affiliates: (a) the full and timely performance by Developer of the Development Agreement and each related Agreement and all terms, conditions and covenants thereof, and (b) the payment by Developer of royalties and all other sums payable by Developer under the Development Agreement and each Related Agreement.

Guarantor agrees that (1) its obligations hereunder shall be enforceable against Guarantor without the necessity for any suit or proceedings whatsoever against Developer, and without the necessity of any notice of nonpayment, nonperformance or nonobservance or any notice of acceptance of this Guaranty Agreement or any other notice or demand to which Guarantor might otherwise be entitled, all of which Guarantor hereby expressly waives; (2) immediately upon each and every breach or default of the Development Agreement or any Related Agreement by Developer, whether before or during the term of the Development Agreement or any Related Agreement or thereafter (e.g., during any renewal term), without any notice to or demand upon Guarantor, Guarantor will (i) pay to PRC or an Affiliate as applicable, the sum or sums in arrears, (ii) pay to PRC or an Affiliate, as applicable, all damages, including but not limited to any expenses, costs and fees incurred by PRC or an Affiliate, as applicable,, that may be occasioned by Developer's nonperformance, and (iii) comply with or perform all terms and conditions of the Development Agreement and each Related Agreement; (3) no extension, forbearance or leniency extended by PRC or any Affiliate to Developer shall wholly or partially discharge Guarantor hereunder, notwithstanding that Guarantor had no notice of any breach or default of the Development Agreement or any Related Agreement or of any such leniency, forbearance or extension; (4) PRC or an Affiliate, as applicable, and Developer, without notice to or consent by Guarantor, may at any time(s) enter into modifications, renewals, extensions, amendments and/or other agreements respecting the Development Agreement or any Related

Agreement, and Guarantor shall not be wholly or partially released thereby, it being intended that Guarantor shall continue as guarantor with respect to the Development Agreement and each Related Agreement as so modified, renewed, extended, amended or otherwise affected and notwithstanding any transfer or assignment of the Development Agreement or any Related Agreement.

The obligations of Guarantor herein shall be co-extensive with those of Developer under the Development Agreement and each Related Agreement and shall remain in effect as long as Developer's obligations under the Development Agreement and each Related Agreement are in effect. This Guaranty Agreement is absolute and unconditional and shall continue without being affected by any impairment, release or limitation of the liability of Developer or its estate in bankruptcy resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or from the decision of any court interpreting the same. Guarantor further agrees to be bound by each and every obligation of Developer under the Development Agreement and each Related Agreement, with the same force and effect as if Guarantor were designated in and had executed the Development Agreement and each Related Agreement as Developer thereunder.

This Guaranty Agreement is a primary guaranty of payment and performance and shall not be subject to any counterclaim, set-off, deduction or defense. No failure or delay on the part of PRC or any Affiliate in exercising any right or remedy under the Development Agreement, any Related Agreement and/or this Guaranty Agreement shall operate as a waiver thereof nor shall a single or partial exercise of any right or remedy preclude any other or further exercise thereof, and all rights and remedies of PRC and each Affiliate hereunder and under the Development Agreement and each Related Agreement shall be cumulative. Until all Developer's obligations under the Development Agreement and each Related Agreement are fully performed, Guarantor waives any rights that it may have against Developer or any Affiliate by reason of Guarantor's compliance with the Guaranty Agreement, and subordinates any liability or indebtedness of Developer held by Guarantor to the obligations of Developer to PRC and each Affiliate under the Development Agreement and each Related Agreement.

If Guarantor consists of more than one person and/or entity, (a) this Guaranty Agreement shall be binding on all of them jointly and severally, and (b) notice to or from any of them will constitute notice to or from each of them.

Any notice or other communication to PRC may be addressed to: Pizza Resources Corporation, 1998 E 2100 N Road, Watseka, IL 60970, Attention: President, or such other address as may be designated by PRC by registered or certified mail, return receipt requested, and the time of rendition of such notice or other communication shall be when it is deposited in an official United States Mail receptacle, postage prepaid. Any notice or other communication to

Guarantor shall be given in like manner to the notice address which appears following the Guarantor's signature on this Guaranty Agreement.

This Guaranty Agreement, which is to be governed by and construed in accordance with the laws of the State of Indiana, shall also bind Guarantor's legal or personal representatives, heirs, successors and assigns (as the case may be) and inure to the benefit of PRC and its Affiliates and their successors and assigns and any other person or entity at any time having the rights of PRC or any Affiliate under the Development Agreement and each Related Agreement.

Guarantor will forthwith pay to PRC and/or an Affiliate, as applicable, all attorney's fees and disbursements incurred by PRC and/or an Affiliate, as applicable, in connection with any breach or default by Developer under the Development Agreement or any Related Agreement and/or the enforcement of this Guaranty Agreement, in each instance whether or not suit is brought (and if suit is brought, through appeals and collection efforts).

Any sums not paid to PRC or any Affiliate when due hereunder will bear interest at the rate of 18% per annum, from the due date until full payment is received by PRC or such Affiliate.

As a further inducement to PRC to make and enter into the Development Agreement and in consideration thereof, Guarantor agrees that in any action or proceeding brought on, under or by virtue of this Guaranty Agreement, Guarantor shall and does hereby waive trial by jury and the benefit of any statute of limitations defense, and Guarantor agrees that the applicable courts of Indiana may have jurisdiction over Guarantor upon appropriate service on Guarantor anywhere in the United States in a manner in accordance with the laws of Indiana. Without limiting the foregoing, Guarantor hereby irrevocably appoints Developer as Guarantor's agent for service of process related to this Guaranty Agreement.

The Guaranty Agreement contains the entire agreement between the parties with respect to the matters covered hereby, and Guarantor acknowledges that no agent, representative, salesman or officer of PRC or any Affiliate has authority to make or has made any statement, agreement or representation, either oral or written, in connection herewith, modifying, adding to or changing the terms and conditions herein set forth. No customs or dealings between the parties shall be permitted to contradict or modify the terms hereof. This Guaranty Agreement shall not be construed more strictly against one party merely by reason of such party's preparation hereof. If any provision of this Guaranty Agreement shall be held to be invalid or unenforceable, to the maximum extent possible the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall continue in full force and effect. Neither this Guaranty Agreement nor any of its provisions can be waived, modified or terminated orally, but only by a written instrument duly executed by or on behalf of the party against whom enforcement of any waiver, modification or termination is sought.

Guarantor fully and expressly intends that the foregoing requirements as to a writing be strictly adhered to and strictly interpreted and enforced by any court which may be asked to consider the matter. This Guaranty shall be effective for the full term of the Development Agreement and each Related Agreement, including any extensions or renewals thereof.

GUARANTOR:

Driver's License #

Notice Address:

Witnessed By:

X_____

Print Name: _____

Address: _____

EXHIBIT C TO THE
AREA DEVELOPMENT AGREEMENT

**HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN DEVELOPER; OFFICERS, DIRECTORS, MANAGERS AND TRUSTEES**

Holders of Legal or Beneficial Interest:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership _____%

Officers and Directors:

Name: _____
Position/Title: _____
Home Address: _____

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

Telephone No.: _____

E-mail address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail address: _____

EXHIBIT D TO THE
AREA DEVELOPMENT AGREEMENT

MULTI-STATE ADDENDA

**ADDENDUM TO THE PIZZA RESOURCES CORPORATION
AREA DEVELOPMENT AGREEMENT**

FOR THE STATE OF ILLINOIS

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20____, by and between Pizza Resources Corporation and _____.

1. In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the following amends Pizza Resources Corporation Area Development Agreement and supersedes all contrary provisions:

- Section 8 of the Area Development Agreement is amended to read:
The conditions under which the Area Development Agreement can be terminated and the rights upon non-renewal, as well as application by which Developer may bring claims, may be governed by Illinois law, 815 ILCS 705/19 and 705/20 of the Illinois Franchise Disclosure Act of 1987, Ill. Rev. Stat. Ch. 815 Par. 705/1-705-44.
- Section 13.4 of the Area Development Agreement is amended to provide that no action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after the Developer becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to the Developer of a written notice disclosing the violation, whichever shall first expire.
- Section 13.6 of the Development Agreement shall be amended to read:
Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 or the United States Code.
- For choice of law purposes, and for the interpretation and construction of the Area Development Agreement, Illinois law governs. Jurisdiction and venue for court litigation shall be in Illinois.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

Developer: _____

By: _____

By: _____

Title: _____

Title: _____

FOR THE STATE OF INDIANA

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20____, by and between Pizza Resources Corporation and _____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Area Development Agreement for Pizza Resources Corporation is amended as follows:

- Section 8 of the Area Development Agreement is amended to prohibit unlawful unilateral termination of a franchise unless there is a material violation of the Area Development Agreement and termination is not in bad faith.
- Section 9.3 of the Area Development Agreement is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have geographic limitation of the territory granted to Developer.
- Section 11.3 of the Area Development Agreement is amended to provide that Developer will not be required to indemnify PRC for any liability imposed upon PRC as a result of Developer's reliance upon or use of procedures or products, which were required by PRC, if such procedures or products were utilized by Developer in the manner required by PRC.
- Section 13.1 of the Area Development Agreement is amended to provide that in the event of a conflict between the laws of Indiana and Illinois, the Indiana Franchise Disclosure Law and/or the Indiana Deceptive Franchise Practices Law will prevail.
- Section 13.2 of the Area Development Agreement is amended to provide that Developer may commence litigation in Indiana for any cause of action under Indiana law.
- Section 13.7 of the Area Development Agreement is amended to provide that arbitration between PRC and Developer, shall be conducted in Indiana or a site mutually agreed upon.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

Developer: _____

By: _____

By: _____

Title: _____

Title: _____

PIZZA RESOURCES CORPORATION
FINANCIALS

EXHIBIT F TO THE DISCLOSURE DOCUMENT



FOX CPA GROUP, LTD.

