

FRANCHISE DISCLOSURE DOCUMENT  
PATSY'S PIZZERIA FRANCHISE CORP.  
A New York Corporation  
2287-91 First Avenue  
New, York, New York 10035  
(212) 427-1812  
[www.thepatsyspizza.com](http://www.thepatsyspizza.com)  
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The franchisee will operate a Business that will operate a Pizzeria under the name "Patsy's Pizzeria" specializing in serving coal fired, brick oven, thin crust pizzas and a full menu of other Italian dishes prepared with fresh ingredients, served in a casual family-style environment.

The total investment necessary to begin operation of a Patsy's Pizzeria is from \$~~467,500~~395,500 to \$651,000, excluding real property, including \$75,000 that must be paid to the franchisor or its 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 government 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 Isa Brija at Patsy's Pizzeria Franchise Corp., 2287-91 First Avenue, New York, New York 10035, and (212) 427-1812.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: ~~February 16~~April 15, ~~2020~~2021

## 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                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | 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. |
| <b>How much will I need to invest?</b>                                                   | 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.                                                     |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit B includes financial statements. Review these statements carefully.                                                                                                                                                       |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                 |
| <b>Will my business be the only Patsy's Pizzeria business in my area?</b>                | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                         |
| <b>What's it like to be a Patsy's Pizzeria franchisee?</b>                               | Item 20 lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | 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 C.

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 litigation only in the state, county and judicial district in which the franchisor's principal place of business is then located, which is currently the city and county of New York, in the state of New York. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in the state, county and judicial district in which the franchisor's principal place of business is then located than in your own state.
2. The franchisee will be required to make an estimate initial investment ranging from \$~~467,500~~395,500 to \$651,000. This amount exceeds the franchisor's stockholder's equity as of December 31, ~~2019~~2020 which is \$~~180,648~~208,760.

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, "we", "us," "our" or "Patsy's" means Patsy's Pizzeria Franchise Corp., the franchisor. "You" means the individual, corporation or partnership who buys the franchise. If the franchise will operate through a corporation or partnership, "you" also includes the franchisee's owners or partners. Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service are shown on Exhibit D.

We are a New York corporation incorporated in June, 2014. We do business under the name "Patsy's Pizzeria". Our principal business address is 2287-91 First Avenue, New York, New York 10035 and our telephone number is (212) 427-1812.

We franchise businesses ("Businesses") that operate Italian pizzerias and restaurants specializing in coal fired, brick oven, thin crust pizzas and a full menu of other Italian dishes prepared with fresh ingredients, served in a casual family-style environment (the "Patsy's Pizzerias" or the "Pizzerias"). We have neither operated any Patsy's Pizzerias nor offered franchises or licenses for any other type of business.

We have two predecessors who are also our affiliates. IOB Realty, Inc. offered and sold licenses for Patsy's Pizzeria between January, 1995 and March 31, 1998 and Patsy's, Inc. offered and sold licenses for Patsy's Pizzeria between March 31, 1998 and March 31, 2007. Both IOB Realty, Inc. and Patsy's, Inc. share our principal business address and telephone number. IOB Realty, Inc. bought the original Patsy's Pizzeria, which has been in continuous operation since 1933, from the original owners in 1991 and has operated it since then. Patsy's, Inc. has not previously operated any Patsy's Pizzerias. Neither IOB Realty, Inc. nor Patsy's, Inc. has offered franchises or licenses for any other type of business.

~~We have no parents or other affiliates that are required to be disclosed in this disclosure document.~~

IOB Realty, Inc. has licensed us the right to use the Patsy's Pizzeria trademarks, service marks and other intellectual property and to sublicense them to our franchisees in a cross-license agreement dated as of June 24, 2014.

We have no parents or other affiliates that are required to be disclosed in this disclosure document.

The market for your products and services will consist primarily of individual consumers for on-site or off-site consumption. Throughout the United States, the food-service industry is highly competitive, with constantly changing market conditions. It is characterized by a profusion of operators, including well-financed and highly sophisticated national and regional chains. You will compete with restaurants, fast-food outlets and other pizzerias operated by national and regional chains and independent operators. To some extent, you will also compete with supermarkets, grocery stores and convenient stores that sell pizzas and various other prepared food products. You will compete with these competitors for customers, access to desirable locations and food-service personnel.

COVID-19 has disrupted and continues to significantly disrupt local, regional and global economies and businesses. The situation regarding COVID-19 is changing rapidly and subject to change. You must, at all times, comply with all applicable laws, rules and orders of any government authority concerning the outbreak and your response. Disruptions to normal economic activity in the coming weeks and months cannot be predicted. We reserve the right to make any adjustments to our services as we may determine necessary, in our sole judgement, from time to time in order to protect health and safety. These adjustments may include, by way of example but without limitation, suspending in-person gatherings such as training, meetings and conferences; instead, such events may be conducted virtually.

Your Pizzeria will be subject to federal, state and local regulations and guidelines governing the food service industry. The Food and Drug Administration, the United States Department of Agriculture

and food industry organizations, including the National Restaurant Association, have established rules affecting the restaurant business. In addition, you should be knowledgeable about federal, state, country and local health and consumer protection laws and regulations concerning food preparation, baking, handling and storage. You should also familiarize yourself with the requirements of laws, rules and regulations concerning “Truth in Menu” (concerning menu item names and product labeling); nutritional claims; and, access to your café by persons with disabilities (under the federal Americans with Disabilities Act). You should be aware of federal, state, and local labor regulations, including minimum-age and minimum wage laws. You should investigate local zoning rules because they may limit where you can locate your Pizzeria and may affect design features, including the building façade and signs. You should be aware of federal, state and local environmental laws which may affect the disposal of waste materials and the packaging you may use. In addition, the laws, rules and regulations which apply to businesses in general will affect you. Consult your lawyer about all these laws, rules and regulations.

## **ITEM 2 BUSINESS EXPERIENCE**

### **President and Director: Isa Brija**

Mr. Brija has served as our President and Director since our incorporation. He has also been President and Director of Patsy’s, Inc. since its incorporation and President of IOB Realty, Inc. since August, 1991.

### **Vice President: Adem Brija**

Mr. Brija has served as our Vice President since January 1, 2016. He has also served as President of Backthree Inc. since August 2015.

### **Marketing Director: Neg Nezaj**

Ms. Nezaj has served as our Marketing Director since our incorporation. She has also served as Marketing Director of Patsy’s, Inc. since its incorporation.

## **ITEM 3 LITIGATION**

### **Current Actions**

I.O.B. Realty, Inc. v. Patsy’s Brand, Inc., United States District Court Southern District of New York, Civil Action No. 16-cv-7682 (LLS). I.O.B. Realty, Inc. filed suit on September 30, 2016 against Patsy’s Brand, Inc. (the Defendant) alleging federal and common-law trademark infringement of the mark “PATSY’S PIZZERIA” through the Defendant’s use and maintenance of a registration for “PATSY’S OF NEW YORK.” I.O.B. Realty, Inc. seeks: (1) permanent injunction prohibiting use of “PATSY’S OF NEW YORK”, (2) destruction of defendant’s materials with the mark, (3) compensatory damages, (4) Patsy’s Brand, Inc.’s profits, (5) enhanced and/or punitive damages, and (6) cancellation of U.S. Registration Number 3,090,551.

Patsy’s Brand, Inc. filed its answer denying the allegations and asserting affirmative defenses of: (1) failure to state a claim for relief, (2) unclean hands, (3) abandonment, (4) laches, (5) waiver, acquiescence, and estoppel, (6) non-infringement, (7) no causation, (8) failure to mitigate, (9) fraud, (10) failure to join, (11) incontestability, and (12) failure of John Does to state a claim for relief. No counterclaims were asserted.

Fact discovery in the matter closed on February 2, 2018, and pretrial filings were scheduled to be filed on May 11, 2018. On July 2, 2018, the Court ordered the USPTO to grant our trademark registration applications numbered (76/649,149 and 77/086,491) for our Proprietary Mark “PATSY’S PIZZERIA” and to register the Proprietary Mark for pizzeria services and franchising services. Patsy’s Brand, Inc. appealed the Court’s decision to the United States Court of ~~Appeal~~[Appeals](#) for the Second Circuit (Appeal No. 18-2277). ~~We filed an appellate brief in March 2019~~ [The Court of](#)

Appeals for the Second Circuit then asked the lower Court to explain its decision and in response, the lower Court reaffirmed its original decision. On October 13, 2020, Patsy's Brand, Inc. appealed the Court's re-affirmed decision to the decision to the United States Court of Appeals for the Second Circuit (Case No. 20-1988). Oral arguments were held on April 27, 2020.

## **Past Actions**

Patsy's Italian Restaurant, Inc. v. Anthony Banas d/b/a Patsy's and d/b/a Patsy's Pizzeria Trattoria Impazzire, Allan Zyller d/b/a Patsy's and d/b/a Patsy's Pizzeria Trattoria Impazzire, Al & Anthony's Patsy's Inc., Patsy's Inc., and IOB Realty, Inc., United States District Court Eastern District of New York, Civil Action No. 06-SV-05857 (DLI-RER), filed October 30, 2006 (the "Long Island suit") consolidated with Patsy's Italian Restaurant, Inc. v. Anthony Banas d/b/a Patsy's, Patsy's Pizzeria and Patsy's Bakery & Cafe, and Anthony & Patsy's Inc., United States District Court Eastern District of New York, Civil Action No. 06-CV-00729 (DLI-RER), filed February 17, 2006 (the "Staten Island suit"). This consolidated matter in the Eastern District of New York (Civil Action Nos. 06-cv-05857 and 06-cv-00729) is no longer active.

Plaintiff, Patsy's Italian Restaurant, Inc., is the owner and operator of a restaurant in New York City that was operated under the name "PATSY'S." Plaintiff filed the Long Island suit against Anthony Banas d/b/a Patsy's and d/b/a Patsy's Pizzeria Trattoria Impazzire, Allan Zyller d/b/a Patsy's and d/b/a Patsy's Pizzeria Trattoria Impazzire, Al & Anthony's Patsy's Inc., alleging various claims relating to the Defendants' use of the name "PATSY'S" at a Long Island pizzeria. Plaintiff's suit alleged federal trademark infringement, violation of section 43(1) of the Lanham Act, injury to business reputation, common law trademark infringement and common law unfair competition and sought (a) payment of Defendants' profits and damages sustained by Plaintiff in an unspecified amount; (b) treble damages in an unspecified amount; (c) destruction of all products, signs, containers, menus or the like bearing the Plaintiff's registered trademark or colorable variations thereof; and (d) attorneys' fees and costs. Plaintiff's complaint additionally sought a temporary restraining order ("TRO") and preliminary and permanent injunctions ("PI") enjoining Defendants from (i) advertising, selling or/ or offering for sale services under Plaintiff's federally registered trademark or any colorable limitation or confusingly similar mark; (ii) representing the Defendants' services as affiliated with, related to or sponsored by the Plaintiff; (iii) using any signage, advertising or promotional material which contains an express or implied claim that Defendants' restaurant in Long Island is affiliated with or sponsored by the Plaintiff and/or (iv) from committing any actions which are likely to injure the Plaintiff's business reputation.

On November 3, 2006, Patsy's Inc., our predecessor, filed a motion to intervene in the Long Island suit and on the same day, Anthony Banas, Allan Zyller, Al & Anthony's Patsy's Inc. filed their Opposition to Plaintiff's motion for a TRO and PI. On November 6, 2006, Plaintiff filed its Reply to the Opposition. On November 7, 2006, the Court granted Patsy's, Inc.'s motion to intervene and also included IOB Realty, Inc. as a Defendant.

On November 9, 2006, the Court denied Plaintiff's motion for a TRO and PI. A jury trial commenced on March 31, 2008 and on September 10, 2008, the Court issued a Judgment granting a permanent injunction, enjoining all parties from using the mark "Patsy's" alone in any advertising, signs, menus, or anything similarly associated with their restaurant or pizzeria services.

Both parties appealed and on September 16, 2011, the Second Circuit issued an Opinion and Order affirming the lower court's decision.

On October 28, 2014, Defendants Patsy's Inc. and IOB Realty, Inc. sought leave to file a motion for contempt against the Plaintiff for alleged violations of the Court's Judgment. The Plaintiff filed a separate motion for contempt on November 13, 2013, and an additional request to file a motion for sanctions against Defendants Patsy's Inc. and IOB Realty, Inc. on January 10, 2014. On May 15,

2015, a Court-Appointed Special Master issued a Report and Recommendation and found that neither party's signs, menus, websites or other usage of the marks violated the Court's injunction.

Defendants, Patsy's Inc. and IOB Realty, Inc., filed a motion to modify the Report and Recommendation by (1) cancelling the Plaintiff's registration for PATSY'S OF NEW YORK for restaurant service; (2) requiring the Plaintiff to cease using patsys.com for restaurant services; and, (3) vacating an earlier Court prohibition on surveillance as futile. On January 12, 2016, the Court adopted the Special Master's Report and Recommendation with the exception of removing a prior prohibition on surveillance. On January 29, 2016, the Court denied the Defendants' motion to modify the Special Master's Report and Recommendation.

On February 10, 2016, Defendants, Patsy's Inc. and IOB Realty, Inc., filed a notice of appeal to the United States Court of Appeals for the Second Circuit. The appeal seeks review of the District Court's finding, that the Plaintiff's registration for PATSY'S OF NEW YORK should not be cancelled, in light of the fact that the Plaintiff could not use the registered mark. On January 19, 2017, the Second Circuit issued a Summary Order affirming the lower court's decision not to cancel Plaintiff's registration for PATSY'S OF NEW YORK at this time for contempt. This matter is no longer active.

Other than the above actions, there is no litigation that must be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

The Initial Franchise Fee is \$75,000, which you must pay in full on the date you sign the Franchise Agreement. During the 2020 fiscal year, we accepted a one-time reduced Initial Franchise Fee of \$25,000 from a franchisee interested in opening multiple outlets; however, we do not generally accept any reduction in the Initial Franchise Fee.

We will not refund any portion of the Initial Franchise Fee, except under the following circumstances:

- If we reasonably conclude that you and/or your Pizzeria Manager and/or your Principal Pizzaman have failed to successfully complete our Initial Training Program (including re-enrollment training), then we can terminate the Franchise Agreement. If we terminate the Franchise Agreement for this reason, we will return 50% of the Initial Franchise Fee (less any reasonable expenses we incurred in relation to site selection, training and other expenses), on the condition that you sign a General Release in the form of Exhibit I to the Franchise Agreement.
- If you fail to comply with the time limits and procedures in Article 7 of the Franchise Agreement in securing your Pizzeria Location, then we can terminate the Franchise Agreement. If we terminate the Franchise Agreement for this reason, we will return to you 75% of the Initial Franchise Fee (or 50% if we have already furnished our Initial Training Program to you), on condition that you sign a General Release in the form of Exhibit I to the Franchise Agreement.
- If you and we cannot agree on a site for your Pizzeria Location within one month from the Effective Date of the Franchise Agreement, then either you or we can terminate the Franchise Agreement, and if either of us does so, we will return to you 75% of the Initial Franchise Fee (or 50% if we have already furnished our Initial Training Program to you), on condition that you sign a General Release in the form of Exhibit I to the Franchise Agreement.

We may offer you an option to purchase additional Patsy's Pizzeria franchises. If you accept, you must execute an "Option Agreement" (see Exhibit D to the Franchise Agreement) and pay us a fee of 10% of the Initial Franchise Fee for each optioned franchise (the "Option Fee"). The Option Fee

is due when the Option Agreement is signed and is not refundable. If you purchase an optioned franchise, we will credit the Option Fee toward the Initial Franchise Fee for the franchise, so that you will only have to pay the 90% balance of the Initial Franchise Fee for the franchise. If you do not execute a Franchise Agreement for the optioned franchise by the date set forth in the Option Agreement, then the option lapses and we will not refund the Option Fee.

You may also be required to reimburse us for certain legal fees, in an amount not to exceed \$5,000, associated with negotiating your Franchise Agreement.

You pay us no other fees or payments for services or goods before your Business opens.

#### ITEM 6 OTHER FEES \*

| (1)<br>Type of Fee                                        | (2)<br>Amount                                                                                   | (3)<br>Due Date                                            | (4)<br>Remarks                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Continuing Royalty</b>                                 | 6% of Gross Revenues.                                                                           | Payable monthly on the 10 <sup>th</sup> day of each month. | "Gross Revenues" includes all revenues from the franchised Business. Fully defined in Franchise Agreement, Section 5.04. Continuing Royalty percentage will not change during term of Franchise Agreement.                                                                                                                            |
| <b>System Advertising Contribution</b>                    | When fund formed:<br><br>1% of Gross Revenues.                                                  | Same as Continuing Royalty.                                | We may form an advertising fund and if we do, you must contribute. Contribution percentage will not then change during the term of the Franchise Agreement.                                                                                                                                                                           |
| <b>Required Minimum Expenditure for Local Advertising</b> | \$5,000 per year.                                                                               | Total must be spent annually.                              | Required expenditure percentage increases on January 1 of each year by percentage of increase in Consumer Price Index.                                                                                                                                                                                                                |
| <b>Regional Advertising Cooperative</b>                   | When cooperative formed:<br><br>Minimum- 1% of Gross Revenues.<br>Maximum-2% of Gross Revenues. | Established by cooperative.                                | We may form a regional advertising cooperative for your area and establish fees payable to the cooperative. See Item 11. A Company owned Business will have a vote if it joins. Percentage may change within 1%-2% range, and may only be more than 2% if the regional advertising cooperative changes the maximum under its By-Laws. |
| <b>Proprietary Products</b>                               | See Note 1.                                                                                     | See Note 1.                                                | You must buy any required proprietary products from us or our designees. There are currently no proprietary products which you must buy. See Note 1 and Item 8.                                                                                                                                                                       |
| <b>Software Costs</b>                                     | You must use proprietary software and software support                                          | See Note 2.                                                | See Note 2.                                                                                                                                                                                                                                                                                                                           |

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\* Unless otherwise specified, we or our affiliates impose all the fees in these tables, you pay them to us or our affiliates, and we or our affiliates do not refund them.

| (1)<br>Type of Fee                     | (2)<br>Amount                                                                                                                                                                                                                                                                                                                                                                                          | (3)<br>Due Date                                                                                   | (4)<br>Remarks                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        | <p>services that either we in the future develop and provide or which are provided by a third party supplier we designate.</p> <p>We initially provide proprietary software at our expense. You will purchase new, upgraded or substitute proprietary software when we determine to adopt them systemwide. You will pay for new or updated programs and materials when you order them. See Note 2.</p> |                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Testing fee</b>                     | Varies depending on the nature and complexity of the testing necessary for the product or service you propose.                                                                                                                                                                                                                                                                                         | When we request.                                                                                  | We may test, at your expense, the product or service of any supplier you propose, whether or not the supplier is then approved by us. See Item 8.                                                                                                                                                                                                                                    |
| <b>Initial Training Program</b>        | <p>All living and transportation expenses of all trainees. The amounts are unknown and may vary depending upon factors such as the third-party supplier selected and your distance from training.</p> <p>Additional and subsequent trainee charge: \$1,000 per person.</p> <p>See remarks.</p>                                                                                                         | Fee for additional or subsequent trainees due before beginning of training; expenses as incurred. | We will provide the Initial Training Program for up to three people free of cost to you for tuition and materials. You (if you are an individual), your Pizzeria Manager and your Principal Pizzaman must attend and successfully complete the Initial Training Program. All Pizzeria Managers and Principal Pizzamen you appoint later must also pass the Initial Training Program. |
| <b>On-Site Training and Assistance</b> | \$500 per day.                                                                                                                                                                                                                                                                                                                                                                                         | When we request.                                                                                  | You can request on-site training and/or assistance at any time. The Franchise Agreement does not require us to provide it. For each day of on-site training or assistance, we can impose a fee.                                                                                                                                                                                      |
| <b>On-going Training</b>               | Expenses only.                                                                                                                                                                                                                                                                                                                                                                                         | As incurred.                                                                                      | We may from time to time develop additional training programs which you (if you are an individual), your Pizzeria Manager and Principal                                                                                                                                                                                                                                              |

| (1)<br>Type of Fee    | (2)<br>Amount                             | (3)<br>Due Date                | (4)<br>Remarks                                                                                                                                                                                                                                                                                              |
|-----------------------|-------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       |                                           |                                | Pizzaman must attend and successfully complete, and we may hold an annual conference, convention or training session. We reserve the right to charge our then-current training fees for such programs. You pay all living and transportation expenses of your trainees.                                     |
| <b>Consulting Fee</b> | \$250 per day (optional).                 | When we request.               | We may offer you consultation services beyond the field support services under Section 8.05 of the Franchise Agreement.                                                                                                                                                                                     |
| <b>Insurance</b>      | Estimated annual premium-\$2,000-\$3,000. | As insurance carrier requires. | See Note 3. Insurance company sets the premiums and you pay the insurance company, except that if you fail to pay premiums for required insurance, we may pay premiums and charge you for them. Premiums may vary depending upon factors such as the insurance company selected and your claims experience. |
| <b>Relocation</b>     |                                           | When we request.               | If you wish to relocate your Pizzeria Location you must reimburse us for any reasonable costs we incur in considering your request. See Item 12.                                                                                                                                                            |
| <b>Taxes</b>          |                                           | Promptly when due.             | You must pay us all taxes we pay except for our corporate income taxes due to goods or services we furnish to you, the Initial Franchise Fee or Continuing Royalties.                                                                                                                                       |
| <b>Advances</b>       |                                           | When we request.               | You must pay us all amounts we advance to third parties for you.                                                                                                                                                                                                                                            |

| (1)<br>Type of Fee    | (2)<br>Amount                                                                                                                                                                                                                                                                                                                                         | (3)<br>Due Date                   | (4)<br>Remarks                                                                                                                                     |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Late Charges</b>   | <p>On amounts owed to us or our affiliates, you will pay the maximum interest rate permitted by law.</p> <p>If there is no applicable legal maximum rate, interest will be calculated at the rate of 4% above the prime rate of interest identified by Citibank, N.A. in New York City on the first day of each month that an amount is past due.</p> | When we request.                  | You must pay late charge on any past due amounts to us. We will not increase charge beyond formula in column 2 during term of Franchise Agreement. |
| <b>Audit Expenses</b> | <p>The amount of the audit expenses is unknown and may vary depending upon factors such as the auditor selected.</p> <p>See Note 4.</p>                                                                                                                                                                                                               |                                   |                                                                                                                                                    |
| <b>Renewal Fee</b>    | 50% of then-current Initial Franchise Fee, but for the first Renewal Term it will be no more than the Initial Franchise Fee you paid.                                                                                                                                                                                                                 | Before we sign renewal agreement. | See Item 17                                                                                                                                        |
| <b>Transfer Fee</b>   | \$5,000.                                                                                                                                                                                                                                                                                                                                              | Before we approve the transfer.   | See Item 17.                                                                                                                                       |

| (1)<br>Type of Fee                               | (2)<br>Amount                                                                                                                                      | (3)<br>Due Date                     | (4)<br>Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Management Fee on Death or Disability</b>     | Greater of (a) two times the salary paid to individual(s) we assign to operate Business, or (b) 10% of Business's weekly Gross Revenue.            | See Remarks.                        | From your death or disability or the death or disability of your last surviving owner (if you are a business entity), until a new Pizzeria Manager assumes control, we may operate Business, but will have no obligation to do so. If we do, then we will deduct our expenses from Business's Gross Revenues and pay ourselves the management fee shown in column 2. Management fee will be in addition to Continuing Royalties due us. We will remit any remaining funds to your Estate. Estate must pay us any deficiency in sums due us under Franchise Agreement within 10 days of our notifying Estate of deficiency. See Item 17. |
| <b>Indemnification of Us</b>                     |                                                                                                                                                    | When we request.                    | You indemnify us from certain losses and expenses – see Section 9.12 of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Application of Funds</b>                      |                                                                                                                                                    |                                     | We can apply your payments to the oldest obligation due.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Attorneys' and Experts' Fees, Court Costs</b> | The amount of these fees and costs are unknown and may vary depending upon factors such as the attorneys and experts selected and the court costs. |                                     | See Note 5.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Option to Purchase Additional Franchises</b>  | Option Fee – 10% of Initial Franchise Fee for each additional franchise.                                                                           | When you sign the Option Agreement. | See Items 5 and 12.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

### Notes

Unless otherwise stated, all fees on the table above are nonrefundable. The fees or their formula set forth on the table above are generally uniformly imposed; however, from time to time, we have reduced certain fees (including royalties and local advertising expenditure requirements) based on franchisees' trade areas, characteristics and other particular attributes.

- [1] You must purchase or lease any proprietary programs, products, supplies, equipment, materials and services used, offered or sold at the Pizzeria which now comprise, or in the future may comprise, a part of the Patsy's Pizzeria System and which were developed by, are proprietary to or kept secret by us or our affiliates, only from us, an affiliate of ours that we designate or an independent distributor whom we authorize.

Proprietary products may include one or more food and beverage items (including, without limitation, mozzarella cheese and/or tomato sauce), ingredients, condiments, and other pizzeria-related and restaurant-related products, services and equipment and any other

category of programs, products, services or equipment. We (or our affiliates or designees) will sell to you all proprietary products under terms we develop and advise you of from time to time. We reserve the right to earn a profit on the sale of proprietary products to you.

You must also purchase other commercially available, non-proprietary products and services for the franchised Pizzeria. We (or our designees) may offer to sell you some of these on a non-exclusive basis. See Item 8.

[2] In the future, we may develop proprietary software. You agree to use proprietary software and software support services that either we develop and provide or which are provided by a third party supplier we designate). We will initially provide our proprietary software and associated manuals and materials to you at our expense. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third party vendor establish, but you will not be required to do so more than once in any calendar year. You will pay for new or updated programs and materials when you order them.

[3] You must maintain the following insurance:

1. Broad form comprehensive general liability coverage and broad form contractual liability coverage (including premise operations, products, professional malpractice, and personal injury) satisfactory to us of at least \$3,000,000 aggregate. This insurance may not have a deductible or self-insured retention of over \$5,000.
2. "All risk" property, buildings and contents insurance (including, without limitation, plate glass provisions) on your Pizzeria and property, in an amount adequate to replace them in case of an insured loss.
3. Automobile liability coverage (including coverage of owned, non-owned and hired vehicles, medical payments, and insured motorist) with minimum limits of liability in the greater of (i) the amount required by all applicable state and federal laws, or (ii) \$1,000,000 for each person killed or injured, and, subject to that limit for each person, a total minimum liability of \$3,000,000 for any number of persons injured or killed in one accident, and a minimum limit of \$300,000 for injury, destruction or loss of use of property of third persons as the result of any one accident.
4. An all-inclusive standard umbrella policy of at least \$1,000,000.
5. Business Interruption Insurance in sufficient amounts to cover the rental of the Pizzeria, previous profit margins, maintenance of competent personnel and other fixed expenses.
6. Worker's compensation and employer's liability insurance (in statutory amounts), unemployment insurance and state disability insurance (as required by governing law), for your employees.
7. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement.

If you do not purchase the required insurance, we may obtain the insurance for you. We have no duty do so. If we obtain insurance for you, you must pay the premiums to the insurance company or reimburse us for them. We can change the required coverages and amounts.

[4] If we audit your Business, and you understated the Gross Revenues on the monthly statements you submitted to us by any amount for any month or for the entire period, when compared with your actual Gross Revenues, you must immediately pay us the amount due, plus interest. If you understated your Gross Revenues by 2% percent or more for any month or for the entire period, then you must immediately pay us the cost of the audit and the

additional amounts owing, plus interest at the highest legal rate or, if there is no maximum legal rate, then 4% percent above the prime rate. Otherwise, we must pay the cost of the audit.

If you understated your Gross Revenues by 8% or more for any month or for the entire period, we can terminate the Franchise Agreement and you must pay the amount due, plus interest and the cost of the audit.

The percentages described in this footnote are fixed and will not change during the term of the Franchise Agreement.

- [5] You or we can recover from the other party reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against the other party to secure or protect your or our rights under the Franchise Agreement, to enforce the terms of the Franchise Agreement, or in any action begun or joined in by the other party against the prevailing party.

If we become a party to any proceeding brought against us by a third party relating to the Franchise Agreement, your franchised Business or your Pizzeria as a result of any act or omission of yours or the franchised Business, or if we become a party to any litigation or insolvency proceeding involving you under any bankruptcy or insolvency code, then you must pay us our reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur.