Certified Public Accountants & Consultants

740 E. Walnut Street
Watseka, Illinois 60970

Phone (815) 432-3126

Fax (815) 432-6061

Form F – Consent of Accountant

Illinois Attorney General
Franchise Division
500 South Second St.
Springfield, IL 62706

CONSENT

Fox CPA Group, Ltd, consents to the use in the Franchise Disclosure Document issued by Pizza Resources Corporation on April 25, 2025, as it may be amended, of our report dated April 14, 2025 relating to the financial statements of Franchisor for the period ending December 31, 2024.

Very Truly Yours,

Fox CPA Group, Ltd.

**PIZZA RESOURCES
CORPORATION**
Watseka, Illinois
**ANNUAL
FINANCIAL STATEMENTS**
Years Ended
December 31, 2024 and 2023



FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

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Independent Auditor's Report

To the Board of Directors and Shareholders
of Pizza Resources Corporation
Watseka, Illinois

Qualified Opinion

We have audited the accompanying financial statements of Pizza Resources Corporation which comprise the balance sheets as of December 31, 2024 and 2023, 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.

In our opinion except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respect, the financial position of Pizza Resources Corporation as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Pizza Resources Corporation has stated available for sale securities at cost in the accompanying balance sheets. Accounting principles generally accepted in the United States of America require available for sale securities to be stated at the fair value. The effects of this departure on the accompanying financial statements have not been determined.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses and General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion Paragraph the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tax CPA Group, Ltd

Watseka, Illinois
April 14, 2025

PIZZA RESOURCES CORPORATION
BALANCE SHEETS
December 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash	\$ 290,422	\$ 478,080
Certificate of deposit	102,650	-
Trade accounts receivable, net of allowance of \$8,626 and \$142,561 respectively	65,674	71,873
Inventory	69,853	71,190
Prepaid expenses	88,219	79,150
Other receivables	18,839	18,026
Receivable - stockholders	<u>-</u>	<u>2,063</u>
Total current assets	<u>635,657</u>	<u>720,382</u>
RECEIVABLES AND INVESTMENTS		
Available for sale – investments	177,500	177,500
Notes receivable – other, less allowance of \$103,600 for 2023	<u>-</u>	<u>-</u>
Total receivables and investments	<u>177,500</u>	<u>177,500</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	133,085	133,085
Equipment and fixtures	665,084	659,513
Computers	47,991	47,991
Vehicles	<u>53,828</u>	<u>53,828</u>
Total, at cost	899,988	894,417
Less accumulated depreciation	<u>781,666</u>	<u>751,729</u>
Total buildings, leasehold improvements and equipment	<u>118,322</u>	<u>142,688</u>
OTHER ASSETS		
Franchise fees, less accumulated amortization of \$61,813 and \$60,888	10,688	562
Right of use asset	<u>37,856</u>	<u>76,124</u>
Total other assets	<u>48,544</u>	<u>76,686</u>
TOTAL ASSETS	<u><u>\$ 980,023</u></u>	<u><u>\$ 1,117,256</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES		
Accounts payable	\$ 98,018	\$ 99,196
Accrued expenses	205,507	177,042
Other payable- stockholder	<u>-</u>	<u>2,063</u>
Total current liabilities	<u>303,525</u>	<u>278,301</u>
LONG-TERM LIABILITIES		
Lease liability	<u>37,856</u>	<u>76,124</u>
Total liabilities	<u>341,381</u>	<u>354,425</u>
STOCKHOLDERS' EQUITY		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid in capital	150,000	150,000
Retained earnings	<u>487,642</u>	<u>611,831</u>
Total stockholders' equity	<u>638,642</u>	<u>762,831</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 980,023</u>	<u>\$ 1,117,256</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF INCOME
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
SALES, NET	\$ 3,199,584	\$ 3,234,199
COST OF SALES	<u>795,853</u>	<u>844,950</u>
Gross profit	<u>2,403,731</u>	<u>2,389,249</u>
EXPENSES		
Operating expenses	2,027,185	2,031,387
General and administrative expenses	<u>856,530</u>	<u>905,019</u>
Total expenses	<u>2,883,715</u>	<u>2,936,406</u>
Loss from operations	<u>(479,984)</u>	<u>(547,157)</u>
OTHER INCOME (EXPENSE)		
Franchise fee income	398,874	424,215
Other income	77,322	94,275
Interest and dividend income	11,599	14,615
Replacement tax and PTE tax	<u>-</u>	<u>(7,300)</u>
Total other income	<u>487,795</u>	<u>525,805</u>
NET INCOME (LOSS)	<u><u>\$ 7,811</u></u>	<u><u>\$ (21,352)</u></u>
NET INCOME (LOSS) PER SHARE	<u><u>\$ 8</u></u>	<u><u>\$ (21)</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2024 and 2023

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retired Earnings</u>	<u>Total</u>
BALANCE, JANUARY 1, 2023	\$ 1,000	\$ 150,000	\$ 713,885	\$ 864,885
Net loss	-	-	(21,352)	(21,352)
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(80,702)</u>	<u>(80,702)</u>
BALANCE, DECEMBER 31, 2023	1,000	150,000	611,831	762,831
Net income	-	-	7,811	7,811
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(132,000)</u>	<u>(132,000)</u>
BALANCE, DECEMBER 31, 2024	<u>\$ 1,000</u>	<u>\$ 150,000</u>	<u>\$ 487,642</u>	<u>\$ 638,642</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 7,811	\$ (21,352)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,125	1,125
Depreciation	29,936	30,578
Credit loss	8,519	4,694
Effects of changes in operating assets and liabilities:		
Accounts receivable	(2,320)	(15,662)
Inventory	1,337	(2,441)
Prepaid expenses	(9,069)	(14,074)
Other receivables	(813)	99,892
Accounts payable	(1,178)	(633)
Accrued expenses	28,465	(14,712)
Replacement taxes payable	<u>-</u>	<u>(2,149)</u>
Net cash provided by operating activities	<u>63,813</u>	<u>65,266</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,571)	(17,519)
Payments on notes receivable – other	-	13,175
Purchase of certificate of deposit	(102,650)	-
Advances on notes receivable – other	2,063	(2,063)
Payment from other payable- stockholders	(2,063)	2,063
Franchise payment	<u>(11,250)</u>	<u>-</u>
Net cash used in investing activities	<u>(119,471)</u>	<u>(4,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to stockholders	<u>(132,000)</u>	<u>(80,702)</u>
NET DECREASE IN CASH	(187,658)	(19,780)
CASH, BEGINNING OF YEAR	<u>478,080</u>	<u>497,860</u>
CASH, END OF YEAR	<u>\$ 290,422</u>	<u>\$ 478,080</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pizza Resources Corporation operates a Monical's Pizza Restaurant in Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois. The Company also sells franchises. The Company is susceptible to credit risk on accounts receivable from its customers in the area. The Company's revenues are predominately earned from pizza sales. The Company was incorporated August 1, 1993 and has a December year end. The Company grants credit to individuals and companies, which are all local. Generally, the Company does not obtain security from its customers in support of accounts receivable. The following are significant accounting policies followed by the Company.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

ACCOUNTS RECEIVABLE AND NOTE RECEIVABLE

Accounts receivable are unsecured customer obligations, which generally require payment within ten days from the invoice date. Accounts receivable are stated at the invoice amount which is the estimated collectable amounts. Unpaid accounts bear no finance charges. Interest income on note receivable is recognized using the interest method.

Account and note balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

Trade accounts receivable are carried at their estimated collectible amounts.

Trade credit is generally extended on a short-term basis.

Payments of accounts receivable are applied to the specific invoices identified by the customer or, if unspecified, to the earliest unpaid invoices. At each balance sheet date, the company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivables were initially recorded. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the company. The company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the company's portfolio segment have remained constant since the company's inception.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance for credit losses was \$8,626 and \$241,468 for the years ending December 31, 2024 and 2023. The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ending December 31, 2024 and 2023.

Provisions for loan losses are determined on the basis of loss experience and known and inherent risks in the loan portfolio and current economic conditions. Accrued interest is written off when the loan is past due by ninety days and it is unlikely to be collected.

INVENTORY

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventory consists of raw materials and supplies.

CERTIFICATES OF DEPOSIT

Certificates of deposit have maturities of one year or less.

IMPROVEMENTS AND EQUIPMENT

Equipment and computers are depreciated on the straight-line method over their estimated useful lives ranging from five to seven years. Building improvements are depreciated on the straight-line method over their estimated useful lives of ten years.

REVENUE RECOGNITION

The Company derives its revenues primarily from fees related to food sales of pizza, salads, sandwiches and other prepared food items. Revenues are recognized when the Company satisfies its obligations to the customer in an amount that reflects the considerations the Company expects to be entitled to in exchange for those products and services. The Company does not have any significant financing components as payment is received shortly after the services are completed.

Franchise fees are collected monthly as they are earned each month the franchise operates. These are payable within thirty days.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

FRANCHISE FEES

Franchise fees are being amortized over the life of the franchise agreements of ten years using the straight-line method.

INCOME TAXES

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for federal income taxes is included in these financial statements. The Company does pay state replacement taxes.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FRANCHISEE FEES

Initial franchise fees received are recognized as income when substantially all obligations of the franchiser have been met.

SALES TAX

Sales are recorded net of sales tax.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

LEASES

Short term lease costs are recognized in the period incurred.

NOTE 2 - RECEIVABLES

Included in receivables and other receivables are amounts owed by the Company's franchisee corporations. The stockholders of Pizza Resources are the majority shareholders of two of the franchisee corporations. No interest is accrued on these accounts. The balances as of December 31, 2024 and 2023 were \$66,553 and \$200,041 respectively. Of this amount \$138,145 owed by one franchisee, is included in allowance for credit losses as of December 31, 2023. This amount was written off in 2024.

Amounts due from stockholders was \$2,063 as of December 31, 2023. There are no repayment terms.