If we terminate the Franchise Agreement for your default, or if you terminate the Agreement through non-payment (see Item 17, section d.), you must pay us all our expenses from your default or termination, including reasonable attorneys' and experts' fees.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| (1)<br>Type of expenditure              | (2)<br>Amount                                        | (3)<br>Method of payment                       | (4)<br>When due                                | (5)<br>To whom payment is to be made |
|-----------------------------------------|------------------------------------------------------|------------------------------------------------|------------------------------------------------|--------------------------------------|
| Initial Franchise Fee                   | \$75,000<br>See Item 5 and Note 1                    | Lump Sum                                       | At signing of Franchise Agreement              | Us                                   |
| Pre-Opening Training expenses           | \$1,500-\$8,000<br>See Note 2                        | As airlines, hotels, restaurants, etc. require | As airlines, hotels, restaurants, etc. require | Airlines, hotels, restaurants, etc.  |
| Real property                           | See Note 3                                           |                                                |                                                |                                      |
| Construction and Leasehold Improvements | <del>\$200,000</del> <u>\$150,000</u><br>- \$250,000 | See Note 4                                     | As Contractor requires                         | Contractor                           |
| Equipment, Furniture and Fixtures       | <del>\$72,000</del> <u>\$50,000</u> - \$105,000      | See Note 5                                     | As supplier or landlord requires               | Supplier or landlord                 |

| (1)<br>Type of expenditure                                                                                 | (2)<br>Amount                    | (3)<br>Method of payment               | (4)<br>When due                        | (5)<br>To whom payment is to be made |
|------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------------|----------------------------------------|--------------------------------------|
| Computer and Point of Sale systems                                                                         | \$7,500-\$15,000<br>See Note 6   | As supplier requires                   | As supplier requires                   | Supplier                             |
| Pre-paid Rent                                                                                              | \$30,000-\$60,000<br>See Note 3  | Lump Sum                               | As landlord requires                   | Landlord                             |
| Inventory to begin operating                                                                               | \$15,000-\$20,000<br>See Note 7  | As supplier requires                   | As supplier requires                   | Supplier                             |
| Utility deposits and permits                                                                               | \$5,000-\$10,000<br>See Note 8   | As agency requires                     | As agency requires                     | Agency                               |
| Professional Fees                                                                                          | \$5,000-\$15,000<br>See Note 9   | As you agree with accountant/ attorney | As you agree with accountant/ attorney | Accountant/ Attorney                 |
| Signs                                                                                                      | \$5,000-\$15,000<br>See Note 10  | As supplier requires                   | As supplier requires                   | Supplier                             |
| Architect/Engineering                                                                                      | \$15,000-\$20,000<br>See Note 4  | As architectural firm requires         | As architectural firm requires         | Architectural firm                   |
| Grand Opening Advertising                                                                                  | \$2,500<br>See Note 11           | As suppliers require                   | As suppliers require                   | Suppliers                            |
| Pre-Opening Labor                                                                                          | \$5,000<br>See Note 12           | As expenses occur                      | Payroll weekly                         | Employees                            |
| Stationery                                                                                                 | \$2,000- \$2,500                 | As supplier requires                   | As supplier requires                   | Supplier                             |
| Insurance                                                                                                  | \$2,000-\$3,000<br>See Note 13   | As agent requires                      | Before opening                         | Insurance Agent                      |
| Legal Fee Reimbursement                                                                                    | \$0-\$5,000<br>See Note 14       | As incurred                            | At signing of Franchise Agreement      | Us                                   |
| Additional funds (initial period – 3 months)                                                               | \$25,000-\$40,000<br>See Note 15 | As expenses occur                      | After opening                          | Various                              |
| <b>TOTAL</b> <del>\$467,500</del> <u>\$395,500</u> to \$651,000 (See Note 16)<br>(excluding real property) |                                  |                                        |                                        |                                      |

Unless otherwise stated, all fees on the table above are nonrefundable and the fee or its formula is uniformly imposed.

#### Notes

- [1] See Item 5 for circumstances when the Initial Franchise Fee is partially refundable. None of the other fees shown on this table are refundable unless a supplier has a refund policy of which we are not aware. We do not finance any fee.

- [2] We will provide the Initial Training Program for up to three people free of cost to you for tuition and materials. You (if the franchisee is an individual), your Pizzeria Manager and your Principal Pizzaman must attend and successfully complete the Initial Training Program. The charge for additional (and subsequent) attendees will be \$1,000 per person. You pay all your trainees' living and transportation expenses. Travel expenses depend on where your home base is located, whether you and your trainees can commute by car to our training base, and the number of people receiving the Initial Training Program. Lodging and food expenses depend on number of people being trained. You pay all these expenses. This amount in the table covers the expenses for three trainees to attend the Initial Training Program in New York, with the lower end of the range covering an estimate of the moderately priced travel expenses and restaurant costs for trainees who reside in New York and the higher end of the range covering an estimate of flights, hotels and restaurant costs for trainees who reside outside of New York. See Item 11.
- [3] If you do not have acceptable space for your Pizzeria, you will have to lease at least approximately ~~4,500~~1,000 to 2,500 square feet in a suitable commercial building for a Pizzeria Location. Pizzeria Locations are usually at a strip shopping center or mall, and may be downtown, suburban, rural or on a highway. Since real estate values vary dramatically from region to region, we cannot accurately estimate your rent, but monthly rental costs range from approximately \$10,000 to \$20,000 or more per month for a 2,000 square foot Pizzeria Location in New York, New York. To estimate the rental expense for your Pizzeria Location, apply the above square footage requirements to the local real estate rental costs in the area in your Territory where there are suitable buildings.
- The pre-paid rent category in the table assumes a prepayment of three months of rent. Pre-paid rent is generally non-refundable, while security or other deposits may be refundable either in full, or in part, depending upon the lease contract.
- [4] You may already have an appropriate Pizzeria, or your cost of construction or leasehold improvement for your Pizzeria may be minimal. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any). We may provide you with a sample layout for the interior of a typical Patsy's Pizzeria of the type that you will be operating and a set of typical preliminary plans and specifications for your type of Pizzeria. You must employ architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Pizzeria, including any changes required by the landlord. Typically, you and the contractor you employ will negotiate a payment schedule. Generally, the landlord provides the space with demolition complete, exterior walls drywalled; an acoustical drop ceiling; working HVAC; and plumbing and electrical service to the space, or an equivalent amount of free rent to offset these costs. The contractor will install the leasehold improvements. Except for modifications that we require, you may not modify the design or plans of your Pizzeria at any time without our advance written permission.
- [5] We may provide you with a set of typical preliminary plans and specifications for the equipment that is necessary to produce menu items, furniture and fixtures for your Patsy's Pizzeria. The amount in the table covers kitchen production equipment, such as a pizza oven, stoves, deep fryers, sinks, walking boxes, refrigeration, grills, dough retarder, dishes, silverware, pots, pans, hoods/sprinkler system, ice machine, spaghetti cooker and furniture such as chairs and tables and a bar/waiting station. It also covers furniture and fixtures for your Pizzeria such as tables, chairs, and various items of décor that will be installed into a premise that has been designated for your Pizzeria.
- [6] You must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines, security cameras and other

- computer-related accessories, peripherals and equipment (the “computer and Point of Sale systems”). You must obtain high-speed communications access for your computer and point of sale systems, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your Business. See Item 11.
- [7] The initial inventory to open your business includes such products, supplies, equipment and materials specified in our Manual or otherwise.
  - [8] Utilities will set charges utility deposits. States and localities will set costs for permits and licenses.
  - [9] Actual cost depends on the work done by your accountant and attorney and their rates.
  - [10] Depending on location, type and size of sign. Your signs must conform to specifications.
  - [11] You must spend, according to a Market Introduction Program we prepare and provide to you, a total sum of \$2,500 on grand opening advertising. The Market Introduction Program will set forth the commencement date of such requirements and the type and nature of advertising that must be conducted during that time period. The Market Introduction Program’s requirements will end on the date that your Pizzeria opens for business to the public.
  - [12] This estimate includes the expenses incurred in the training of hourly employees. The range may be higher or lower based on the cost of labor in your area, the amount that you pay your staff, benefits you offer employees, and the number of employees you hire.
  - [13] Annual premium for required insurance coverage – see Item 6.
  - [14] We may require you to reimburse us for certain legal fees, in an amount not to exceed \$5,000, associated with negotiating your Franchise Agreement.
  - [15] The estimate of additional funds for the initial phase of your Business is based on your staff salaries and operating expenses for the first three months of operation. The additional funds required will vary by your area; how much you follow our methods and procedures; your management skill, experience and business acumen; the relative effectiveness of your staff; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.
  - [16] We and our affiliates do not finance your initial investment. In compiling these estimates, we rely on our experience in operating and franchising businesses. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must offer for sale in your Business all menu items, products and services we specify, and only those menu items, products and services we specify. We have developed proprietary fresh mozzarella cheese, pizza flour and pizza boxes which you may, but are not currently required to, purchase from our designees. In the future, we may require you to purchase these and additional and/or different proprietary products from us or our designees (which may include tomato sauce and other menu items, products and/or services which now comprise, or in the future may comprise, a part of the Patsy’s Pizzeria System and which now or in the future is developed by, is proprietary to or kept secret by us). You must purchase all other menu items, ingredients, condiments, beverages, inventory, signs, furnishings, supplies, fixtures and equipment from our designated or approved suppliers. There are no products for which we or our affiliates are currently approved suppliers or the only approved suppliers. No officer of ours owns any interest in an approved supplier.

Neither we nor any of our affiliates currently receive any revenues from the sale of required products to franchisees, but we and/or one of our affiliates may receive revenues from this source in the

future. You may, but are not required to, purchase Patsy's Pizzeria Pizza Flour, Patsy's Pizza Boxes, and Patsy's Pizza Fresh Mozzarella Cheese from our designated suppliers. The designated suppliers are granted by our affiliate the right to sell Patsy's Pizza products to our franchisees. The designated supplier pays our affiliate a rebate in regard to some or all of these purchases by franchisees. In the fiscal year ended December 31, ~~2019~~2020, our affiliate received ~~\$4,946.00~~\$3,374 from the sale of our proprietary products by our affiliate's licensed supplier to our franchisees.

We or our affiliates do not currently have proprietary computer software that we require you to use. If we or our affiliates develop proprietary computer software in the future, you must use our proprietary computer software programs. See Item 11. We will provide the proprietary software to you at no charge. You pay for any future updates or revisions. We do not expect to increase our fees for updates and revisions beyond inflation in the applicable industry segment unless our costs increase due to shortages, catastrophes, strikes, Acts of God, etc. You must procure and install the computer and Point of Sale systems we require at the Pizzeria. See Items 7 and 11.

We will provide you with specifications governing the minimum standards of certain menu items, products, services or equipment you procure from unrelated third parties in our Manual or in other written notices we transmit to you. We may modify our specifications in writing, and may add new specifications in writing. You may purchase these items from any supplier whose menu item, product, service or equipment meets our specifications.

We do not maintain written criteria for approving suppliers, and thus these criteria are not available to you or your proposed supplier. If we name a supplier for a product or service, you may contract with an alternative supplier if you meet our criteria. To obtain our written approval for the alternative supplier:

- You must submit a written request to us for approval of the supplier.
- The supplier must meet our specifications to our reasonable satisfaction.
- The supplier must demonstrate to our reasonable satisfaction that it is in good standing in the business community for financial soundness and reliability of its product or service.

We may test, at your expense, the product or service of any supplier you propose, whether or not the supplier is then approved by us. We will give you notice of our approval or disapproval of the supplier within 14 days. If we revoke approval of any supplier, we will give you written notice (in our Manual or otherwise).

Except as disclosed above regarding our designees who supply (at currently, our franchisees' entirely optional election) proprietary products, we currently negotiate no purchase arrangements with suppliers for the benefit of franchisees. There are no purchasing or distribution cooperatives. We provide you with no material benefits (such as granting additional franchises) based on your use of designated or approved sources. We and our affiliates receive no payments or rebates from any supplier, nor do we or our affiliates receive any special discount on purchases from any supplier for ourselves or themselves, in connection with purchases from our franchisees. We reserve the right to do so in the future.

You must purchase the required insurance – see Item 6.

We estimate that the required purchases described above are 83% to 85% of the cost to establish a franchised Patsy's Pizzeria and approximately 25% of operating expenses.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

| Obligation                                                 | Section in Agreement                                           | Disclosure Document Item  |
|------------------------------------------------------------|----------------------------------------------------------------|---------------------------|
| a. Site selection and acquisition/lease                    | Article 7 of Franchise Agreement, Exhibit C                    | Items 7 and 11            |
| b. Pre-opening purchases/leases                            | Sections 7.02 and 9.10 of Franchise Agreement                  | Items 6, 7, 8 and 11      |
| c. Site development and other pre-opening requirements     | Article 7 of Franchise Agreement                               | Not Applicable            |
| d. Initial and ongoing training                            | Sections 8.02 - 8.04 of Franchise Agreement                    | Item 11                   |
| e. Opening                                                 | Section 9.01 of Franchise Agreement                            | Item 11                   |
| f. Fees                                                    | Article 5, Sections 14.01 and 15.04 of Franchise Agreement     | Items 5 and 6             |
| g. Compliance with standards and policies/Operating Manual | Article 9 - 11 of Franchise Agreement                          | Items 7, 8, 11, 15 and 16 |
| h. Proprietary Marks and proprietary information           | Articles 13, 16 and 19 of Franchise Agreement                  | Items 13 and 14           |
| i. Restrictions on products/services offered               | Sections 3.03 and 9.08 of Franchise Agreement                  | Item 16                   |
| j. Warranty and customer service requirements              | Not applicable                                                 | Item 16                   |
| k. Territorial development and sales quotas                | Not applicable                                                 | Item 12                   |
| l. Ongoing product/service purchases                       | Section 9.08 and 9.10 of Franchise Agreement                   | Items 6 and 8             |
| m. Maintenance, appearance and remodeling requirements     | Sections 7.05, 7.06, 9.06, 14.01, 15.04 of Franchise Agreement | Item 11                   |
| n. Insurance                                               | Article 10 of Franchise Agreement                              | Item 6                    |
| o. Advertising                                             | Article 11 of Franchise Agreement                              | Item 11                   |
| p. Indemnification                                         | Section 9.12 of Franchise Agreement                            | Item 6                    |

| <b>Obligation</b> |                                            | <b>Section in Agreement</b>                               | <b>Disclosure Document Item</b> |
|-------------------|--------------------------------------------|-----------------------------------------------------------|---------------------------------|
| q.                | Owner's participation/management/staffing  | Sections 9.07 and 9.21 of Franchise Agreement             | Item 15                         |
| r.                | Records and reports                        | Article 12, Sections 5.05 and 8.07 of Franchise Agreement | Item 6                          |
| s.                | Inspections and audits                     | Sections 9.13, 12.02 of Franchise Agreement               | Item 6                          |
| t.                | Transfer                                   | Article 15 of Franchise Agreement                         | Item 17                         |
| u.                | Renewal                                    | Article 14, Section 4.02 of Franchise Agreement           | Item 17                         |
| v.                | Post-termination obligations               | Article 19 of Franchise Agreement                         | Item 17                         |
| w.                | Non-competition covenants                  | Article 13 of Franchise Agreement                         | Item 17                         |
| x.                | Dispute resolution                         | Articles 21-26, 28, 30-32, 34-35 of Franchise Agreement   | Item 17                         |
| y.                | Other: Guarantee of franchisee obligations | Exhibit H                                                 | Items 15 and 17                 |

## **ITEM 10 FINANCING**

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

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

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

### **Pre-Opening Obligations**

Before you open your Pizzeria, we will:

- (1) Designate your Territory. (Franchise Agreement, Section 3.01, Exhibit A)
- (2) Approve or disapprove a site for your Pizzeria Location. We do not currently own sites for leasing to franchisees. You select the site for your Pizzeria Location in your Territory and we approve or disapprove your proposed site. (Franchise Agreement, Section 7.01) If you fail to comply with the time limits and procedures in Article 7 of the Franchise Agreement or if you and we cannot agree upon a Pizzeria Location within one month following the date we sign the Franchise Agreement, then either you or we can terminate the Franchise Agreement, and if either of us does so, then we will refund 75% of the Initial Franchise Fee (or 50% if we have already furnished our Initial Training Program to you), and you must sign a General Release in the form of Exhibit I to the Franchise Agreement.

We may require you to submit maps, completed checklists, photographs, copies of proposed leases, diagrams of the premises with measurements and other information and materials

which we may reasonably require to evaluate your proposed Restaurant Location. We may visit your proposed Pizzeria Location but the Franchise Agreement does not require us to do so.

We consider the following factors in approving sites: the size of your Territory; the market potential and estimated volume of your Business; the general location and neighborhood and nearness to customers; store visibility; traffic patterns; co-tenant attractiveness; size of the space; age and condition of the shopping center or building; the location and convenience of entrances; the availability of parking; the availability of locations and necessary zoning; the location of competitors; expected overhead; lease terms; and, traffic patterns.

- (3) Approve or disapprove the lease or purchase agreement for the Pizzeria Location within 20 business days after we receive it. If we do not communicate our approval or disapproval to you in that time, and if the Lease is accompanied by a rider containing the required provisions of Exhibit C to the Franchise Agreement, the agreement is approved. (Franchise Agreement, Section 7.02)
- (4) Review your final plans and specifications for the Pizzeria promptly and approve or provide comments on the plans and specifications to you. You may not commence construction of the Pizzeria until we approve the final plans and specifications in writing. We may provide you with the names of designated or approved suppliers and specifications for some items of the design, construction, furniture, fixtures, equipment and decoration of the Pizzeria. (Franchise Agreement, Section 7.03 and 7.04)
- (5) Specify the electronic and/or written accounting and MIS Systems, procedures, formats and reporting requirements which you will use to account for your Business; maintain your financial records and merchandising data; and, generate reports for both you and us. (Franchise Agreement, Section 8.07)
- (6) Lend you a copy of the Confidential Operating Manual (the "Manual"). You must strictly comply with the Manual in operating your Business. We can change the Manual, and you must comply with these changes when you receive them, but they will not materially alter your rights and obligations under the Franchise Agreement. (Franchise Agreement, Section 8.01)
- (7) Furnish you with any written specifications for required products and services (Franchise Agreement, Section 9.08)
- (8) Sell you our proprietary products, if any. See Item 6. (Franchise Agreement, Section 9.08)
- (9) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 11.02)
- (10) If we determine to do so, exercise rights concerning franchisee pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include, for example prescribing the maximum and/or minimum retail prices which you may charge customers; recommending the prices you charge customers; advertising specific retail prices for some or all products or services sold by your franchised Pizzeria, which prices you will be compelled to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your franchised Pizzeria may charge the public. We may do so only in certain geographic areas (cities, states, regions) and not others, or with regard to certain groups of franchisees and not others. Any maximum, minimum or other prices we prescribe or suggest may or may

not optimize the revenues or profitability of your franchised Pizzeria. (Franchise Agreement, Section 8.09)

### **Obligations After Opening**

During the operation of the franchised business, we will:

- (1) Furnish you with the field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our headquarters for consultation and guidance with respect to the operation and management of your Business. The timing of these services will be subject to the availability of our personnel. (See Franchise Agreement, Section 8.05)
- (2) Provide standard electronic accounting forms, other accounting forms and electronic reports, as part of our Manual or otherwise. (Franchise Agreement, Section 8.07)
- (3) Approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose within 10 business days of receipt. If we do not respond within 10 business days, the material is disapproved. (Franchise Agreement, Section 11.02)
- (4) Furnish you with any specifications for required products and services. (Franchise Agreement, Section 9.08)
- (5) Sell you our proprietary products, if any. See Item 6. (Franchise Agreement, Section 9.08)
- (6) Continue, if we determine to do so, to engage in the pricing activities described above in this Item 11. (Franchise Agreement, Section 8.09)

### **Advertising**

#### ***Regional Advertising Cooperatives***

If we form a Regional Advertising Cooperative for your area, we will notify you in writing of the starting date and amount of your required contributions. We will determine the area of each Regional Advertising Cooperative based on an area that we consider likely to be able to advertise effectively on a cooperative regional basis. The Franchise Agreement gives us the power to require Regional Advertising Cooperatives to be formed, changed, dissolved or merged. Your contributions will be at least 1% but no more than 2% of Gross Revenues (unless the Regional Advertising Cooperative changes the maximum contribution under its By-Laws; see Franchise Agreement, Section 11.04 and Sample By-Laws, Exhibit G to the Franchise Agreement). Expenditures by the Regional Advertising Cooperative need not be in proportion to the contributions you make (or any other franchisee makes).

A Regional Advertising Cooperative may spend funds for: developing advertising ideas and concepts; developing market research and merchandising programs; preparing advertising campaigns; developing promotional ideas and strategies; preparing collateral creative materials; preparing advertisements (including writing, filming, editing, etc.); planning, negotiating, contracting and trafficking media programs; technical and professional advice for programs; public relations; and, administration of the Regional Advertising Cooperative, including legal and accounting services.

The Regional Advertising Cooperative will order an audit following the end of each fiscal year. The auditors will present their audit report to the Board of the Regional Advertising Cooperative as soon as practicable, and the Board will then present the report to you and the other members of the Regional Advertising Cooperative at the next regular meeting or at a special meeting. (See Section 11.02 of the Sample By-Laws, Exhibit G to the Franchise Agreement.)

## ***Advertising Fund***

We may form an advertising fund and if we do, you must contribute to our advertising fund (the "Fund") (see Item 6). (Franchise Agreement, Section 11.01.)

We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures for you which are equivalent or proportionate to your contributions to the Fund. We need not ensure that any particular franchisee benefits directly or proportionately from Fund advertising. The Fund is not a trust and we are not a fiduciary.

The Fund may be used to meet all costs of administering, directing, preparing, placing and paying for national, regional or local advertising. This includes: television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Patsy's Pizzeria website; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for the Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the Patsy's Pizzeria System and for competitive networks or units); celebrity endorsements; other activities that we believe are appropriate to enhance, promote and/or protect the Patsy's Pizzeria System; and, engaging advertising agencies to assist in any or all of the above activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other public relations and advertising agency fees.

We need not maintain the money paid by franchisees to the Fund and income earned by the Fund in a separate account, but we may not use this money for any purposes other than those provided for in the Franchise Agreement. We can spend money from the Fund for our reasonable administrative costs and overhead for activities reasonably related to the administration of the Fund and advertising programs for franchisees, including, for example, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of contributions to the Fund and the annual statement of Fund contributions and expenditures described below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund.

Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the fiscal year just ended. We will send you a copy of this statement upon request.

We will spend most contributions to the Fund for advertising purposes during the fiscal year in which the contributions are made. If we spend more than the amount in the Fund in any fiscal year (in addition to any money we have to spend because we did not spend all the money in the Fund during the year before), then we can reimburse ourselves from the Fund during the next fiscal year for all excess expenditures during the preceding fiscal year, with interest. If we spend less than the total in the Fund during any fiscal year, we can either spend the unused money during the next fiscal year or we can rebate all or a portion of the unused money to franchisees on a proportionate basis for them to spend on local advertising and promotion.

We can use whatever media, create whatever programs and allocate advertising funds to whatever regions or localities we consider appropriate. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total amount of contributions to the Fund collected from all Patsy's Pizzeria franchisees and company-owned units is insufficient to

sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees and our (or our affiliates') company-owned units on a proportionate basis. You must spend any rebate on the types of local advertising and media that we determine (or, if we direct, in accordance with the local advertising and promotion requirements of the Franchise Agreement) according to a plan and budget we review and approve in advance. You must document all rebate advertising expenditures to us in a monthly rebate advertising expenditure report form.

Although we intend the Fund to be perpetual, we can terminate the Fund. We will not terminate the Fund until it has spent all money in the Fund for advertising and promotional purposes.

No Patsy's Pizzeria owned and operated by us or our affiliates must participate in or contribute to the Fund.

We neither collected any contributions to the Fund nor spent any money from the Fund in ~~2019~~2020.

### ***Advertising Council***

There is no advertising council composed of franchisees. The Franchise Agreement does not give us the power to form, change, or dissolve a franchisee advertising council.

### ***Other Advertising Information***

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your geographic area. We currently do not advertise, but we may in the future advertise using print, radio and television, with local, regional and national coverage. We may employ both an in-house advertising department and national or regional advertising agencies.

You may develop advertising materials for your own use, at your own cost. As stated above, we must approve these advertising materials in advance and in writing, but if we do not respond within ten business days after receiving your proposed advertising material, the material is disapproved.

### ***Web Sites***

You may not maintain a World Wide Web site or otherwise maintain a presence or advertise on the Internet or any other public computer network (each a "Web site") in connection with the franchised Business without our advance written approval, which we may withhold for any reason or for no reason. Your Web site(s) may be accessible only through our Web site(s). If you develop a Web site with our approval, you must follow all guidelines and requirements in the Manual and use any templates provided in the Manual (including required hyperlinks), so that your site conforms to our requirements, including those related to format, "look and feel," substantive content, privacy and technical performance. You may not allow customers to see your Web page(s) or any modifications unless you have received our advance written approval. We will be the only owner of the copyrights for all material which appears on your Web page(s). All content and information which appears on your Web site(s) or which you gather from visitors to your Web site will be considered our confidential information.

### ***Computer and Point of Sale System***

In the future, we may develop, or have developed on our behalf, proprietary software. You agree to use proprietary software and software support services that either we develop and provide or which are provided by a third party supplier we designate, and to execute our standard form Software License Agreement (Franchise Agreement, Exhibit E) if required by us. We will initially provide our proprietary software and associated manuals and materials to you at our expense. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third party vendor establish, but you will not be required to do so more than once in any calendar

year. You will pay for new or updated programs and materials when you order them. (Franchise Agreement, Section 9.10)

Before the commencement of the franchised Pizzeria's operations, you must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines, security cameras and other computer-related accessories, peripherals and equipment (the "computer and Point of Sale systems"). See Item 7 for the cost of the computer and Point of Sale systems. You must obtain high-speed communications access for your computer and Point of Sale systems, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your Business.

We do not currently have a required Point of Sale system; however, we may designate a Point of Sale or other system in the future, in which case you will be required to utilize such system(s) that we mandate or approve in advance. We estimate that the required computer and Point of Sale systems and electronics will cost from \$7,500 to \$15,000, unless you already have adequate computer and Point of Sale systems and electronics, in which case you will incur no further cost.

You must provide all assistance we require to bring your computer and Point of Sale systems on-line with our headquarters computer at the earliest possible time and to maintain this connection as we require. You must input and maintain in your computer and Point of Sale systems all data and information which we prescribe in our Manual, in our proprietary software and manuals (if any), and otherwise. We may retrieve from your computer and Point of Sale systems all information that we consider necessary, desirable or appropriate. We will bear the telephone costs of this information retrieval. You must accurately, consistently and completely record, structure, capture and provide through the computer and Point of Sale systems all information concerning the operation of the franchised Business that we require, in the form and at the intervals that we require.

You must keep your computer and Point of Sale systems in good repair. If we run tests and determine that the installation will benefit you and us, you must install (at your own expense) whatever additions, changes, substitutions and replacements to your computer hardware, software, telephone and power lines, etc. we direct. You must install these items when we direct. You will pay for these items at the time and upon the terms that the sellers specify. There is no contractual limit on our ability to require you to upgrade, add components to and/or replace components of the computer and Point of Sale systems.

## **Manual**

As discussed above, we will lend you a copy of the Manual. The following is the Table of Contents of the Manual as of the date of this disclosure document:

| <b>TOPIC</b>                                    | <b>NUMBER OF PAGES</b> |
|-------------------------------------------------|------------------------|
| Chapter 1: Welcome to Patsy's Pizzeria          | 3                      |
| Chapter 2: Standards and Location Visits        | 2                      |
| Chapter 3: Pre-Opening Timeline and Preparation | 7                      |
| Chapter 4: Franchisee Training                  | 3                      |
| Chapter 5: Personnel                            | 9                      |
| Chapter 6: Corporate Policies                   | 11                     |

| <b>TOPIC</b>                                       | <b>NUMBER OF PAGES</b> |
|----------------------------------------------------|------------------------|
| Chapter 7: Maintenance and Store Operations        | 11                     |
| Chapter 8: Accounting                              | 4                      |
| Chapter 9: POS System                              | 3                      |
| Chapter 10: Inspections, Reports and Audits        | 2                      |
| Chapter 11: Food Handling, Cleaning and Sanitation | 10                     |
| Chapter 12: Safety and Security                    | 9                      |
| Chapter 13: Marketing                              | 5                      |
| Chapter 14: Supply/Distribution Chain              | 6                      |
| Total                                              | 85                     |

### **Training**

After you obtain your Pizzeria Location and before the opening of your Patsy's Pizzeria, we will provide our Initial Training Program to up to three people free of cost to you for tuition and materials. You (if the franchisee is an individual), your Pizzeria Manager and your Principal Pizzaman must attend and successfully complete the Initial Training Program. The following is a description of our Initial Training Program as of the date of issuance of this Disclosure Document:

### **TRAINING PROGRAM**

#### **For Pizzeria Manager Training**

| <b>Subject</b>                                                                  | <b>Hours Of Classroom Training</b> | <b>Hours Of On The Job Training</b> | <b>Location</b>                                                       |
|---------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------------------------------------------|
| Front of House Training; Wait-Staff management, Customer Service                | 3                                  | 8                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Kitchen Management; Expediting, Ordering, Inventory Management                  | 3                                  | 8                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Business Management; Payroll, Accounting, POS System Tutorial, Vendor Relations | 5                                  | 8                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |

| <b>Subject</b> | <b>Hours Of Classroom Training</b> | <b>Hours Of On The Job Training</b> | <b>Location</b> |
|----------------|------------------------------------|-------------------------------------|-----------------|
| Total Hours    | 11                                 | 24                                  |                 |

**For Principal Pizzaman Training**

| <b>Subject</b>             | <b>Hours Of Classroom Training</b> | <b>Hours Of On The Job Training</b> | <b>Location</b>                                                       |
|----------------------------|------------------------------------|-------------------------------------|-----------------------------------------------------------------------|
| Dough Preparation          | 2                                  | 4                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Sauce Preparation          | 2                                  | 4                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Cheese/Topping Preparation | 1                                  | 3                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Pizza Making               | 3                                  | 8                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Oven Handling              | 3                                  | 5                                   | Patsy's Pizzeria<br>2287-91 1 <sup>st</sup> Avenue New York, NY 10035 |
| Total Hours                | 11                                 | 24                                  |                                                                       |

We conduct the Initial Training Program as frequently as needed at our headquarters in New York, New York. Our training materials consist of our Manual, demonstrations, lectures, discussions and other training materials. Isa Brija, our President, is in charge of the Initial Training Program. The

minimum experience of the instructors that is relevant to the subject taught and Patsy's Pizzeria operations is approximately two years.