NOTE 3 - NOTES RECEIVABLE – OTHER

The notes receivable - other is as follows:

	<u>2024</u>	<u>2023</u>
Due from Witmat Development Corporation, due November 2029, interest rate 2.50% and monthly payments of \$993.	\$ -	\$ 103,600
Total	-	103,600
Less allowance for doubtful accounts	-	(103,600)
Long term portion	<u>\$ -</u>	<u>\$ -</u>

All of the above are with a franchisee which is a related party. No interest is being accrued as this note is in default. This note was written off as uncollectible in 2024.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 4 - LEASE COMMITMENT

The Company entered into an operating lease agreement for office space in Watseka, Illinois. This lease is with the majority stockholder. This lease was renewed as an annual lease expiring November 2025 with monthly rent of \$1,312. Rental expense totaled \$15,750 and \$15,750 for 2024 and 2023, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Gilman, Illinois. This lease is with the majority stockholder of the corporation. This lease is an annual lease expiring June 2025 with monthly lease payments of \$7,985. Rental expense for 2024 and 2023 was \$95,816 and \$95,816, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Watseka, Illinois. This lease is with the majority stockholder of the corporation. This lease is an annual lease expiring June 2025. Rental expense for 2024 and 2023 was \$85,308 and \$85,308, respectively.

The Company assumed the lease for the restaurant facility in Pontiac, Illinois in May 2005. The lease was for an initial five-year term ending August 2007. This lease was renewed until November 2017 and then until November 2020 when it was renewed to November 30, 2025. The monthly rent is \$3,254 per month and increased to \$3,579 at renewal. Rental expense for 2024 and 2023 was \$42,949 and \$42,949, respectively.

The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured least liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The company has obligations as a lessee for office space, and restaurant facilities with initial noncancelable terms in excess of one year. The Company classified these leases as operating leases. These leases generally contain renewal options for periods. Because the Company is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 4 - LEASE COMMITMENT (Continued)

The leases require the Company to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred. These leases were changed to annual leases in 2022.

The components of lease cost for the year ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 239,823	\$ 239,823

Amounts reported in the consolidated balance sheet as of December 31, 2024 and 2023 were as follows:

Operating leases:	<u>2024</u>	<u>2023</u>
Operating lease ROU assets	\$ 37,856	\$ 76,124
Operating lease liabilities	\$ 37,856	\$ 76,124

Other information related to leases as of December 31, 2024 and 2023 was as follows:

Weighted average remaining lease term:

Operating leases	1.5 years
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Weighted average discount rate:

Operating leases	4%
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Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Maturities of lease liabilities under noncancellable operating expenses as of December 31, 2024 are as follows:

2025	\$ <u>39,369</u>
Total undiscounted lease payments	\$ 39,369
Less imputed interest	<u>(1,513)</u>
Total lease liabilities	<u>\$ 37,856</u>

Amortization of the right of use asset and lease liabilities was \$38,268 and \$35,001 for 2024 and 2023, respectively.

Total rent expense for 2024 and 2023 was \$239,823 and \$239,823, respectively.

Amounts due under annual leases for 2025 is \$196,874.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 5 - INVESTMENTS

Investments consist of the following:

Available for Sale		<u>Cost</u>	<u>2024 Market Value</u>	<u>Unrealized Gain</u>
Iroquois Federal Bancorp, Inc.	17,750 shares	\$ <u>177,500</u>	\$ <u>413,575</u>	\$ <u>236,075</u>
Available for Sale		<u>Cost</u>	<u>2023 Market Value</u>	<u>Unrealized Gain</u>
Iroquois Federal Bancorp, Inc.	17,750 shares	\$ <u>177,500</u>	\$ <u>284,533</u>	\$ <u>107,033</u>

These are available for sale securities, but the Company has the positive intent and ability to hold these securities. Market value was determined by the stock market price at the close on December 31, 2024 and 2023, respectively. These securities should be reported at fair market; however, the Company has elected to state at cost which is a departure from generally accepted accounting principles in the United States of America.

NOTE 6 – CREDIT LOSSES

Allowance for Credit losses are as follows:

	<u>2024</u>	<u>2023</u>
Trade receivables	\$ 8,626	\$ 142,561
Note receivables	\$ -	\$ 103,600

Credit losses for 2024 and 2023 were \$8,519 and \$4,694.

Credit losses allowance were determined based on history of payments and financial conditions of other debtors. The above relates to a franchisee that closed operations in 2024 and 2023.

As of 12/31/2023 trade receivables of \$142,561 and note receivables of \$103,600 are not accruing interest. These balances were written off in 2024 as uncollectible.

NOTE 7 - CASH FLOW DISCLOSURES

Cash paid for interest was \$0 and \$0 for 2024 and 2023.

NOTE 8 - FRANCHISE AGREEMENTS

The Company is a franchise of Monical Pizza Corporation. The agreement expires August 1, 2013. The initial franchise fee was waived. Monthly franchise fees are waived for the first five years, which ends August 1, 1998. Beginning August 1, 1998, the Company pays a fee of one percent of the gross sales generated monthly plus one percent of gross sales under the Trade Secret Agreement. The Company has the right to use the trade secrets, trade name and marks used in connection with the operation of the restaurant. This agreement was renewed and will expire January 30, 2024. The Company also must pay a fee of one percent of the gross sales generated monthly for all locations in Indiana. The Company has eight franchisees with fourteen locations in Indiana. Franchise fee expense for these agreements was \$129,454 and \$136,803 in 2024 and 2023, respectively, and is included in operating expenses. One franchise closed in 2024 and 2023.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 8 - FRANCHISE AGREEMENTS (Continued)

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Gilman, Illinois, which opened in February 2000. The Company paid \$25,000 for the initial franchise. The agreement is for ten years. This was renewed. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$41,154 and \$40,986 for 2024 and 2023, respectively.

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Pontiac, Illinois, which was effective in November 2007. The Company paid \$25,000 for the initial franchise. The agreement is for ten years and was renewed. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$26,441 and \$25,713 for 2024 and 2023, respectively.

NOTE 9 - FRANCHISEE AGREEMENTS

The Company has eight franchisee corporations. The stockholders of Pizza Resources Corporation are the majority shareholders of two of the franchisee corporations. The franchises paid franchisee fees of \$398,874 and \$424,215 for 2024 and 2023, respectively.

The franchisees are required to pay four percent of their monthly gross sales before reduction for advertising expenses to Pizza Resources. The franchisees have the right to use the trade name, trademarks, services and logos of the franchiser. The initial term of the franchise is 5-10 years from the date the restaurant opens for business with options for 5-year renewals.

The Company provides accounting services for its franchisee corporations if requested. They are currently providing this service to three franchisee corporations. Total fees paid to the Company were \$72,000 and \$74,250 in 2024 and 2023, respectively and this is included in miscellaneous income.

NOTE 10 - CONTINGENCIES

The Company has a master development agreement with Monical Pizza Corporation for the State of Indiana. This agreement gives the Company the right to develop franchises throughout the State of Indiana. A fee of \$5,000 for each restaurant opened by the Company must be paid to Monical Pizza Corporation.

NOTE 11 - REVENUES FROM MAJOR PRODUCTS

The Company derived approximately 68% and 68% of its revenues for 2024 and 2023, respectively, from pizza sales principally to customers in and around Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k)-profit sharing plan that was adopted in 2004. The plan covers all eligible employees. The Company matches a certain percentage of employee contributions with a maximum of 3%. The Company can make a discretionary profit-sharing contribution annually. Total contributions by the Company in 2024 and 2023 were \$8,384 and \$7,107, respectively.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 13 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Company files income tax returns in the U.S. federal and states of Illinois and Indiana jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, or local tax examinations by tax authorities for years before 2021.

The Company includes penalties and interest assessed by income taxing authorities in operating expenses. Penalties and interest expenses for the year ended December 31, 2024 and 2023 were \$949 and \$4,094, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available for issuance, which is the date of this report, April 14, 2025.

NOTE 15 - ADVERTISING COSTS

Advertising costs for 2024 and 2023 were \$12,416 and \$12,714, respectively, and are included in operating expenses.

NOTE 16 - RELATED PARTY ACTIVITY

Various transactions occur between the Company and its franchisees. The following are amounts owed to and from franchisees as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Amounts owed to franchisees	\$ <u>664</u>	\$ <u>2,485</u>
Amounts due from franchisees	\$ <u>66,553</u>	\$ <u>200,041</u>

The above are included in receivables and accounts payable. Of this amount \$8,626 and \$142,561 is included in the allowance for doubtful accounts for 2024 and 2023 respectfully.

NOTE 17 – CONCENTRATION OF RISK

The Company had deposits of \$285,646 and \$443,889 as of December 31, 2024 and 2023, respectively, with one financial institution. This exceeded the Federal Depository Insurance Coverage. No collateral had been obtained. Management continually monitors the financial condition of this financial institution along with cash balances maintained on deposit with it in order to minimize this potential risk.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

PIZZA RESOURCES CORPORATION
SCHEDULES OF OPERATING EXPENSES
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Salaries	\$ 979,547	\$ 998,659
Payroll taxes	92,899	96,257
Pension expense	4,329	4,108
Advertising	12,416	12,714
Utilities	58,619	61,561
Telephone and internet	14,094	12,405
Repairs and maintenance	61,913	51,387
Supplies	48,599	45,826
Laundry and uniforms	15,214	15,019
Auto, travel and entertainment	39,136	37,894
Depreciation	29,936	29,977
Insurance	68,670	69,332
Rent	224,073	224,073
Licensing and fees	1,785	1,785
Dues and subscriptions	1,370	2,352
Miscellaneous	3,042	1,748
Franchise fees	197,049	203,501
Real estate taxes	35,867	34,334
Amortization	1,125	1,125
Office expense	5,878	3,636
Donations	11,844	13,876
Sanitation	14,481	14,976
Seminars and education	1,133	1,077
Support	10,348	10,173
Bank charges	70,721	67,364
Background music	3,554	3,504
Equipment rental	6,913	6,192
Pension administration	419	265
Use tax	1,223	342
Professional fees	<u>10,988</u>	<u>5,925</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 2,027,185</u></u>	<u><u>\$ 2,031,387</u></u>

PIZZA RESOURCES CORPORATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Salaries	\$ 686,517	\$ 732,256
Payroll taxes	53,891	57,041
Pension expense	4,054	2,999
Telephone and internet	10,412	9,471
Office supplies and software	6,568	3,897
Auto, travel and entertainment expense	2,654	1,272
Depreciation	-	601
Insurance	37,249	39,020
Professional fees	10,311	5,546
Supplies	6,103	8,920
Miscellaneous	6,277	9,016
Repair and maintenance	-	3,631
Dues and subscriptions	2,899	1,591
Donations	1,045	164
Rent	15,750	15,750
Pension administration	624	353
Utilities	2,708	4,703
Credit loss	8,519	4,694
Penalties	<u>949</u>	<u>4,094</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u><u>\$ 856,530</u></u>	<u><u>\$ 905,019</u></u>



FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

Form F – Consent of Accountant

Illinois Attorney General
Franchise Division
500 South Second St.
Springfield, IL 62706

CONSENT

Fox CPA Group, Ltd, consents to the use in the Franchise Disclosure Document issued by Pizza Resources Corporation on June 5, 2024, as it may be amended, of our report dated May 10, 2024 relating to the financial statements of Franchisor for the period ending December 31, 2023.