If you (if an individual) and/or your Pizzeria Manager and/or your Principal Pizzaman fail to successfully complete the Initial Training Program, we can terminate the Franchise Agreement. If we terminate the Franchise Agreement, we will refund 50% of the Initial Franchise Fee (minus our expenses), and you must sign a General Release in the form of Exhibit I to the Franchise Agreement.

You must pay an additional charge to us for providing the Initial Training Program to additional or replacement personnel. This training is required of replacement Pizzeria Managers and Principal Pizzamen. See Item 6 for information about charges for training additional or replacement trainees.

You can request additional on-site training and/or assistance at any time. We will provide it at our option, but the Franchise Agreement does not require us to provide it. We may impose a fee for each day of additional on-site training or assistance we agree to provide. The timing of all additional on-site and off-site advice, consultation and training (after the Initial Training Program) will be subject to the availability of our personnel.

We may from time to time conduct an annual conference, convention or training session. We will determine the duration, curriculum and location of these. You (if an individual), your Pizzeria Manager and your Principal Pizzaman must attend each annual conference, convention or training session. We reserve the right to charge our then-current fees for such events.

You must pay all the expenses incurred by your trainees or attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses. (Franchise Agreement, Section 8.02)

We may offer you consultation services beyond the field support services described in the Franchise Agreement, including specialized advice related to the operation of your Patsy's Pizzeria; on-site reviews of your operations and the furnishing of retraining as needed; on-site retraining of your Pizzeria Manager, Principal Pizzaman and other personnel; and, other specialized assistance as may be requested by you. You must pay us for any consultation services performed at your request on the terms, at the times and in the amounts that we set forth at the time of offer or sale, in our Manual or otherwise. (Franchise Agreement, Section 8.06)

### **Time to Open**

You must open your Pizzeria within 160 days after we sign your Franchise Agreement. We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Pizzeria is 160 days. Factors affecting time include obtaining all required state, local and other required government certifications, permits and licenses, procuring required insurance, attendance at and satisfactory completion of our Initial Training Program, obtaining a satisfactory Pizzeria site, arranging for any financing, complying with local ordinances, completing delivery and installation of equipment and signs and procuring opening inventory.

## **ITEM 12 TERRITORY**

We will grant you a geographic area (the "Territory"). The minimum Territory we grant you in a city will consist of five blocks in length on the same avenue or street. The minimum Territory we grant you in a suburban area will be a one mile radius from your Pizzeria. We will describe your Territory in detail in Exhibit A to your Franchise Agreement.

You may operate your franchised Business from only one Pizzeria Location. "Pizzeria Location" means a location you select and we approve, from which you conduct the Business.

You may not relocate the Pizzeria without our previous written approval. You must reimburse us for any reasonable costs we incur in considering your request. We will grant approval if you are in compliance with the Franchise Agreement, you have paid all money owed to us and our affiliates, the proposed location meets our site selection criteria, and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect your proposed new location.

We may offer you an option to purchase additional Patsy's Pizzeria franchises. If you accept, you must execute an Option Agreement (see Exhibit D to the Franchise Agreement) and pay us an Option Fee of 10% of the Initial Franchise Fee for each optioned franchise. The Option Fee is due when you sign the Option Agreement and is not refundable. If you purchase an optioned franchise, we will credit the Option Fee toward the Initial Franchise Fee for the franchise, so that you will only have to pay the 90% balance of the Initial Franchise Fee for the franchise. If you do not execute a Franchise Agreement for the optioned franchise by the date in the Option Agreement, then the option lapses and we will not refund the Option Fee.

Your Patsy's Pizzeria Business may only offer and sell its products and services from your Patsy's Pizzeria. Your Business may not sell any products or services through any means and manner other than your Patsy's Pizzeria, including through any alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce; "800" or similar toll-free telephone numbers; catalogs; telemarketing or other direct marketing sales; or, any other channel of distribution except for your franchised.

While the Franchise Agreement is in effect, we and our affiliates will not, in your Territory, operate a company-owned Patsy's Pizzeria Business of the type franchised, or grant a franchise for a similar or competitive business, except as described below. Outside the Territory, we and our affiliates can operate any number of Patsy's Pizzerias, and/or authorize others to operate them, at any location, including locations that may be near, but not within, the Territory

We and/or our affiliates may engage in any type of business activity in or outside the Territory except as we are restricted as described in the preceding paragraph. The Franchise Agreement does not confer upon you any right to participate in or benefit from any other business activity, whether it is conducted under the Proprietary Marks or not. For example, we and/or our affiliates may own, operate or authorize others to own or operate any type of business at any location, including within your Territory, so long as the other business does not sell under the Proprietary Marks the type of products or services which your Patsy's Pizzeria Business offers and sells, except as permitted below. You will receive no compensation for these businesses' sales.

Only we and/or our affiliates have the right to sell within and outside your Territory, under the Proprietary Marks, all products or services and/or their components or ingredients -- including those used or sold by your Patsy's Pizzeria -- through any method of distribution other than a Patsy's Pizzeria situated within your Territory, including the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; mail order; catalogs; telemarketing or other direct marketing sales; television sales (including "infomercials"); or, any other channel of distribution except for a Patsy's Pizzeria. You will receive no compensation for our or our affiliates' sales through alternative distribution channels.

In addition, we and/or our affiliates have the right to sell (directly, or through other franchisees or licensees) Patsy's Pizzeria System products and services at nontraditional locations, including nontraditional locations situated in your Territory, through the establishment of Patsy's Pizzerias, kiosks, mobile units, concessions or "shop in shops". "Nontraditional locations" include resorts; food retailers (including supermarkets, grocery stores and convenience stores); schools and universities; hospital and healthcare facilities; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third party retailer (including shops, stores and department stores); military bases and installations; and, any other location or

venue to which access to the general public is restricted. You will receive no compensation for our or our affiliates' sales at nontraditional locations.

Both within and outside the Territory, only we and/or our affiliates have the right to sell Patsy's Pizzeria System products and services to national, regional and institutional accounts. "National, Regional and Institutional accounts" are organizational or institutional customers whose presence is not confined to your Territory, including (for example): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with national, regional and/or institutional accounts, which may include facilities within your Territory. If we receive orders for any Patsy's Pizzeria products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill the orders at the price we agree on with the customer or to give you the opportunity to fulfill the orders at the price we agree on with the customer. If we give you the opportunity to fulfill an order and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Patsy's Pizzeria franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Manual.

The territory is not exclusive. You may face competition from other franchisees, from franchisor owned outlets or from other channels of distribution or competitive brands franchisor controls.

We may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and we may then operate, franchise or license those other businesses and/or facilities under any names or marks other than the Proprietary Marks regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately near it. You will receive no compensation for these activities.

Under the terms of the Franchise Agreement, you waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

We and our affiliates have not established and do not currently intend to establish any other franchises, company-owned outlets or other distribution channels offering similar products or services under a different trademark anywhere in the United States, but we may do so in the future.

There is no minimum sales quota. During the term of your Franchise Agreement, there are no circumstances when we can alter your Territory. You have no options, rights of first refusal or similar rights to acquire additional franchises with the territory or contiguous territories.

### **ITEM 13      TRADEMARKS**

"Proprietary Marks" means our symbols, trademarks, service marks, logotypes and trade names. The principal Proprietary Mark which we will license to you appears on the cover of this disclosure document.

IOB Realty, Inc. has a pending registration with the United States Patent and Trademark Office (the "USPTO") for the following Proprietary Mark we will license you:

#### **Pending Federal Registration Applications**

| <b>Application Number</b> | <b>Description Of Mark</b> | <b>Principal Or Supplemental Register</b> | <b>Application Date</b> |
|---------------------------|----------------------------|-------------------------------------------|-------------------------|
| 76649149                  | PATSY'S PIZZERIA           | Principal                                 | October 25, 2005        |

The USPTO initially rejected IOB Realty, Inc.'s application for the Mark "PATSY'S PIZZERIA" based on a competing use. The USPTO's rejection has been appealed to the Trademark Trial and Appeal Board (the "Board"), and the Board has suspended its decision on whether to grant the application pending the final determination of an opposition at the United States Patent and Trademark Office, Trademark Trial and Appeal Board, wherein there is a counterclaim to cancel Registration No. 3,090,551 (the registration cited as the basis for refusing registration to "PATSY'S PIZZERIA"). This opposition has in turn been suspended pending a final determination of the civil action described in Item 3.

As disclosed in Item 3, there is a lawsuit pending in the Southern District of New York implicating our ability to register the Proprietary Mark "PATSY'S PIZZERIA." On July 2, 2018, the Court ordered the USPTO to grant our applications for the registration of the Proprietary Mark "PATSY'S PIZZERIA" and to register the Proprietary Mark "PATSY'S PIZZERIA"; however, the plaintiff has appealed the District Court's decisions to the United States Court of Appeals for the Second Circuit. [This case is still pending.](#) We do not have a federal registration for this Proprietary Mark. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

IOB Realty, Inc. has licensed us to use the Patsy's Pizzeria System, trademarks, service marks and other intellectual property and to sublicense them to our franchisees in a cross-license agreement dated as of June 24, 2014. There are no agreements which significantly limit our rights to use or license the Proprietary Marks.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Proprietary Marks, you must promptly notify us. We will promptly take the action we consider necessary to defend you. We must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims about the Proprietary Marks. You may not settle or compromise any of these claims without our previous written consent. We will have the right to defend and settle any claim at our sole expense, using our own counsel. You must cooperate with us in the defense. Under the Franchise Agreement, you irrevocably grant us authority to defend or settle these claims. You may participate at your own expense, but our decisions with regard to the defense or settlement will be final. We will have no obligation to defend or indemnify you if the claim against you relates to your use of the Proprietary Marks in violation of the Franchise Agreement.

If you learn that any third party whom you believe is not authorized to use the Proprietary Marks is using the Marks or any variant of the Marks, you must promptly notify us. We will determine whether or not we wish to take any action against the third party. You will have no right to make any demand or to prosecute any claim against the alleged infringer for the infringement.

You must comply with any instruction by us to modify or discontinue use of any Proprietary Mark or to adopt or use additional or substituted Proprietary Marks. If this happens, we will reimburse you for your documented expenses of complying (such as changing signs, stationery, etc.). Except for reimbursing your documented expenses of complying, we will not be liable to you for any resulting expenses.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents**

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

### **Copyrights**

We claim copyrights on certain software, forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in the Patsy's Pizzeria Confidential Operating Manual.

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the United States Patent and Trademark Office, Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. Finally, as of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them in this state or in the state in which the franchised Business will be located.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Proprietary Marks described in Item 13 of this disclosure document.

### **Confidential Information**

You may never – during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated – reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize.

Under the Franchise Agreement, the following persons must sign our Confidentiality/Non-Competition Agreement (Exhibit F to the Franchise Agreement):

- Before employment or any promotion, your Pizzeria Manager, your Principal Pizzaman and all other managerial personnel; and
- If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you.

Our confidential information will include information, knowledge, trade secrets or know-how used or embraced by the Patsy's Pizzeria System, the Manual, and many other matters specified in the Franchise Agreement.

You must irrevocably license to us all intellectual property, services, products, equipment, programs, sales, marketing, advertising and promotional programs, campaigns or materials, and sales methods you develop for the Business. We will not be liable to you in any way because of this license.

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

You must personally supervise the operation of the franchised Business, unless we permit in writing. You must devote the necessary time and your best efforts for the proper and effective operation of the Business. If we license you to operate more than one Business, you must devote the time necessary for the proper and effective operation of all your Businesses.

If an individual, you must either serve as or designate a Pizzeria Manager. An entity franchisee must designate a Pizzeria Manager. The Pizzeria Manager, who will have day-to-day management responsibility for your Business, will exercise on-premises supervision and personally participate in the direct operation of the Business. You must inform us in writing of your Pizzeria Managers and any successors in advance. We must approve your Pizzeria Managers before you appoint them. Your Pizzeria Managers must complete the Initial Training Program to our satisfaction. After a Pizzeria Manager's death, disability or termination of employment, you must immediately notify us, and you must designate a successor or acting Pizzeria Manager within 10 days.

You must designate a Principal Pizzaman. The Principal Pizzman will be the individual in the Pizzeria with primary responsibility for the preparation of all menu items. You must inform us in writing of your Principal Pizzaman and any successors in advance. We must approve your Principal Pizzaman before you appoint him or her. Your Principal Pizzaman must complete the Initial Training Program to our satisfaction. After a Principal Pizzaman's death, disability or termination of employment, you must immediately notify us, and you must designate a successor or acting Principal Pizzaman within 10 days.

If the franchisee is a business entity, neither the Pizzeria Manager nor the Principal Pizzaman need have any equity interest in the franchisee entity.

Your Pizzeria Manager, Principal Pizzaman and the other persons listed in Item 14 must sign our confidentiality/non-competition agreement (Exhibit F to the Franchise Agreement) and keep our confidential or proprietary information confidential (see Item 14).

If you are a business entity, each owner of a 5% or greater interest in you must sign a personal guarantee in the form of Exhibit H to the Franchise Agreement.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must at all times offer and sell all products, services and programs which we designate part of the Patsy's Pizzeria System unless you are prohibited by local law or regulation from selling a menu item, product, service or program or we have granted you our advance written approval to exclude a menu item, product, service or program.

If you would like to sell any product, service or program which is not a part of the Patsy's Pizzeria System, then you must seek and obtain our advance written permission. If we grant our advance written approval, then the product, service or program in question will become a part of the Patsy's Pizzeria System (though we will not be required to, but may, authorize it for sale at one or more other Patsy's Pizzerias). We may subsequently revoke our approval. We will own all rights associated with the product, service or program. You will not be entitled to any compensation in connection with it.

We may add to, delete from or modify the services, products and programs which you can and must offer or we may modify the Patsy's Pizzeria System. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes.

In addition to modifications of the Patsy's Pizzeria System, we may at times co-brand one or more restaurant concepts which we or our affiliates operate with Patsy's Pizzeria System Pizzerias and/or offer for sale in Patsy's Pizzeria System Pizzerias products sold in businesses operated by us and/or our affiliates (collectively, "Co-Branding"). This Co-Branding may involve changes to the Proprietary Marks, and may require you to modify the building and premises of your Patsy's Pizzeria System Pizzeria and the furnishing, fixtures, equipment, signs and trade dress at your Patsy's Pizzeria System Pizzeria. If you receive written notice of our institution of Co-Branding, you must implement the Co-Branding at your franchised Business. The Franchise Agreement does not place any limit on our rights to require you to make changes for Co-Branding.

You may only sell Patsy's Pizzeria System products and services at retail from your Patsy's Pizzeria, and you may not engage in the wholesale sale and/or distribution of any Patsy's Pizzeria product, service, equipment or other component, or any related product or service.

See Item 12 for the territorial limitations on the retail customers to whom you can sell.

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

**This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document. See Exhibit A.**

### Franchise Agreement

| Provisions                                       | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                  | Section 4.01                   | Term begins on the day we sign Franchise Agreement and ends ten years thereafter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| b. Renewal or extension of the term              | Section 4.02, 14.01            | You can enter into consecutive Renewal Franchise Agreements for a term of ten years each if you comply with certain conditions to renewal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| c. Requirements for you to renew or extend       | Section 14.01                  | <p>a. We are still offering franchises in the area in which your Business is located.</p> <p>b. Notify us no more than nine months and no less than six months before expiration.</p> <p>c. Comply with the Franchise Agreement and Manual and you did so and met your material obligations on time throughout the Initial Term.</p> <p>d. Satisfy all monetary obligations to us, our affiliates, landlord and suppliers.</p> <p>e. Refurbish, redesign and/or remodel your Pizzeria.</p> <p>f. You (if you are an individual) and/or your Pizzeria Manager and/or your Principal Pizzaman and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense.</p> <p>g. You must pay us a renewal fee of 50% of the our then-current Initial Franchise Fee for Businesses.</p> <p>h. Renew your lease on terms acceptable to you and us, or lease an acceptable new Pizzeria Location without any interruption of business.</p> <p>i. Sign a General Release in the form of Exhibit J (but <u>not</u> releasing us from future claims under any Renewal Franchise Agreement).</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but no "initial franchise fee" will apply to you; the boundaries of your Territory will remain the same; the limited renewal rights identified in this Agreement will be incorporated (as applicable); and, the Continuing Royalty on renewal will not be greater than the Continuing Royalty that we then impose on similarly situated renewing franchisees.</p> |
| d. Termination by you                            | 18.02, 18.05                   | <p>a. You may terminate the Franchise Agreement if you and we agree in writing.</p> <p>b. Your failure to pay any Continuing Royalties, System Advertising Fund Contributions or other money after you receive notice of the default granting an opportunity to cure, will mean that you are willfully and wrongfully breaching the Franchise Agreement and that you have decided to reject and terminate the Franchise Agreement and all Agreements between you and us (or our affiliates) related to the Franchise Agreement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| e. Termination by us without cause               | Not Applicable                 | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| f. Termination by us with cause                  | Article 18                     | We may terminate only if you default. The Franchise Agreement describes defaults throughout – please read it carefully.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| g. "Cause" defined - defaults which can be cured | Section 18.03                  | You have 30 days to cure the default if you do not comply with any lawful Franchise Agreement or Manual provision or requirement or otherwise fail to fulfill the terms of the Franchise Agreement in good faith, except for defaults described in a. below. Examples                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Provisions                                | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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|                                           |                                | <p>of curable defaults include:</p> <ul style="list-style-type: none"> <li>a. You do not pay promptly when due any money owed to us, our affiliates or any lender which has provided financing to your franchised Business. The cure period for this default will be 5 days after written notice of default. If you do not cure within the shortened cure period, the Franchise Agreement will terminate immediately upon expiration of the 5-day cure period.</li> <li>b. You do not submit required reports or make any false statement in connection with any reports or information you submit to us.</li> <li>c. You sell unauthorized programs, products or services.</li> <li>d. You fail to maintain your trade accounts in a current status and/or fail to seek to promptly resolve any disputes with trade suppliers</li> <li>e. You engage in any business, or market any program, product or service, under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.</li> <li>f. You do not pay any taxes on your Business when due.</li> <li>g. You do not use our Proprietary Marks and/or trade dress solely in the manner and for the purposes we direct.</li> <li>h. You violate the restrictions relating to advertising.</li> <li>i. You do not indemnify us and/or one of the Franchisor Parties.</li> <li>j. You permit a continued violation in connection with the operation of the franchised Business of any law, ordinance, rule or regulation, in the absence of a good faith dispute.</li> <li>k. You fail to obtain or maintain a required, permit, certificate or other governmental approval.</li> <li>l. You employ an individual who is not legally eligible for employment in the United States.</li> <li>m. You fail to operate your Pizzeria during the days and hours specified in our Manual without our advance written approval.</li> <li>n. You fail to maintain and operate your Pizzeria in a good, clean and sound manner and in strict compliance with our standards.</li> <li>o. Any Guarantor fails to comply with any of the requirements imposed by or pursuant to the Guarantee.</li> <li>p. You do not devote the amount of your time and attention and/or your best efforts to the performance of your duties under the Franchise Agreement necessary for the proper and effective operation of your franchised Business and/or Pizzeria.</li> <li>q. You fail to implement (and, at your expense, take all steps necessary to implement) and thereafter adhere to any new or changed Patsy's Pizzeria System requirements.</li> <li>r. A final material judgment not subject to appeal is entered against you or any Guarantor and remains unsatisfied for more than thirty days or, if the judgment is subject to appeal, you do not prosecute the appeal within thirty days (or a shorter period as any law, rule or regulation requires).</li> </ul> |
| h. "Cause" defined – non-curable defaults | Sections 18.01 and 18.02       | <p>Automatic, without notice: bankruptcy, insolvency, receivership, dissolution or levy. On notice to you:</p> <ul style="list-style-type: none"> <li>a. You do not open the Pizzeria for business to the general public by the date specified in the Franchise Agreement or cease to operate the Business, abandon the franchise, or, fail to operate your Pizzeria for three consecutive days, unless due to causes beyond your control.</li> <li>b. You omitted or misrepresented a material fact in information you furnished us in connection with our decision to sign the Franchise Agreement.</li> <li>c. You and we agree in writing to terminate.</li> <li>d. You lose the right to possession of the Pizzeria Location.</li> <li>e. You, your Pizzeria Manager and/or if you are a business entity, any owner, member, shareholder, director or manager of yours is convicted of a felony, etc.</li> <li>f. You make an unauthorized transfer.</li> <li>g. You do not comply with the in-term covenant not to compete, or obtain the required additional covenants, or you violate the restrictions pertaining to the use of Confidential Information.</li> <li>h. Before you open, we determine that you and/or your Pizzeria Manager and/or your</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Provisions                                    | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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|                                               |                                | <p>Principal Pizzaman has failed to attend or successfully complete the Initial Training Program.</p> <p>i. You knowingly conceal revenues, knowingly maintain false books or records, or submit any false report to us.</p> <p>j. You do not maintain the required financial records.</p> <p>k. An audit shows that you understated your Gross Revenues by 8% or more for any month or for the entire period of examination.</p> <p>l. You refuse us permission to inspect or audit.</p> <p>m. You take any funds withheld from your employees' wages which should have been set aside for the franchised Business' employee taxes, FICA, insurance or benefits; wrongfully take our property; systemically fail to deal fairly with your employees, customers or suppliers; or knowingly permit or, having discovered the facts, fail to take any action against or to discharge any agent, servant or employee who has embezzled.</p> <p>n. After curing a default which is subject to cure, you commit the same act of default again within six months.</p> <p>o. You make a willful misrepresentation or do not make a material disclosure required by any governmental or quasi-governmental authority regarding any matter involving your franchised Business and your Pizzeria.</p> <p>p. You interfere or attempt to interfere in any manner with our contractual relations and/or our relationships with others.</p> <p>q. You do not cure a default which materially impairs the goodwill associated with our Proprietary Marks after at least 72 hours' written notice to cure.</p> <p>r. You fail for 15 days after notice to comply with any law or regulation applicable to the Business.</p> <p>s. You repeatedly fail to comply with one or more requirements of the Franchise Agreement, whether or not corrected after notice.</p> <p>t. You do not purchase or maintain required insurance.</p> <p>u. You, your franchised Business, your Pizzeria Manager, your Principal Pizzaman and/or your franchised Pizzeria commit any violation of law, rule or regulation and/or engage in any act or practice which subjects you and/or us to widespread publicity or ridicule.</p> <p>v. You breach advertising standards and fail to cure within 3 days following written notice.</p> <p>w. You purchase any proprietary programs, products or services or purchase any non-proprietary goods or services under a systemwide supply contract we negotiate, and you use, sell or otherwise exploit them for the benefit of any other individual, entity or business.</p> <p>x. You operate your franchised Business and/or your Pizzeria in a fashion that, in our business judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate the Franchise Agreement upon notice, but we may direct you to immediately close your Pizzeria; you must immediately comply with our direction; and, you must hold us harmless from and against any claims relating to our direction to close your Pizzeria.</p> <p>y. You use our Confidential Information and/or Proprietary Marks in a way not specifically authorized, or for the benefit of any individual or entity other than your franchised Business.</p> <p>z. You engage in any act or conduct, or fail to engage in any act or conduct, which under the Franchise Agreement specifically authorizes us to terminate the Franchise Agreement immediately upon notice to you.</p> <p>aa. You default under any agreement between you and any lessor or sublessor of your Pizzeria Location and you do not cure the default within the period specified in the Pizzeria Location's Lease.</p> |
| i. Your obligations on termination/nonrenewal | Article 19                     | <p>a. Pay all money owing to us or our affiliates, and third parties.</p> <p>b. Stop using our Proprietary Marks, Confidential Information, trade secrets and Manual.</p> <p>c. Cancel assumed name or equivalent registration which contains "Patsy's Pizzeria", or any other Proprietary Marks of ours, or any variant, within 15 days.</p> <p>d. Upon termination of the Agreement by us for cause, grant us the right to immediately</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provisions                                 | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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|                                            |                                | <p>enter and take possession of the Pizzeria to maintain continuous operation of the previously franchised business, provide for orderly change of management and disposition of personal property, and otherwise protect our interests.</p> <p>e. If we terminate the Franchise Agreement for your default or you terminate through failure to make payment following notice to cure (see section d. above), pay us all expenses and damages incurred as a result of your default or termination. Damages may include, for example, lost profits, lost opportunities, damage to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a new Business at or proximate to the Pizzeria Location.</p> <p>f. Immediately deliver to us all confidential information, manuals, computer software and database material, customer lists, records and files, forms, advertising and promotional material, signs and related items which bear our Proprietary Marks.</p> <p>g. Immediately sign agreements necessary for termination.</p> <p>h. Stop using the telephone numbers listed in directories under the name "Patsy's Pizzeria" or any confusingly similar name.</p> <p>i. Strictly comply with the post-termination/post-expiration covenants not to compete.</p> <p>j. Continue to abide by restrictions on the use of our Confidential Information, trade secrets and know-how.</p> <p>k. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the franchised Business, printouts, and other information pertaining to computer operations, codes, procedures and programming.</p> <p>l. If we choose not to take over the Pizzeria, redecorate and remodel it to deidentify it. If we terminate for cause, we can take possession of the Business. If you dispute the termination, then we can operate the Business until the final court determination. If the court decides the termination was not valid, we must make a complete accounting for the period when we operated the Business.</p> |
| j. Assignment of contract by us            | Section 15.01                  | We have the right to assign the Franchise Agreement to any person or business entity. We may sell our assets, Proprietary Marks, or Patsy's Pizzeria System; go public, etc. (see Franchise Agreement)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| k. "Transfer" by you – definition          | Section 15.02                  | Any assignment, transfer, subfranchising, sublicensing, sale, redemption or division of Agreement, franchised Business, Pizzeria, any interest in them or a business entity franchisee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| l. Our approval of transfer by you         | Section 15.02, 15.03           | No transfer without our consent except as provided in Franchise Agreement (for example, transfer to a business entity you form for convenience).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| m. Conditions for our approval of transfer | Section 15.04                  | <p>a. The person to whom you propose to transfer (the "transferee") must apply to us for acceptance.</p> <p>b. Transferee must come to personal interview, or we may meet with transferee at his, her or its business or residence, and if we do you must reimburse us for our travel, lodging, meal and personal expenses.</p> <p>c. Transferee has the organizational, managerial and financial structure and resources required to conduct the franchised Business properly.</p> <p>d. Transferee complies with our ownership requirements relative to the control of the proposed assignee and the franchised Business.</p> <p>e. Transferee complies with our restrictions relative to involvement in any business which competes with the franchised Business.</p> <p>f. Transferee has those financial resources and capital to operate the franchised Business in accordance with our standards.</p> <p>g. Transferee, his/her/its proposed Pizzeria Manager and his/her/its proposed Principal Pizzaman must attend and successfully complete Initial Training Program before assignment (and other training if we wish), at transferee's expense.</p> <p>h. The landlord of the Pizzeria Location must consent in writing to the assignment of lease.</p> <p>i. You must have cured any existing defaults, fully comply with all obligations to us and satisfy your outstanding monetary obligations to third parties.</p> <p>j. Transferee must sign our then-current Franchise Agreement (but need not pay</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| <b>Provisions</b>                                                         | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                       | <p>another Initial Franchise Fee). The term of the new Franchise Agreement will be the balance of the term of your Franchise Agreement.</p> <p>k. Transferee must have acquired, or will be able to immediately acquire following the signing of the new Franchise Agreement, all permits, licenses and other authorizations legally necessary to operate Business.</p> <p>l. You will sign any and all documents we reasonably request to evidence your liability for all of your obligations to us and our affiliates under the Franchise Agreement which arose from your operation of the franchised Business before the effective date of your transferee's new franchise agreement.</p> <p>m. Any owners or other parties having an interest in the proposed transferee of the Pizzeria Location will sign our Guarantee.</p> <p>n. The Total Sales Price of your sale, assignment or transfer may not be so excessive, in our determination, that it jeopardizes the continued economic viability and future operations of the franchised Business and/or the transferee. See Franchise Agreement for definition of "Total Sales Price."</p> <p>o. You and your owners and guarantors must sign a general release.</p> <p>p. If the transferee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we sign the new Franchise Agreement and must continue to be complied with.</p> <p>q. You must give us copies of the proposed assignment contract and signed assignment contract.</p> <p>r. The transferee or you, at either or your expense, must modify the Pizzeria to conform to our then-current standards and specifications within the time we reasonably specify.</p> <p>s. You must pay us a transfer fee of \$5,000 or such greater amount as may be necessary to reimburse us for our expenses incurred in connection with your transfer.</p> <p>t. Neither the transferee now any of its owners or affiliates owns, operates or has any interest in, or has a material business relationship with, a competitor of us or any of our affiliates.</p> |
| n. Our right of first refusal to purchase your business                   | Section 15.06                         | We can match any offer for your Business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| o. Our option to purchase your business                                   | Section 20.01                         | We have the option to buy your franchised Business's assets upon termination or expiration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| p. Your death or disability                                               | Section 15.05                         | If you are a business entity, then upon death or disability of one or more of your owners, the estate of that owner may freely transfer the deceased's interest in the Franchise Agreement and/or franchised Business to certain approved individuals or the franchised Business itself. If you are an individual, your rights pass to your estate (the "Estate") upon your death or disability. Your Estate may continue operating the Business if it provides an acceptable Pizzeria Manager. From the date of your death or disability until a Pizzeria Manager supervises the operation of the Business on a full time basis, we can operate your Business, but need not do so.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| q. Non-competition covenants during the term of the franchise             | Section 13.02                         | No involvement in competing business anywhere in U.S.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| r. Non-competition covenants after the franchise is terminated or expires | Section 13.02                         | No competing business for 2 years within your Territory, within ten miles of the perimeter of your Territory or within ten miles of the perimeter, or within, the Territory or market area (as applicable) of any other franchised or company-owned Patsy's Pizzeria Business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| s. Modification of the agreement                                          | Sections 8.01, 26.01                  | No oral modifications generally, but we may change the Manual. Any Manual change will not conflict with or materially alter your rights and obligations under the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| t. Integration/ merger clause                                             | Section 25.01                         | Only the terms of the Franchise Agreement, the Exhibits to the Franchise Agreement and all agreements signed with it are enforceable (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| <b>Provisions</b>                                 | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| u. Dispute resolution by arbitration or mediation | Not applicable.                       | Not applicable.                                                                                                                                                                                                                                                                                                                                                       |
| v. Choice of forum                                | Section 31.04                         | Litigation must be in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located (currently New York, New York), except that we may bring an action for an injunction in any court with jurisdiction (see Franchise Agreement). (Subject to state law). |
| w. Choice of law                                  | Section 31.03                         | New York law applies. Your state law may supersede this provision and it may not be enforceable in your state. (Subject to state law).                                                                                                                                                                                                                                |