Very Truly Yours,

Fox CPA Group, Ltd.

**PIZZA RESOURCES
CORPORATION**
Watseka, Illinois
**ANNUAL
FINANCIAL STATEMENTS**
Years Ended
December 31, 2023 and 2022



FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

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FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Shareholders
of Pizza Resources Corporation
Watseka, Illinois

Qualified Opinion

We have audited the accompanying financial statements of Pizza Resources Corporation which comprise the balance sheets as of December 31, 2023 and 2022, 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.

In our opinion except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respect, the financial position of Pizza Resources Corporation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Pizza Resources Corporation has stated available for sale securities at cost in the accompanying balance sheets. Accounting principles generally accepted in the United States of America require available for sale securities to be stated at the fair value. The effects of this departure on the accompanying financial statements have not been determined.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses and General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion Paragraph the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tax CPA Group, Ltd

Watseka, Illinois
May 10, 2024

PIZZA RESOURCES CORPORATION
BALANCE SHEETS
December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 478,080	\$ 497,860
Trade accounts receivable, net of allowance of \$142,561 and \$137,868 respectively	71,873	60,906
Inventory	71,190	68,749
Prepaid expenses	79,150	65,076
Other receivables	18,026	117,918
Receivable - stockholders	<u>2,063</u>	<u>13,175</u>
Total current assets	<u>720,382</u>	<u>823,684</u>
RECEIVABLES AND INVESTMENTS		
Available for sale – investments	177,500	177,500
Notes receivable – other, less allowance of \$103,600 and \$103,600 respectively	<u>-</u>	<u>-</u>
Total receivables and investments	<u>177,500</u>	<u>177,500</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	133,085	133,085
Equipment and fixtures	659,513	648,552
Computers	47,991	47,991
Vehicles	<u>53,828</u>	<u>53,828</u>
Total, at cost	894,417	883,456
Less accumulated depreciation	<u>751,729</u>	<u>727,710</u>
Total buildings, leasehold improvements and equipment	<u>142,688</u>	<u>155,746</u>
OTHER ASSETS		
Franchise fees, less accumulated amortization of \$60,688 and \$59,563	562	1,687
Right of use asset	<u>76,124</u>	<u>111,125</u>
Total other assets	<u>76,686</u>	<u>112,812</u>
TOTAL ASSETS	<u><u>\$ 1,117,256</u></u>	<u><u>\$ 1,269,742</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts payable	\$ 99,196	\$ 99,829
Accrued expenses	177,042	191,754
Replacement taxes payable	-	2,149
Other payable- stockholder	<u>2,063</u>	<u>-</u>
Total current liabilities	<u>278,301</u>	<u>293,732</u>
LONG-TERM LIABILITIES		
Lease liability	<u>76,124</u>	<u>111,125</u>
Total liabilities	<u>354,425</u>	<u>404,857</u>
STOCKHOLDERS' EQUITY		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid in capital	150,000	150,000
Retained earnings	<u>611,831</u>	<u>713,885</u>
Total stockholders' equity	<u>762,831</u>	<u>864,885</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 1,117,256</u></u>	<u><u>\$ 1,269,742</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF INCOME
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
SALES, NET	\$ 3,234,199	\$ 3,290,667
COST OF SALES	<u>844,950</u>	<u>935,664</u>
Gross profit	<u>2,389,249</u>	<u>2,355,003</u>
EXPENSES		
Operating expenses	2,031,387	1,760,007
General and administrative expenses	<u>905,019</u>	<u>1,088,542</u>
Total expenses	<u>2,936,406</u>	<u>2,848,549</u>
Loss from operations	<u>(547,157)</u>	<u>(493,546)</u>
OTHER INCOME (EXPENSE)		
Franchise fee income	424,215	435,576
Other income	94,275	91,398
Interest and dividend income	14,615	8,136
Replacement tax and PTE tax	(7,300)	(14,500)
Gain on sale of assets	<u>-</u>	<u>2,083</u>
Total other income	<u>525,805</u>	<u>522,693</u>
NET INCOME (LOSS)	<u><u>\$ (21,352)</u></u>	<u><u>\$ 29,147</u></u>
NET INCOME (LOSS) PER SHARE	<u><u>\$ (21)</u></u>	<u><u>\$ 29</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2023 and 2022

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retired Earnings</u>	<u>Total</u>
BALANCE, JANUARY 1, 2022	\$ 1,000	\$ 150,000	\$ 857,738	\$1,008,738
Net income	-	-	29,147	29,147
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(173,000)</u>	<u>(173,000)</u>
BALANCE, DECEMBER 31, 2022	1,000	150,000	713,885	864,885
Net income	-	-	(21,352)	(21,352)
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(80,702)</u>	<u>(80,702)</u>
BALANCE, DECEMBER 31, 2023	<u>\$ 1,000</u>	<u>\$ 150,000</u>	<u>\$ 611,831</u>	<u>\$ 762,831</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (21,352)	\$ 29,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,125	1,125
Depreciation	30,578	33,981
Bad debts	4,694	81,315
Gain on sale of asset	-	(2,083)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(15,662)	(87,859)
Inventory	(2,441)	4,278
Prepaid expenses	(14,074)	12,738
Other receivables	99,892	14,452
Accounts payable	(633)	8,525
Accrued expenses	(14,712)	25,332
Replacement taxes payable	<u>(2,149)</u>	<u>(4,103)</u>
Net cash provided by operating activities	<u>65,266</u>	<u>116,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(17,519)	(49,427)
Payments on notes receivable – other	13,175	806
Proceeds from sale of vehicle	-	25,800
Advances on notes receivable – other	(2,063)	(40,000)
Proceeds from other payable- stockholders	<u>2,063</u>	<u>-</u>
Net cash used in investing activities	<u>(4,344)</u>	<u>(62,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to stockholders	(80,702)	(173,000)
Payments on long-term debt	<u>-</u>	<u>(31,102)</u>
Net cash used in financing activities	<u>(80,702)</u>	<u>(204,102)</u>
NET DECREASE IN CASH	(19,780)	(150,075)
CASH, BEGINNING OF YEAR	<u>497,860</u>	<u>647,935</u>
CASH, END OF YEAR	<u><u>\$ 478,080</u></u>	<u><u>\$ 497,860</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pizza Resources Corporation operates a Monical's Pizza Restaurant in Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois. The Company also sells franchises. The Company is susceptible to credit risk on accounts receivable from its customers in the area. The Company's revenues are predominately earned from pizza sales. The Company was incorporated August 1, 1993 and has a December year end. The Company grants credit to individuals and companies, which are all local. Generally, the Company does not obtain security from its customers in support of accounts receivable. The following are significant accounting policies followed by the Company.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

ACCOUNTS RECEIVABLE AND NOTE RECEIVABLE

Accounts receivable are unsecured customer obligations, which generally require payment within ten days from the invoice date. Accounts receivable are stated at the invoice amount which is the estimated collectable amounts. Unpaid accounts bear no finance charges. Interest income on note receivable is recognized using the interest method.

Account and note balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

Trade accounts receivable are carried at their estimated collectible amounts.

Trade credit is generally extended on a short-term basis.

Payments of accounts receivable are applied to the specific invoices identified by the customer or, if unspecified, to the earliest unpaid invoices. At each balance sheet date, the company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivables were initially recorded. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the company. The company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the company's portfolio segment have remained constant since the company's inception.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance for credit losses was \$241,468 for the year ending December 31, 2023.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ending December 31, 2023.

Provisions for loan losses are determined on the basis of loss experience and known and inherent risks in the loan portfolio and current economic conditions. Accrued interest is written off when the loan is past due by ninety days and it is unlikely to be collected.

INVENTORY

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventory consists of raw materials and supplies.

IMPROVEMENTS AND EQUIPMENT

Equipment and computers are depreciated on the straight-line method over their estimated useful lives ranging from five to seven years. Building improvements are depreciated on the straight-line method over their estimated useful lives of ten years.

REVENUE RECOGNITION

The Company derives its revenues primarily from fees related to food sales of pizza, salads, sandwiches and other prepared food items. Revenues are recognized when the Company satisfies its obligations to the customer in an amount that reflects the considerations the Company expects to be entitled to in exchange for those products and services. The Company does not have any significant financing components as payment is received shortly after the services are completed.

Franchise fees are collected monthly as they are earned each month the franchise operates. These are payable within thirty days.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

FRANCHISE FEES

Franchise fees are being amortized over the life of the franchise agreements of ten years using the straight-line method.

INCOME TAXES

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for federal income taxes is included in these financial statements. The Company does pay state replacement taxes.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FRANCHISEE FEES

Initial franchise fees received are recognized as income when substantially all obligations of the franchiser have been met.

SALES TAX

Sales are recorded net of sales tax.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

LEASES

Short term lease costs are recognized in the period incurred.

NOTE 2 - RECEIVABLES

Included in receivables and other receivables are amounts owed by the Company's franchisee corporations. The stockholders of Pizza Resources are the majority shareholders of two of the franchisee corporations. No interest is accrued on these accounts. The balances as of December 31, 2023 and 2022 were \$200,041 and \$192,516 respectively. Of this amount \$138,145 and \$137,868 respectively owed by one franchisee, is included in allowance for credit losses.