## **ITEM 18 PUBLIC FIGURES**

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

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Isa Brija, Patsy's Pizzeria Franchise Corp., 2287-91 First Avenue, New York, New York 10035, and 212-427-1812, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20 LIST OF OUTLETS<sup>\*</sup>**

**Table No. 1**

### **Systemwide Outlet Summary For Years ~~2017~~2018 to ~~2019~~2020**

| <b>Column 1</b>    | <b>Column 2</b> | <b>Column 3</b>                         | <b>Column 4</b>                       | <b>Column 5</b>   |
|--------------------|-----------------|-----------------------------------------|---------------------------------------|-------------------|
| <b>Outlet Type</b> | <b>Year</b>     | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |

| Column 1      | Column 2                    | Column 3                         | Column 4                       | Column 5     |
|---------------|-----------------------------|----------------------------------|--------------------------------|--------------|
| Outlet Type   | Year                        | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change   |
| Franchised    | <del>2017</del>             | <del>11</del>                    | <del>11</del>                  | <del>0</del> |
|               | 2018                        | 11                               | 11                             | 0            |
|               | <u>2019</u>                 | <u>11</u>                        | <u>11</u>                      | <u>0</u>     |
|               | <del>2019</del> <u>2020</u> | 11                               | 11                             | 0            |
| Company-Owned | <del>2017</del>             | <del>4</del>                     | <del>4</del>                   | <del>0</del> |
|               | 2018                        | 1                                | 1                              | 0            |
|               | 2019                        | 1                                | 1                              | 0            |
|               | <u>2020</u>                 | <u>1</u>                         | <u>1</u>                       | <u>0</u>     |
| Total Outlets | <del>2017</del>             | <del>12</del>                    | <del>12</del>                  | <del>0</del> |
|               | 2018                        | 12                               | 12                             | 0            |
|               | 2019                        | 12                               | 12                             | 0            |
|               | <u>2020</u>                 | <u>12</u>                        | <u>12</u>                      | <u>0</u>     |

**Table No. 2**

**Transfers of Franchised Outlets to New Owners (Other than the Franchisor)  
For Years ~~2017~~2018 to ~~2019~~2020**

| Column 1   | Column 2        | Column 3            |
|------------|-----------------|---------------------|
| State      | Year            | Number of Transfers |
| All States | <del>2017</del> | <del>0</del>        |
|            | 2018            | 0                   |
|            | 2019            | 0                   |
|            | <u>2020</u>     | <u>0</u>            |
| Total      | <del>2017</del> | <del>0</del>        |
|            | 2018            | 0                   |
|            | 2019            | 0                   |
|            | <u>2020</u>     | <u>0</u>            |

**Table No. 3**

**Status of Franchised Outlets  
For Years ~~2017~~2018 to ~~2019~~2020<sup>\*</sup>**

| Column 1         | Column 2        | Column 3                 | Column 4       | Column 5     | Column 6     | Column 7                 | Column 8                          | Column 9                   |
|------------------|-----------------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| 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 |
| New York**       | <del>2017</del> | <del>11</del>            | 1              | <del>0</del> | <del>0</del> | <del>0</del>             | 1                                 | <del>11</del>              |
|                  | 2018            | 11                       | <del>0</del>   | 0            | 0            | 0                        | <del>0</del>                      | 11                         |
|                  | 2019            | 11                       | 0              | 0            | 0            | 0                        | 0                                 | 11                         |
|                  | <u>2020</u>     | <u>11</u>                | <u>1</u>       | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>1</u>                          | <u>11</u>                  |
| All Other States | <del>2017</del> | <del>0</del>             | <del>0</del>   | <del>0</del> | <del>0</del> | <del>0</del>             | <del>0</del>                      | <del>0</del>               |
|                  | 2018            | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                  | 2019            | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                  | <u>2020</u>     | <u>0</u>                 | <u>0</u>       | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                          | <u>0</u>                   |
| Total            | <del>2017</del> | <del>11</del>            | 1              | <del>0</del> | <del>0</del> | <del>0</del>             | 1                                 | <del>11</del>              |
|                  | 2018            | 11                       | <del>0</del>   | 0            | 0            | 0                        | <del>0</del>                      | 11                         |

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets at Start of Year | Column 4<br><br>Outlets Opened | Column 5<br><br>Terminations | Column 6<br><br>Non-Renewals | Column 7<br><br>Reacquired by Franchisor | Column 8<br><br>Ceased Operations - Other Reasons | Column 9<br><br>Outlets at End of the Year |
|-----------------------|----------------------|------------------------------------------|--------------------------------|------------------------------|------------------------------|------------------------------------------|---------------------------------------------------|--------------------------------------------|
|                       | 2019                 | 11                                       | 0                              | 0                            | 0                            | 0                                        | 0                                                 | 11                                         |
|                       | <u>2020</u>          | <u>11</u>                                | <u>1</u>                       | <u>0</u>                     | <u>0</u>                     | <u>0</u>                                 | <u>1</u>                                          | <u>11</u>                                  |

**Table No. 4**  
**Status of Company-Owned Outlets**  
For Years ~~2017~~2018 to ~~2019~~2020\*

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at Start of Year | Column 4<br>Outlets Opened | Column 5<br>Outlets Reacquired from Franchisee | Column 6<br>Outlets Closed | Column 7<br>Outlets Sold to Franchisee | Column 8<br>Outlets at End of the Year |
|-------------------|------------------|--------------------------------------|----------------------------|------------------------------------------------|----------------------------|----------------------------------------|----------------------------------------|
| New York          | <del>2017</del>  | <del>4</del>                         | <del>0</del>               | <del>0</del>                                   | <del>0</del>               | <del>0</del>                           | <del>4</del>                           |
|                   | 2018             | 1                                    | 0                          | 0                                              | 0                          | 0                                      | 1                                      |
|                   | 2019             | 1                                    | 0                          | 0                                              | 0                          | 0                                      | 1                                      |
|                   | <u>2020</u>      | <u>1</u>                             | <u>0</u>                   | <u>0</u>                                       | <u>0</u>                   | <u>0</u>                               | <u>1</u>                               |
| All Other States  | <del>2017</del>  | <del>0</del>                         | <del>0</del>               | <del>0</del>                                   | <del>0</del>               | <del>0</del>                           | <del>0</del>                           |
|                   | 2018             | 0                                    | 0                          | 0                                              | 0                          | 0                                      | 0                                      |
|                   | 2019             | 0                                    | 0                          | 0                                              | 0                          | 0                                      | 0                                      |
|                   | <u>2020</u>      | <u>0</u>                             | <u>0</u>                   | <u>0</u>                                       | <u>0</u>                   | <u>0</u>                               | <u>0</u>                               |
| Total             | <del>2017</del>  | <del>4</del>                         | <del>0</del>               | <del>0</del>                                   | <del>0</del>               | <del>0</del>                           | <del>4</del>                           |
|                   | 2018             | 1                                    | 0                          | 0                                              | 0                          | 0                                      | 1                                      |
|                   | 2019             | 1                                    | 0                          | 0                                              | 0                          | 0                                      | 1                                      |
|                   | <u>2020</u>      | <u>1</u>                             | <u>0</u>                   | <u>0</u>                                       | <u>0</u>                   | <u>0</u>                               | <u>1</u>                               |

**Table 5**  
**Projected Openings As Of December 31, ~~2019~~2020**

| Column 1<br>State | Column 2<br>Franchise Agreement Signed But Restaurant Not Opened As Of<br><del>12/31/19</del> <u>12/31/20</u> | Column 3<br>Projected New Franchised Restaurants In The Next Fiscal Year | Column 4<br>Projected New Company Owned Restaurants In The Next Fiscal Year |
|-------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| New York          | <del>21</del>                                                                                                 | <del>21</del>                                                            | 0                                                                           |

| Column 1<br>State | Column 2<br>Franchise Agreement<br>Signed But Restaurant<br>Not Opened As Of<br><del>12/31/19</del> <u>12/31/20</u> | Column 3<br>Projected New<br>Franchised Restaurants<br>In The Next Fiscal Year | Column 4<br>Projected New Company<br>Owned Restaurants In<br>The Next Fiscal Year |
|-------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| All Other States  | 0                                                                                                                   | 0                                                                              | 0                                                                                 |
| Totals:           | <del>21</del>                                                                                                       | <del>21</del>                                                                  | 0                                                                                 |

The following is the name, address and telephone number of the franchisees who signed a Franchise Agreement with us, but who had not opened their Restaurant as of December 31, ~~2019~~2020:

~~FrescoDine Group~~M.I Patsy's Pizza LLC  
Contact: ~~Parbati Singh~~Matthew Raja  
~~39 South Ocean Avenue~~  
~~Patchogue, NY 11772~~  
~~(631)-384-8742~~

~~TDAA Corp.~~  
Contact: ~~Elmi Berisha~~  
~~2657 East Main Street~~  
~~Wappinger Falls, NY 12590~~  
~~(845)-590-4807~~  
402 St. Marks Place  
Staten Island, NY 10301  
718-808-2478

The following is the name, address and telephone number of the operational franchisees under a Franchise Agreement with us as of December 31, ~~2019~~2020:

Patsy's of Queens LLC  
Contact: Carol Rodopoulos  
21-64 Utopia Pkwy  
Whitestone, NY 11357  
(718) 224-0200

Patsy's Pizzeria Rockland LLC  
Contact: Fatos Koleci, Leon Gjoni, Alend Fejza  
9103 Fashion Dr.  
Nanuet, NY 10954  
(845) 627-6000

Patsy's Pizzeria Bronx  
Contact: Mario Zallo  
980 Morris Park Avenue  
Bronx, NY 10462  
(718) 676-2527

Old Country Road Holdings LLC  
Contact: Sarah Bauer

405 Lexington Avenue Suite 5002  
New York, NY 10174  
(212) 808-4600

TFJP Inc.  
Contact: Kenny Hicks  
2 Pelham Rd.  
New Rochelle, NY 10801  
(914) 473-7316

Bam Hospitality  
Contact: Joe Juliano  
450 Dean St.  
Brooklyn, NY 11217  
(917) 299-6585

~~Patsys Bay Ridge LLC~~  
TDAA Corp.  
Contact: ~~Joe Juliano~~ Elmi Berisha  
~~8814 3rd Avenue~~  
~~Brooklyn, NY 11209~~  
~~(917) 299-6585~~  
2657 East Main Street  
Wappinger Falls, NY 12590  
845-298-6093

The following is the name, address and telephone number of the ~~four~~ operational licensees under a License Agreement with our affiliate, IOB Realty, Inc. as of December 31, ~~2019~~2020:

Licensee: Hot and Tasty Corp.  
Contact: Nick Pashalis  
801 2<sup>nd</sup> Avenue  
New York, New York 10017  
(212) 878-9600

Licensee: Hot and Tasty 69<sup>th</sup> St. Corp.  
Contact: Mike Zarmaikoupis  
1279 1<sup>st</sup> Avenue New York, New York 10065  
(212) 639-1000

Licensee: Patsy's 3<sup>rd</sup> Avenue Pizzeria, Inc.  
Contact: Nick Pashalis  
61 West 74<sup>th</sup> Street  
New York, New York 10024  
(212) 579-3000

The following is the name, address and telephone number of the operational licensee under a License Agreement with our affiliate, Patsy's, Inc. as of December 31, ~~2019~~2020:

Licensee: 60<sup>th</sup> Street Restaurant Associates, Inc.  
Contact: Mike Zarmaikoupis  
206 East 60<sup>th</sup> Street

New York, New York

(212) 688-9707

During the fiscal year ending December 31, ~~2019~~2020, the following franchisees ceased to do business under their respective franchise agreements: (i) Patsys Bay Ridge LLC, Brooklyn, NY, (917) 299-6585 and (ii) \*FrescoDine Group LLC, Patchogue, NY 11772, (631)-384-8742 (\*however, this franchisee had not yet opened its outlet). Except with respect to the foregoing, during the fiscal year ending December 31, 2020, no IOB Realty, Inc. or Patsy's, Inc. licensee, nor any of our franchisees, had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under his license agreement or franchise agreement, as applicable, and no licensee or franchisee transferred his license or franchise, as applicable.

With the exception of our franchisee, Old Country Road Holdings LLC, there is no licensee or franchisee who has not communicated with IOB Realty, Inc., Patsy's, Inc. or us, as applicable, within 10 weeks of the issuance date of this Disclosure Document.