Amounts due from stockholders was \$2,063 and \$ 13,175 as of December 31, 2023 and 2022 respectively. There are no repayment terms.

NOTE 3 - NOTES RECEIVABLE – OTHER

The notes receivable - other is as follows:

	<u>2022</u>	<u>2022</u>
Due from Witmat Development Corporation, due November 2029, interest rate 2.50% and monthly payments of \$993.	\$ 103,600	\$ 103,600
Total	103,600	103,600
Less allowance for doubtful accounts	(103,600)	(103,600)
Long term portion	<u>\$ -</u>	<u>\$ -</u>

All of the above are with a franchisee which is a related party. No interest is being accrued as this note is in default.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 - LEASE COMMITMENT

The Company entered into an operating lease agreement for office space in Watseka, Illinois, starting in January 2003. This lease is with the majority stockholder. The lease expired December 2017 and was renewed until November 2022 and requires a monthly rent of \$1,312. This lease was renewed as an annual lease expiring November 2024. Rental expense totaled \$15,750 and \$15,750 for 2023 and 2022, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Gilman, Illinois. This lease is with the majority stockholder of the corporation. This lease expires May 31, 2025 and requires a monthly rent of \$7,400. This lease was changed to an annual lease expiring November 2024 with monthly lease payments of \$7,985. Rental expense for 2023 and 2022 was \$95,816 and \$94,062, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Watseka, Illinois. This lease is with the majority stockholder of the corporation. This lease expired December 1, 2017; was renewed until November 30, 2022 with monthly rent of \$7,109. This lease was renewed as an annual lease expiring November 2024. Rental expense for 2023 and 2022 was \$85,308 and \$85,308, respectively.

The Company assumed the lease for the restaurant facility in Pontiac, Illinois in May 2005. The lease was for an initial five-year term ending August 2007. This lease was renewed until November 2017 and then until November 2020 when it was renewed to November 30, 2025. The monthly rent is \$3,254 per month and increased to \$3,579 at renewal. Rental expense for 2023 and 2022 was \$42,949 and \$42,949, respectively.

The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured least liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The company has obligations as a lessee for office space, and restaurant facilities with initial noncancelable terms in excess of one year. The Company classified these leases as operating leases. These leases generally contain renewal options for periods. Because the Company is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 - LEASE COMMITMENT (Continued)

The leases require the Company to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred. These leases were changed to annual leases in 2022.

The components of lease cost for the year ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 239,823	\$ 238,069

Amounts reported in the consolidated balance sheet as of December 31, 2023 and 2022 were as follows:

Operating leases:	<u>2023</u>	<u>2022</u>
Operating lease ROU assets	\$ 76,124	\$ 111,125
Operating lease liabilities	\$ 76,124	\$ 111,125

Other information related to leases as of December 31, 2023 and 2022 was as follows:

Weighted average remaining lease term:

Operating leases	2.5 years
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Weighted average discount rate:

Operating leases	4%
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Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Maturities of lease liabilities under noncancellable operating expenses as of December 31, 2023 are as follows:

2023	\$ 42,948
2024	<u>39,369</u>
Total undiscounted lease payments	\$ 82,317
Less imputed interest	<u>(6,193)</u>
Total lease liabilities	<u><u>\$ 76,124</u></u>

Amortization of the right of use asset and lease liabilities was \$35,001 and \$38,170 for 2023 and 2022, respectively.

Total rent expense for 2023 and 2022 was \$239,823 and \$238,069, respectively.

Amounts due under annual leases for 2024 is \$196,874.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 - INVESTMENTS

Investments consist of the following:

Available for Sale		<u>Cost</u>	<u>2023 Market Value</u>	<u>Unrealized Gain</u>
Iroquois Federal Bancorp, Inc.	17,750 shares	\$ <u>177,500</u>	\$ <u>284,533</u>	\$ <u>107,033</u>
Available for Sale		<u>Cost</u>	<u>2022 Market Value</u>	<u>Unrealized Gain</u>
Iroquois Federal Bancorp, Inc.	17,750 shares	\$ <u>177,500</u>	\$ <u>306,188</u>	\$ <u>128,688</u>

These are available for sale securities, but the Company has the positive intent and ability to hold these securities. Market value was determined by the stock market price at the close on December 31, 2023 and 2022, respectively. These securities should be reported at fair market; however, the Company has elected to state at cost which is a departure from generally accepted accounting principles in the United States of America.

NOTE 6 – CREDIT LOSSES

Allowance for Credit losses are as follows:

		<u>2023</u>	<u>2022</u>
Trade receivables	\$	142,561	\$ 137,868
Not receivables	\$	103,600	\$ 103,600

Credit losses for 2023 and 2022 were \$4,694 and \$81,315.

Credit losses allowance were determined based on history of payments and financial conditions of other debtors. The above relates to a franchisee that closed operations in 2023.

As of 12/31/2023 trade receivables of \$142,561 and note receivables of \$103,600 are not accruing interest.

NOTE 7 - CASH FLOW DISCLOSURES

Cash paid for interest was \$0 and \$0 for 2023 and 2022.

NOTE 8 - FRANCHISE AGREEMENTS

The Company is a franchise of Monical Pizza Corporation. The agreement expires August 1, 2013. The initial franchise fee was waived. Monthly franchise fees are waived for the first five years, which ends August 1, 1998. Beginning August 1, 1998, the Company pays a fee of one percent of the gross sales generated monthly plus one percent of gross sales under the Trade Secret Agreement. The Company has the right to use the trade secrets, trade name and marks used in connection with the operation of the restaurant. This agreement was renewed and will expire January 30, 2024. The Company also must pay a fee of one percent of the gross sales generated monthly for all locations in Indiana. The Company has eight franchisees with fourteen locations in Indiana. Franchise fee expense for these agreements was \$136,803 and \$140,975 in 2023 and 2022, respectively, and is included in operating expenses. One franchise closed in 2023.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8 - FRANCHISE AGREEMENTS (Continued)

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Gilman, Illinois, which opened in February 2000. The Company paid \$25,000 for the initial franchise. The agreement is for ten years. This was renewed. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$40,986 and \$41,245 for 2023 and 2022, respectively.

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Pontiac, Illinois, which was effective in November 2007. The Company paid \$25,000 for the initial franchise. The agreement is for ten years and was renewed. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$25,713 and \$25,117 for 2023 and 2022, respectively.

NOTE 9 - FRANCHISEE AGREEMENTS

The Company has eight franchisee corporations. The stockholders of Pizza Resources Corporation are the majority shareholders of two of the franchisee corporations. The franchises paid franchisee fees of \$424,215 and \$435,576 for 2023 and 2022, respectively.

The franchisees are required to pay four percent of their monthly gross sales before reduction for advertising expenses to Pizza Resources. The franchisees have the right to use the trade name, trademarks, services and logos of the franchiser. The initial term of the franchise is 5-10 years from the date the restaurant opens for business with options for 5-year renewals.

The Company provides accounting services for its franchisee corporations if requested. They are currently providing this service to three franchisee corporations. Total fees paid to the Company were \$74,250 and \$85,500 in 2023 and 2022, respectively and this is included in miscellaneous income.

NOTE 10 - CONTINGENCIES

The Company has a master development agreement with Monical Pizza Corporation for the State of Indiana. This agreement gives the Company the right to develop franchises throughout the State of Indiana. A fee of \$5,000 for each restaurant opened by the Company must be paid to Monical Pizza Corporation.

NOTE 11 - REVENUES FROM MAJOR PRODUCTS

The Company derived approximately 68% and 67% of its revenues for 2023 and 2022, respectively, from pizza sales principally to customers in and around Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k)-profit sharing plan that was adopted in 2004. The plan covers all eligible employees. The Company matches a certain percentage of employee contributions with a maximum of 3%. The Company can make a discretionary profit-sharing contribution annually. Total contributions by the Company in 2023 and 2022 were \$7,107 and \$14,592, respectively.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 13 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Company files income tax returns in the U.S. federal and states of Illinois and Indiana jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, or local tax examinations by tax authorities for years before 2020.

The Company includes penalties and interest assessed by income taxing authorities in operating expenses. Penalties and interest expenses for the year ended December 31, 2023 and 2022 were \$4,094 and \$100, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available for issuance, which is the date of this report, May 10, 2024.

NOTE 15 - ADVERTISING COSTS

Advertising costs for 2023 and 2022 were \$12,714 and \$13,506, respectively, and are included in operating expenses.

NOTE 16 - RELATED PARTY ACTIVITY

Various transactions occur between the Company and its franchisees. The following are amounts owed to and from franchisees as of December 31 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts owed to franchisees	\$ <u>2,485</u>	\$ <u>443</u>
Amounts due from franchisees	\$ <u>200,041</u>	\$ <u>192,516</u>

The above are included in receivables and accounts payable. Of this amount \$142,561 and \$137,868 is included in the allowance for doubtful accounts for 2023 and 2022 respectfully.

NOTE 17 – LEASES

Effective for its annual financial statements for 2021 and interim financial statements thereafter, the Company adopted new accounting standards issued by FASB that require significant changes in accounting for operating leases under which the Company is lessee or the lessor, and in the method and timing of recognition of certain non-lease contract revenues and certain incremental expenses such as sales commissions. Upon adoption, among other effects, the Company recorded assets and liabilities for all operating lease obligations with terms of 12 months or greater. The qualitative effects of this was to create a right of use asset and lease liability of \$704,143 as of January 1, 2021.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 18 – CONCENTRATION OF RISK

The Company had deposits of \$443,889 and \$473,303 as of December 31, 2023 and 2022, respectively, with one financial institution. This exceeded the Federal Depository Insurance Coverage. No collateral had been obtained. Management continually monitors the financial condition of this financial institution along with cash balances maintained on deposit with it in order to minimize this potential risk.

NOTE 19 – CONTINGENCIES

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Pizza Resources Corporation, COVID-19 may impact various parts of its 2024 operations and financial results including, but not limited to reduction in revenues, costs for emergency preparedness and shortages of personnel. Management believes the Pizza Resources Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

PIZZA RESOURCES CORPORATION
SCHEDULES OF OPERATING EXPENSES
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries	\$ 998,659	\$ 752,450
Payroll taxes	96,257	77,434
Pension expense	4,108	5,557
Advertising	12,714	13,506
Utilities	61,561	57,757
Telephone and internet	12,405	12,558
Repairs and maintenance	51,387	53,401
Supplies	45,826	47,922
Laundry and uniforms	15,019	12,119
Auto, travel and entertainment	37,894	33,736
Depreciation	29,977	32,979
Insurance	69,332	68,222
Rent	224,073	222,319
Licensing and fees	1,785	1,185
Dues and subscriptions	2,352	1,480
Miscellaneous	1,748	3,253
Franchise fees	203,501	207,337
Real estate taxes	34,334	34,707
Amortization	1,125	1,125
Office expense	3,636	2,628
Donations	13,876	12,773
Sanitation	14,976	13,657
Seminars and education	1,077	1,070
Support	10,173	9,969
Bank charges	67,364	66,243
Background music	3,504	3,127
Equipment rental	6,192	4,972
Pension administration	265	385
Use tax	342	886
Professional fees	<u>5,925</u>	<u>5,250</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 2,031,387</u></u>	<u><u>\$ 1,760,007</u></u>

PIZZA RESOURCES CORPORATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries	\$ 732,256	\$ 803,095
Payroll taxes	57,041	61,437
Pension expense	2,999	9,035
Telephone and internet	9,471	9,476
Office supplies and software	3,897	4,715
Auto, travel and entertainment expense	1,272	20,749
Depreciation	601	1,002
Insurance	39,020	47,246
Professional fees	5,546	7,000
Supplies	8,920	5,155
Miscellaneous	9,016	12,372
Repair and maintenance	3,631	3,646
Dues and subscriptions	1,591	1,310
Donations	164	75
Rent	15,750	15,750
Pension administration	353	444
Utilities	4,703	4,720
Credit loss	4,694	81,315
Penalties	<u>4,094</u>	<u>-</u>
TOTAL GENERAL AND		
ADMINISTRATIVE EXPENSES	<u><u>\$ 905,019</u></u>	<u><u>\$ 1,088,542</u></u>



FOX CPA GROUP, LTD.

Certified Public Accountants & Consultants

740 E. Walnut Street
Watseka, Illinois 60970

Phone (815) 432-3126

Fax (815) 432-6061

Form F – Consent of Accountant

Illinois Attorney General
Franchise Division
500 South Second St.
Springfield, IL 62706

CONSENT

FOX CPA Group, Ltd, consents to the use in the Franchise Disclosure Document issued Pizza Resources Corporation on April 28, 2023, as it may be amended, of our report dated April 1, 2023 relating to the financial statements of Franchisor for the period ending December 31, 2022.

Very Truly Yours,

FOX CPA Group, Ltd.

**PIZZA RESOURCES
CORPORATION**
Watseka, Illinois
**ANNUAL
FINANCIAL STATEMENTS**
Years Ended
December 31, 2022 and 2021



FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

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FOX CPA GROUP, LTD.
Certified Public Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Shareholders
of Pizza Resources Corporation
Watseka, Illinois

Qualified Opinion

We have audited the accompanying financial statements of Pizza Resources Corporation which comprise the balance sheets as of December 31, 2022 and 2021, 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.

In our opinion except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respect, the financial position of Pizza Resources Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

Pizza Resources Corporation has stated available for sale securities at cost in the accompanying balance sheets. Accounting principles generally accepted in the United States of America require available for sale securities to be stated at the fair value. The effects of this departure on the accompanying financial statements have not been determined.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses and General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect of the matter discussed in the Basis for Qualified Opinion Paragraph the information is fairly stated in all material respects in relation to the financial statements as a whole.

For CPA Group. Ltd

Watseka, Illinois
April 1, 2023

PIZZA RESOURCES CORPORATION
BALANCE SHEETS
December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 497,860	\$ 647,935
Trade accounts receivable, net of allowance of \$137,868 and \$95,746 respectively	60,906	78,312
Inventory	68,749	64,471
Prepaid expenses	65,076	52,338
Other receivables	117,918	116,641
Receivable - stockholders	<u>13,175</u>	<u>-</u>
Total current assets	<u>823,684</u>	<u>959,697</u>
 RECEIVABLES AND INVESTMENTS		
Available for sale – investments	177,500	177,500
Notes receivable – other, less allowance of \$103,600 and \$64,406 respectively	<u>-</u>	<u>-</u>
Total receivables and investments	<u>177,500</u>	<u>177,500</u>
 LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	133,085	133,085
Equipment and fixtures	648,552	605,482
Computers	47,991	47,991
Vehicles	<u>53,828</u>	<u>101,262</u>
Total, at cost	883,456	887,820
Less accumulated depreciation	<u>727,710</u>	<u>724,011</u>
Total buildings, leasehold improvements and equipment	<u>155,746</u>	<u>163,809</u>
 OTHER ASSETS		
Franchise fees, less accumulated amortization of \$59,563 and \$58,438	1,687	2,812
Right of use asset	<u>111,125</u>	<u>492,827</u>
Total other assets	<u>112,812</u>	<u>495,639</u>
 TOTAL ASSETS	 <u><u>\$ 1,269,742</u></u>	 <u><u>\$ 1,796,645</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable	\$ 99,829	\$ 91,304
Accrued expenses	191,754	166,422
Replacement taxes payable	2,149	6,252
Current maturities of long-term debt	<u>-</u>	<u>9,428</u>
Total current liabilities	<u>293,732</u>	<u>273,406</u>
LONG-TERM LIABILITIES		
Long-term debt less current maturities above	-	21,674
Lease liability	<u>111,125</u>	<u>492,827</u>
Total long-term liabilities	<u>111,125</u>	<u>514,501</u>
Total liabilities	<u>404,857</u>	<u>787,907</u>
STOCKHOLDERS' EQUITY		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid in capital	150,000	150,000
Retained earnings	<u>713,885</u>	<u>857,738</u>
Total stockholders' equity	<u>864,885</u>	<u>1,008,738</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,269,742</u>	<u>\$ 1,796,645</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF INCOME
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SALES, NET	\$ 3,290,667	\$ 3,216,991
COST OF SALES	<u>935,664</u>	<u>832,263</u>
Gross profit	<u>2,355,003</u>	<u>2,384,728</u>
EXPENSES		
Operating expenses	1,760,007	1,884,259
General and administrative expenses	<u>1,088,542</u>	<u>797,739</u>
Total expenses	<u>2,848,549</u>	<u>2,681,998</u>
Loss from operations	<u>(493,546)</u>	<u>(297,270)</u>
OTHER INCOME (EXPENSE)		
Franchise fee income	435,576	446,506
Other income	91,398	419,494
Interest and dividend income	8,136	8,951
Replacement tax and PTE tax	(14,500)	(21,252)
Interest expense	-	(1,342)
Gain on sale of assets	<u>2,083</u>	<u>21,602</u>
Total other income	<u>522,693</u>	<u>873,959</u>
NET INCOME	<u>\$ 29,147</u>	<u>\$ 576,689</u>
NET INCOME PER SHARE	<u>\$ 29</u>	<u>\$ 577</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF RETAINED EARNINGS
Years Ended December 31, 2022 and 2021

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retired Earnings</u>	<u>Total</u>
BALANCE, JANUARY 1, 2021	\$ 1,000	\$ 150,000	\$ 584,497	\$ 735,497
Net income	-	-	576,689	576,689
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(303,448)</u>	<u>(303,448)</u>
BALANCE, DECEMBER 31, 2021	1,000	150,000	857,738	1,008,738
Net income	-	-	29,147	29,147
Distributions to stockholders	<u>-</u>	<u>-</u>	<u>(173,000)</u>	<u>(173,000)</u>
BALANCE, DECEMBER 31, 2022	<u>\$ 1,000</u>	<u>\$ 150,000</u>	<u>\$ 713,885</u>	<u>\$ 864,885</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 29,147	\$ 576,689
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,125	1,125
Depreciation	33,981	50,571
Bad debts	81,315	106,843
Gain on sale of asset	(2,083)	(21,602)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(87,859)	(73,493)
Inventory	4,278	(7,067)
Prepaid expenses	12,738	12,259
Other receivables	14,452	(114,703)
Accounts payable	8,525	15,004
Accrued expenses	25,332	23,943
Replacement taxes payable	(4,103)	3,145
Net cash provided by operating activities	<u>116,848</u>	<u>572,714</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(49,427)	(14,562)
Payments on notes receivable – other	806	12,452
Proceeds from sale of vehicle	25,800	62,000
Advances on notes receivable – other	<u>(40,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(62,821)</u>	<u>59,890</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to stockholders	(173,000)	(303,448)
Payments on long-term debt	<u>(31,102)</u>	<u>(226,606)</u>
Net cash used in financing activities	<u>(204,102)</u>	<u>(530,054)</u>
NET INCREASE IN CASH	(150,075)	102,550
CASH, BEGINNING OF YEAR	<u>647,935</u>	<u>545,385</u>
CASH, END OF YEAR	<u>\$ 497,860</u>	<u>\$ 647,935</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pizza Resources Corporation operates a Monical's Pizza Restaurant in Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois. The Company also sells franchises. The Company is susceptible to credit risk on accounts receivable from its customers in the area. The Company's revenues are predominately earned from pizza sales. The Company was incorporated August 1, 1993 and has a December year end. The Company grants credit to individuals and companies, which are all local. Generally, the Company does not obtain security from its customers in support of accounts receivable. The following are significant accounting policies followed by the Company.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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

ACCOUNTS RECEIVABLE AND NOTE RECEIVABLE

Accounts receivable are unsecured customer obligations, which generally require payment within ten days from the invoice date. Accounts receivable are stated at the invoice amount which is the estimated collectable amounts. Unpaid accounts bear no finance charges. Interest income on note receivable is recognized using the interest method.

Account and note balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

Trade accounts are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimates of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of accounts receivable, and historical experience. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Company could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Provisions for loan losses are determined on the basis of loss experience and known and inherent risks in the loan portfolio and current economic conditions.

INVENTORY

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventory consists of raw materials and supplies.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPROVEMENTS AND EQUIPMENT

Equipment and computers are depreciated on the straight-line method over their estimated useful lives ranging from five to seven years. Building improvements are depreciated on the straight-line method over their estimated useful lives of ten years.

REVENUE RECOGNITION

The Company derives its revenues primarily from fees related to food sales of pizza, salads, sandwiches and other prepared food items. Revenues are recognized when the Company satisfies its obligations to the customer in an amount that reflects the considerations the Company expects to be entitled to in exchange for those products and services. The Company does not have any significant financing components as payment is received shortly after the services are completed.

Franchise fees are collected monthly as they are earned each month the franchise operates. These are payable within thirty days.

ADVERTISING COSTS

Advertising costs are expensed as incurred.

FRANCHISE FEES

Franchise fees are being amortized over the life of the franchise agreements of ten years using the straight-line method.

INCOME TAXES

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for federal income taxes is included in these financial statements. The Company does pay state replacement taxes.

FRANCHISEE FEES

Initial franchise fees received are recognized as income when substantially all obligations of the franchiser have been met.

SALES TAX

Sales are recorded net of sales tax.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 - RECEIVABLES

Included in receivables and other receivables are amounts owed by the Company's franchisee corporations. The stockholders of Pizza Resources are the majority shareholders of one of the franchisee corporations. No interest is accrued on these accounts. The balances as of December 31, 2022 and 2021 were \$192,516 and \$154,994 respectively. Of this amount \$137,868 and \$95,746 respectively owed by one franchisee, is included in allowance for doubtful accounts.

Amounts due from stockholders was \$13,175 and \$ 7,970 as of December 31, 2022 and 2021 respectively. There are no repayment terms.

NOTE 3 - NOTES RECEIVABLE – OTHER

The notes receivable - other is as follows:

	<u>2022</u>	<u>2021</u>
Due from Witmat Development Corporation, due November 2029, interest rate 2.50% and monthly payments of \$993.	\$ 103,600	\$ 64,406
 Total	 103,600	 64,406
Less allowance for doubtful accounts	<u>(103,600)</u>	<u>(64,406)</u>
Long term portion	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

All of the above are with a franchisee which is a related party.

NOTE 4 - LEASE COMMITMENT

The Company entered into an operating lease agreement for office space in Watseka, Illinois, starting in January 2003. This lease is with the majority stockholder. The lease expired December 2017 and was renewed until November 2022 and requires a monthly rent of \$1,312. This lease was renewed as an annual lease expiring November 2023. Rental expense totaled \$15,750 and \$15,750 for 2022 and 2021, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Gilman, Illinois. This lease is with the majority stockholder of the corporation. This lease expires May 31, 2025 and requires a monthly rent of \$7,400. This lease was changed to an annual lease expiring November 2023 with monthly lease payments of \$7,985. Rental expense for 2022 and 2021 was \$94,062 and \$88,801, respectively.

The Company has entered into an operating lease agreement for a restaurant facility in Watseka, Illinois. This lease is with the majority stockholder of the corporation. This lease expired December 1, 2017; was renewed until November 30, 2022 with monthly rent of \$7,109. This lease was renewed as an annual lease expiring November 2023. Rental expense for 2022 and 2021 was \$85,308 and \$85,308, respectively.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 - LEASE COMMITMENT (Continued)

The Company assumed the lease for the restaurant facility in Pontiac, Illinois in May 2005. The lease was for an initial five-year term ending August 2007. This lease was renewed until November 2017 and then until November 2020 when it was renewed to November 30, 2025. The monthly rent is \$3,254 per month and increased to \$3,579 at renewal. Rental expense for 2022 and 2021 was \$42,949 and \$42,949, respectively.

The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The company has obligations as a lessee for office space, and restaurant facilities with initial noncancelable terms in excess of one year. The Company classified these leases as operating leases. These leases generally contain renewal options for periods. Because the Company is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments. The leases require the Company to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred. These leases were changed to annual leases in 2022.

The components of lease cost for the year ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 238,069	\$ 232,808

Amounts reported in the consolidated balance sheet as of December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Operating leases:		
Operating lease ROU assets	\$ 111,125	\$ 492,827
Operating lease liabilities	\$ 111,125	\$ 492,827

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 - LEASE COMMITMENT (Continued)

Other information related to leases as of December 31, 2022 and 2021 was as follows:

Weighted average remaining lease term:

Operating leases 2.5 years

Weighted average discount rate:

Operating leases 4%

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Maturities of lease liabilities under noncancellable operating expenses as of December 31, 2022 are as follows:

2023	\$	42,948
2024		<u>42,948</u>
Total undiscounted lease payments	\$	125,268
Less imputed interest		<u>(14,143)</u>
Total lease liabilities	\$	<u>111,125</u>

Amortization of the right of use asset and lease liabilities was \$38,170 and \$211,316 for 2022 and 2021, respectively.

Total rent expense for 2022 and 2021 was \$238,069 and \$232,808, respectively.

Amounts due under annual leases for 2023 is \$180,468.

NOTE 5 - INVESTMENTS

Investments consist of the following:

Available for Sale		2022		
		Cost	Market Value	Unrealized Gain
Iroquois Federal Bancorp, Inc.	17,750 shares	<u>\$ 177,500</u>	<u>\$ 306,188</u>	<u>\$ 128,688</u>
Available for Sale		2021		
		Cost	Market Value	Unrealized Gain
Iroquois Federal Bancorp, Inc.	17,750 shares	<u>\$ 177,500</u>	<u>\$ 461,323</u>	<u>\$ 283,823</u>

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5 – INVESTMENTS(Continued)

These are available for sale securities, but the Company has the positive intent and ability to hold these securities. Market value was determined by the stock market price at the close on December 31, 2022 and 2021, respectively. These securities should be reported at fair market; however, the Company has elected to state at cost which is a departure from generally accepted accounting principles in the United States of America.

NOTE 6 – DEBT

Long-term debt

The Company had the following long-term debt as of December 31:

	<u>2022</u>	<u>2021</u>
Note payable to GM Financial, requiring monthly payments of \$871 including interest, with the interest rate of 3.80%, with final payment due February 2025, secured by vehicle.	\$ -	\$ 31,102
Less current portion	-	9,428
Long-term portion	<u>\$ -</u>	<u>\$ 21,674</u>

In April 2020, the Company received loan proceeds in the amount of \$217,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. The loan was forgiven in March 2021 so the loan has been classified as current in the financial statements.

NOTE 7 - CASH FLOW DISCLOSURES

Cash paid for interest was \$0 and \$1,342 for 2022 and 2021.

NOTE 8 - FRANCHISE AGREEMENTS

The Company is a franchise of Monica Pizza Corporation. The agreement expires August 1, 2013. The initial franchise fee was waived. Monthly franchise fees are waived for the first five years, which ends August 1, 1998. Beginning August 1, 1998, the Company pays a fee of one percent of the gross sales generated monthly plus one percent of gross sales under the Trade Secret Agreement. The Company has the right to use the trade secrets, trade name and marks used in connection with the operation of the restaurant. This agreement was renewed and will expire January 30, 2024. The Company also must pay a fee of one percent of the gross sales generated monthly for all locations in Indiana. The Company has eight franchisees with fourteen locations in Indiana. Franchise fee expense for these agreements was \$140,975 and \$143,878 in 2022 and 2021, respectively, and is included in operating expenses.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 - FRANCHISE AGREEMENTS (Continued)

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Gilman, Illinois, which opened in February 2000. The Company paid \$25,000 for the initial franchise. The agreement is for ten years. This was renewed and will expire February 2020. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$41,245 and \$39,082 for 2022 and 2021, respectively.

The Company has a separate franchise agreement with Monical Pizza Corporation for a restaurant in Pontiac, Illinois, which was effective in November 2007. The Company paid \$25,000 for the initial franchise. The agreement is for ten years. The Company will pay Monical Pizza Corporation monthly franchise fees of four percent of gross sales. Franchise fee expense was \$25,117 and \$24,232 for 2022 and 2021, respectively.

NOTE 9 - FRANCHISEE AGREEMENTS

The Company has eight franchisee corporations. The stockholders of Pizza Resources Corporation are the majority shareholders of two of the franchisee corporations. The franchises paid franchisee fees of \$435,576 and \$446,506 for 2022 and 2021, respectively.

The franchisees are required to pay four percent of their monthly gross sales before reduction for advertising expenses to Pizza Resources. The franchisees have the right to use the trade name, trademarks, services and logos of the franchiser. The initial term of the franchise is 5-10 years from the date the restaurant opens for business with options for 5-year renewals.

The Company provides accounting services for its franchisee corporations if requested. They are currently providing this service to three franchisee corporations. Total fees paid to the Company were \$85,500 and \$81,000 in 2022 and 2021, respectively and this is included in miscellaneous income.

NOTE 10 - CONTINGENCIES

The Company has a master development agreement with Monical Pizza Corporation for the State of Indiana. This agreement gives the Company the right to develop franchises throughout the State of Indiana. A fee of \$5,000 for each restaurant opened by the Company must be paid to Monical Pizza Corporation.

NOTE 11 - REVENUES FROM MAJOR PRODUCTS

The Company derived approximately 67% and 69% of its revenues for 2022 and 2021, respectively, from pizza sales principally to customers in and around Watseka, Illinois, Gilman, Illinois and Pontiac, Illinois.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Company has a 401(k)-profit sharing plan that was adopted in 2004. The plan covers all eligible employees. The Company matches a certain percentage of employee contributions with a maximum of 3%. The Company can make a discretionary profit-sharing contribution annually. Total contributions by the Company in 2022 and 2021 were \$14,592 and \$8,207, respectively.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Company files income tax returns in the U.S. federal and states of Illinois and Indiana jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, or local tax examinations by tax authorities for years before 2019.

The Company includes penalties and interest assessed by income taxing authorities in operating expenses. Penalties and interest expenses for the year ended December 31, 2022 and 2021 were \$100 and \$1,226, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available for issuance, which is the date of this report, April 1, 2022.

NOTE 15 - ADVERTISING COSTS

Advertising costs for 2022 and 2021 were \$13,506 and \$13,022, respectively, and are included in operating expenses.

NOTE 16 - RELATED PARTY ACTIVITY

Various transactions occur between the Company and its franchisees. The following are amounts owed to and from franchisees as of December 31 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts owed to franchisees	\$ 443	\$ 782
Amounts due from franchisees	\$ 192,516	\$ 154,994

The above are included in receivables and accounts payable. Of this amount \$137,868 and \$95,746 is included in the allowance for doubtful accounts for 2022 and 2021 respectfully.

NOTE 17 – LEASES

Effective for its annual financial statements for 2021 and interim financial statements thereafter, the Company adopted new accounting standards issued by FASB that require significant changes in accounting for operating leases under which the Company is lessee or the lessor, and in the method and timing of recognition of certain non-lease contract revenues and certain incremental expenses such as sales commissions. Upon adoption, among other effects, the Company recorded assets and liabilities for all operating lease obligations with terms of 12 months or greater. The qualitative effects of this was to create a right of use asset and lease liability of \$704,143 as of January 1, 2021.

PIZZA RESOURCES CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 18 – CONCENTRATION OF RISK

The Company had deposits of \$473,303 and \$618,814 as of December 31, 2022 and 2021, respectively, with one financial institution. This exceeded the Federal Depository Insurance Coverage. No collateral had been obtained. Management continually monitors the financial condition of this financial institution along with cash balances maintained on deposit with it in order to minimize this potential risk.

NOTE 19 – CONTINGENCIES

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Pizza Resources Corporation, COVID-19 may impact various parts of its 2023 operations and financial results including, but not limited to reduction in revenues, costs for emergency preparedness and shortages of personnel. Management believes the Pizza Resources Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

PIZZA RESOURCES CORPORATION
SCHEDULES OF OPERATING EXPENSES
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Salaries	\$ 752,450	\$ 870,528
Payroll taxes	77,434	82,392
Pension expense	5,557	3,686
Employee benefits	-	180
Advertising	13,506	13,022
Utilities	57,757	54,366
Telephone and internet	12,558	10,661
Repairs and maintenance	53,401	52,555
Supplies	47,922	50,600
Laundry and uniforms	12,119	9,078
Auto, travel and entertainment	33,736	29,903
Depreciation	32,979	49,945
Insurance	68,222	78,756
Rent	222,319	217,058
Licensing and fees	1,185	1,785
Dues and subscriptions	1,480	1,120
Miscellaneous	3,253	2,341
Franchise fees	207,337	207,192
Real estate taxes	34,707	35,991
Amortization	1,125	1,125
Office expense	2,628	7,427
Donations	12,773	6,622
Sanitation	13,657	11,436
Seminars and education	1,070	1,006
Support	9,969	9,298
Bank charges	66,243	62,732
Background music	3,127	3,127
Equipment rental	4,972	4,082
Pension administration	385	461
Use tax	886	534
Professional fees	<u>5,250</u>	<u>5,250</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,760,007</u>	<u>\$ 1,884,259</u>

PIZZA RESOURCES CORPORATION
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Salaries	\$ 803,095	\$ 517,534
Payroll taxes	61,437	39,300
Pension expense	9,035	4,521
Telephone and internet	9,476	9,880
Office supplies and software	4,715	6,385
Auto, travel and entertainment expense	20,749	26,213
Depreciation	1,002	626
Insurance	47,246	48,396
Professional fees	7,000	8,716
Supplies	5,155	3,121
Miscellaneous	12,372	4,898
Repair and maintenance	3,646	906
Dues and subscriptions	1,310	723
Donations	75	1,000
Rent	15,750	15,750
Pension administration	444	422
Utilities	4,720	2,505
Bad debts	<u>81,315</u>	<u>106,843</u>
TOTAL GENERAL AND		
ADMINISTRATIVE EXPENSES	<u>\$ 1,088,542</u>	<u>\$ 797,739</u>

EXHIBIT G TO DISCLOSURE DOCUMENT

The following is a list of the names and last known addresses and telephone numbers of every current franchisee.

Fortune 5M LLC
1998 E 2100 N Rd
Watseka IL 60970
Store location: Kentland

Grif Corporation
1998 E 2100 N Rd
Watseka IL 60970
Store locations: Lafayette, West Lafayette, Terre Haute South, Terre Haute East

JBB Corporation
8 East County Rd 200 South
Danville IN 46122
Store locations: Greencastle,

Pizza Pie Squared, LLC
611 North Will
Shelbyville, IL 62565
Store location: Vincennes and Greencastle

Wes-Q Corporation
9895 Village Ct
Avon IN 46123
Store Locations: Avon, Traders Point

Witmat Development Corporation
1998 E 2100 N Rd
Watseka IL 60970
Store locations: Monticello

Wittenborn Enterprise LLC
1998 E 2100 N Rd
Watseka IL 60970
Store location: Fishers

The following is a list of the names and last known addresses and telephone numbers of every franchisee who has had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year.

Mickagan Inc.
PO Box 634
Linton IN 47441
Store location: Linton

EXHIBIT H TO DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, PIZZA RESOURCES CORPORATION and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Restaurant. In this Franchisee Disclosure Questionnaire, PIZZA RESOURCES CORPORATION will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed PIZZA RESOURCES CORPORATION Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes ____ No ____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes ____ No ____

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

3. Have you received and personally reviewed our Disclosure Document we provided to you?

Yes ____ No ____

4. Do you understand all of the information contained in the Disclosure Document?

Yes ____ No ____

If “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

-
-
5. Have you discussed the benefits and risks of operating the Franchised Restaurant with an attorney, accountant or other professional advisor and do you understand those risks?
Yes ____ No ____
6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ____ No ____
7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the Franchised Restaurant that we or our franchisees operate?
Yes ____ No ____
8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Franchised Restaurant that is contrary to, or different from, the information contained in the Disclosure Document?
Yes ____ No ____
9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Restaurant?
Yes ____ No ____
10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document ?
Yes ____ No ____
11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes ____ No ____

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant

Date: _____, 20____

Signature

Name and Title of Person Signing

EXHIBIT I TO THE DISCLOSURE DOCUMENT

MULTI-STATE ADDENDA

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, between Pizza Resources Corporation and _____.

1. Illinois law governs the Franchise Agreement and Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. IF THE FRANCHISOR DECIDES TO MAKE CHANGES TO ITS SYSTEM (SUCH AS NEW EQUIPMENT, FIXTURES, SOFTWARE AND/OR TRADEMARKS), YOU MAY BE REQUIRED TO SPEND UP TO \$35,000 DURING THE 5-YEAR TERM OF YOUR FRANCHISE AGREEMENT (AS WELL AS EACH 5-YEAR RENEWAL TERM) TO BRING YOUR RESTAURANT INTO COMPLIANCE.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

By: _____
Title: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

FOR THE STATE OF INDIANA

This Addendum to the Franchise Agreement is agreed to this ____ day of _____, 20____, between Pizza Resources Corporation and _____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement for Pizza Resources Corporation is amended as follows:

- Sections 0, 0 and 0 do not provide for a prospective general release of claims against PRC that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 16 is amended to prohibit unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 0 is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the territory granted to Franchisee.
- Section 0 is amended to provide that Franchisee shall not be required to indemnify PRC for any liability imposed upon PRC as a result of Franchisee's reliance upon or use of procedures or products which were required by PRC, if such procedures or products were utilized by Franchisee in the manner required by PRC.
- Section 0 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law shall prevail.
- Section 0 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.
- Section 0 is amended to provide that arbitration between PRC and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PIZZA RESOURCES CORPORATION:

By: _____

Title: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

Franchisee: _____

Signed: _____

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	Pending
Indiana	April 18, 2024
Florida	January 16, 2025

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 PIZZA RESOURCES CORPORATION OFFERS YOU A FRANCHISE, PIZZA RESOURCES CORPORATION MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, PRC OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE UNLESS OTHERWISE STATED IN YOUR STATE'S ADDENDUM.

IF PIZZA RESOURCES CORPORATION DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE ADMINISTRATOR LISTED IN EXHIBIT A.

THE FOLLOWING ARE THE NAMES, PRINCIPAL BUSINESS ADDRESSES, AND TELEPHONE NUMBERS OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE: DENNIS WITTENBORN, MATTHEW WITTENBORN, SEAN WITTENBORN, STACY DAVENPORT, NATHAN HORCHEM, 1998 E. 2100 N. ROAD, WATSEKA, ILLINOIS 60970, (815) 432-2439.

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS April 25 2025 IN ILLINOIS AND INDIANA.

I HAVE RECEIVED A UNIFORM FRANCHISE DISCLOSURE DOCUMENT INCLUDING THE FOLLOWING EXHIBITS ON THE DATE LISTED BELOW:

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. SUB-FRANCHISE AGREEMENT
- D. TABLE OF CONTENTS OF OPERATIONS MANUAL
- E. AREA DEVELOPMENT AGREEMENT
- F. FINANCIAL STATEMENTS
- G. LIST OF TERMINATED FRANCHISEES
- H. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- I. MULTI-STATE ADDENDA

Please sign and print your name below, date and return one copy of this receipt to Pizza Resources Corporation and keep the other for your records.

Date of Receipt

Print Name

Signature

Return to:

(individually or as an officer, member or partner of)

Pizza Resources Corporation
1998 E. 2100 North Road
Watseka, Illinois 60970

(Name of corporation, limited liability company or partnership)

a _____ corporation

(State of incorporation)

a _____ limited liability company

(State of organization)

a _____ partnership

(State where partnership formed)

-- LAST PAGE --

RECEIPT

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Date of Receipt

Print Name

Signature

Return to:

(individually or as an officer, member or partner of)

Pizza Resources Corporation
1998 E. 2100 North Road
Watseka, Illinois 60970

(Name of corporation, limited liability company or partnership)

a _____ corporation

(State of incorporation)

a _____ limited liability company

(State of organization)

a _____ partnership

(State where partnership formed)