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

In some instances, current and former licensees or franchisees sign provisions restricting their ability to speak openly about their experiences with the Patsy's Pizzeria System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system.

## **ITEM 21 FINANCIAL STATEMENTS**

We were organized in June, 2014. Our audited financial statements for December 31, ~~2017~~2018, December 31, ~~2018~~2019 and December 31, ~~2019~~2020 are attached as Exhibit B.

## **ITEM 22 CONTRACTS**

Copies of our Franchise Agreement and the following exhibits to it are included in Exhibit A: Franchised Territory; Pizzeria Location (Exhibit A); Proprietary Marks (Exhibit B); Required Provisions for Lease Rider (Exhibit C); Franchise Option Agreement (Exhibit D); Software License Agreement (Exhibit E); Confidentiality/Non-Competition Agreement (Exhibit F); Sample Bylaws of Regional Advertising Cooperative (Exhibit G); Guarantee (Exhibit H); General Release - Termination (Exhibit I); General Release - Renewal (Exhibit J); and, General Release - Assignment (Exhibit K).

## **ITEM 23 RECEIPT**

Exhibit G contains two copies of a detachable receipt.

Document comparison by Workshare Compare on Saturday, April 17, 2021  
11:27:01 AM

| Input:        |                                            |
|---------------|--------------------------------------------|
| Document 1 ID | iManage://kgr-dms.imanage.work/KG/296034/5 |
| Description   | #296034v5<KG> - 01 - 2020 Patsy's FDD      |
| Document 2 ID | iManage://kgr-dms.imanage.work/KG/342666/5 |
| Description   | #342666v5<KG> - 01- 2021 Patsy's FDD       |
| Rendering set | Standard                                   |

| Legend:                   |  |
|---------------------------|--|
| <a href="#">Insertion</a> |  |
| <del>Deletion</del>       |  |
| Moved from                |  |
| <a href="#">Moved to</a>  |  |
| Style change              |  |
| Format change             |  |
| <del>Moved deletion</del> |  |
| Inserted cell             |  |
| Deleted cell              |  |
| Moved cell                |  |
| Split/Merged cell         |  |
| Padding cell              |  |

| Statistics:    |       |
|----------------|-------|
|                | Count |
| Insertions     | 109   |
| Deletions      | 113   |
| Moved from     | 5     |
| Moved to       | 5     |
| Style change   | 0     |
| Format changed | 0     |
| Total changes  | 232   |

**EXHIBIT A**

**FRANCHISE AGREEMENT AND RELATED MATERIALS**

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**FRANCHISE AGREEMENT**

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## **EXHIBITS**

- A FRANCHISED TERRITORY; PIZZERIA LOCATION**
- B PROPRIETARY MARKS**
- C REQUIRED PROVISIONS FOR LEASE RIDER**
- D FRANCHISE OPTION AGREEMENT**
- E SOFTWARE LICENSE AGREEMENT**
- F CONFIDENTIALITY/NON-COMPETITION AGREEMENT**
- G SAMPLE BYLAWS OF REGIONAL ADVERTISING COOPERATIVE**
- H GUARANTEE**
- I GENERAL RELEASE - TERMINATION**
- J GENERAL RELEASE - RENEWAL**
- K GENERAL RELEASE - ASSIGNMENT**

## **PATSY'S PIZZERIA FRANCHISE CORP.**

### **FRANCHISE AGREEMENT**

THIS AGREEMENT is entered into between PATSY'S PIZZERIA FRANCHISE CORP., a New York corporation with its principal office at 2287-91 First Avenue, New York, New York 10035 ("we," "us," "our" or "Franchisor") and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("you," "your" or "Franchisee"), as of the date signed by us and set forth opposite our signature on this Agreement (the "Effective Date").

#### **1. PURPOSE AND SCOPE OF THIS AGREEMENT**

##### **1.01 The Patsy's Pizzeria Businesses, System and Proprietary Marks**

We and/or our affiliates have developed a proprietary system (the "System") for opening and operating businesses (each a "Business") that operate pizzerias (each, a "Pizzeria") specializing in the sale of coal fired, brick oven, thin crust pizzas and a full menu of other Italian dishes prepared with fresh ingredients and related programs, products and services. The System makes use of the trademark, service mark and fictitious business name "PATSY'S PIZZERIA" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and other intellectual property (collectively, the "Proprietary Marks"), which we will designate as licensed to you in this Agreement, Exhibit "B" hereto, our Manual (as described below) and/or otherwise.

#### **2. GRANT OF FRANCHISE AND LICENSE**

##### **2.01 Grant of Franchise and Licenses**

We grant you, and you accept, the right to use the Proprietary Marks and the System in connection with establishing and operating a Business and Pizzeria within the Territory specified in Section 3.01 below. You agree to use the Proprietary Marks and System as we may change, improve, modify or further develop them from time to time as provided in this Agreement, and only in accordance with the terms and conditions of this Agreement and any related agreements.

#### **3. TERRITORY**

##### **3.01 Territory**

Your right to operate a Business is restricted to the geographic area described in Exhibit A (the "Territory"). Your Business may establish only one Pizzeria within the Territory under this Agreement.

##### **3.02 Our Restrictions**

Within the Territory, neither we nor any affiliate (meaning any individual or entity we control, which controls us, or which is under common control with us, together our "affiliates") will operate or grant a franchise for a pizzeria business operated under the Proprietary Marks of the type franchised to you hereunder, or a similar or competitive business, except as provided in Section 3.04 ("Rights We Reserve"). These restrictions will terminate immediately upon the expiration or termination of this Agreement for any reason.

Outside of the Territory, we and/or our affiliates reserve the right to operate any number of Businesses, and/or authorize others to operate same, at any location whatsoever, including one or more locations that may be proximate to, but not within, the Territory.

##### **3.03 Your Restrictions**

Your Business may only offer and sell its programs, products and services in, at and from your Pizzeria. Under no circumstance may your Business establish any physical presence outside of your Territory at or from which your programs, products or services are sold or furnished. Nor may your business offer or sell its programs, products or services anywhere, through any means or manner other than your Center, including alternative channels of distribution, such as the internet/worldwide web and other forms of electronic commerce; "800" or similar toll-free telephone

numbers; supermarkets, grocery stores or convenience stores; mail order; catalogs; or, any other distribution channel whatsoever except from your franchised Pizzeria. Under no circumstances may your Business offer delivery of System menu items or products except as we may (but need not) authorize in writing.

You may only engage in the retail sale of System programs, products and services. You are prohibited from engaging in the wholesale sale or distribution of any System programs, products or services, or the programs, products, equipment, and services which your Business is required or permitted to use or sell under this Agreement, or any component or ingredient of any of the foregoing which now or in the future constitutes part of the System. "Retail sale" means any sale by you directly to an ultimate consumer. "Wholesale sale or distribution" means any sale or distribution by you to a third party for resale, retail sale, or further distribution. "Component" means any constituent part, ingredient, element, segment or derivative.

### **3.04 Rights We Reserve**

You understand and agree that we and/or our affiliates may, in or outside the Territory (except as we are restricted by Section 3.02 of this Agreement), engage in any business activity and deploy any business concept whatsoever and use our Proprietary Marks or any other names or marks owned or developed by us or our affiliates in connection with such other concepts and business activities. You further understand and agree that this Agreement does not confer upon you any right to participate in or benefit from such other concepts or business activities, regardless of whether it is conducted under the Proprietary Marks or not. Our and our affiliates' rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of program, product or service except as restricted by Section 3.02 above.

By way of example, we and/or our affiliates may own, operate or authorize others to own or operate any type of business at any location whatsoever, including within your Territory, so long as such other business does not sell under the Proprietary Marks the type of programs, products or services which your Business offers and sells (except as permitted below). Further, we and/or our affiliates may own, operate or authorize others to own or operate Businesses at any location outside of your Territory, including immediately proximate to your Territory.

In addition, you understand and agree that we and/or our affiliates alone have the right to offer and sell within and outside your Territory, and under the Proprietary Marks, any and all programs, products or services and/or their components or ingredients (including those used or sold by your franchised Business), whether or not a part of the System, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); or, any other channel of distribution whatsoever except for a Pizzeria in your Territory.

You also understand and agree that we and/or our affiliates have the right to offer and sell (directly, or through other franchisees or licensees) System programs, products and services at any and all nontraditional locations, including nontraditional locations situated in your Territory, through the establishment of Pizzerias, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded in engaging in such activity. "Nontraditional locations" include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third party retailer which is not a pizzeria (including shops, stores and department stores); military bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted.

You further agree that, both within and outside the Territory, we and/or our affiliates alone have the right to sell System programs, products and services to national, regional and institutional accounts. "National, regional and institutional accounts" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Territory; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and, any other customer whose presence is not confined to your Territory. Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within your Territory). If we receive orders for any Patsy's Pizzeria products or services calling for delivery or performance in your Territory as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or to give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Patsy's Pizzeria franchisee may serve the customer within your Territory, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our Manual.

You waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

For the purposes of this Agreement, an "affiliate" of an individual or entity (such as you or us) is defined to mean any individual or business entity which directly or indirectly is controlled by, controls or is under common control with that person or entity.

#### **4. TERM AND RENEWAL**

##### **4.01 Initial Term**

The initial term ("Initial Term") of this Agreement will be ten years, beginning on the Effective Date, unless this Agreement is sooner terminated in accordance with its provisions.

##### **4.02 Renewal Term and Renewal Agreement**

You will have the right to enter into consecutive Renewal Franchise Agreements, each featuring a term of ten years (a "Renewal Term") if you have complied with the conditions and procedures for renewal specified in Article 14 below. The first Renewal Term will begin on the date that the Initial Term expires and each succeeding Renewal Term will begin on the date that the previous Renewal Term expires. The first Renewal Franchise Agreement will supersede this Agreement and each subsequent Renewal Franchise Agreement will supersede the preceding Renewal Franchise Agreement. Renewal Franchise Agreements will not take the form of an extension of this Agreement; but, instead, will each take the form of our then-current franchise agreement and may materially vary from this Agreement in all respects, except that no "initial franchise fee" will apply to you; the boundaries of your Territory will remain the same; and, the Continuing Royalty on renewal will not be greater than the Continuing Royalty that we then impose on similarly situated renewing franchisees. The conditions to and procedures governing your right to renew are set forth in Article 14.

#### **5. YOUR PAYMENTS TO US**

##### **5.01 Initial Franchise Fee**

You agree to pay us an Initial Franchise Fee of \$75,000. The Initial Franchise Fee is payable in full when you sign this Agreement; is not refundable except as specifically provided in this Agreement; and, will be deemed fully earned when paid solely in consideration of our execution of this Agreement and not in exchange for any particular programs, products, services or assistance.

## **5.02 Continuing Royalty**

You agree to pay us a monthly Continuing Royalty of 6% percent of the prior month's Gross Revenues (as defined in Section 5.04).

The Continuing Royalty is solely in consideration of our granting you the franchise conferred by this Agreement and is not in exchange for any particular goods, services or assistance we may furnish you.

## **5.03 System Advertising Contribution**

When we notify you that we are instituting a System Advertising Fund, you agree to pay us a monthly System Advertising Contribution equal to 1% of your prior month's Gross Revenues (as defined in Section 5.04). These System Advertising Contributions will be expended as provided for in Section 11.01 below.

## **5.04 Definition of Gross Revenues**

"Gross Revenues" means all revenues and income from any source that you directly or indirectly derive or receive from, through, by or on account of the operation of your franchised Business and/or Pizzeria, whether received in cash, in services, in kind, from barter and/or exchange (valued at the full retail value of the goods or services received), on credit (whether or not you ultimately receive payment on credit transactions), or otherwise. Gross Revenues specifically includes revenues and income you receive from the proceeds of any business interruption insurance policies and/or the sale of any promotional or premium items. You may deduct from Gross Revenues, to the extent they had been included in your calculation of Gross Revenues, documented refunds, charge backs, credits and allowances that you give in good faith to customers; proceeds from property damage or liability insurance; and proceeds from any civil forfeiture, condemnation, or seizure by government entities. You may also deduct from Gross Revenues all sales taxes or similar taxes which you legally charge to customers if you add the taxes when you charge the customer; send the tax payments to the appropriate tax authorities when due; furnish us within 30 days of payment an official receipt for the payment of the taxes or any other evidence that we reasonably consider acceptable; and, state in the monthly report required by Section 5.05 of this Agreement the amount of all these taxes and the payments to which they relate.

## **5.05 Reporting and Payment**

A. You agree to submit a monthly report to us for our receipt on or before the tenth day of each month. The monthly report will consist of a statement reporting all Gross Revenues for the preceding month and your calculation of the Continuing Royalty and System Advertising Contribution (if any) due thereon, all in the manner and form we prescribe. You must manually or electronically sign the monthly report as we direct. We reserve the right to require you to file your monthly reports electronically or through any now or hereafter developed mode of communication and/or data transmission. You also agree to furnish to us any other financial or non-financial data that we request concerning the activity of your Business in the form, manner and frequency that we request it.

B. On or before the tenth day of each month, you agree to pay us the Continuing Royalty and System Advertising Contribution (if any) due for the preceding month, as specified in your monthly report.

C. We reserve the right to require the transmission of these and any other payments required under this Agreement by direct account debit, electronic funds transfer or other similar technology now or hereafter developed to accomplish the same purpose. If we require you to make payments by direct account debit, electronic funds transfer or other similar technology we designate, you agree to deposit and maintain at all times sufficient funds to cover all fees and payments you owe to us and our affiliates in a segregated bank account (the "Bank Account") that you form and maintain for the franchised Business and Pizzeria. The Bank Account must have the capacity to

make payments through the means we designate, and you must sign all documents required by your bank, our bank and us or for approval and implementation of the debit or transfer process. If and when we have implemented this requirement, you may not change the Bank Account without our advance written approval. You agree to pay all costs of direct account debit, electronic funds transfer or other similar technology we designate.

D. You agree to pay us or our affiliates interest on any overdue amounts owed to us or our affiliates (under this or any other agreement) at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be calculated at the rate of 4% above the prime rate of interest identified by Citibank, N.A. in New York City (or any successor to it) on the first day of each month that an amount is past due. This provision does not constitute consent to late payments or an agreement to extend credit. If you are delinquent in any required payment, we or our affiliate may apply any payment from you to any obligation due in whatever order and for whatever purposes as we determine, whether or not there is any contrary designation by you. You may not withhold, set-off or recoup payment of any amount due on the grounds of the alleged non-performance or breach of any of our or our affiliates' obligations under this or any other agreement.

E. In addition to all other payments under this Agreement, you agree to pay us or our affiliates immediately upon demand: (a) all sales taxes, trademark license taxes and any other taxes, imposed on, required to be collected, or paid by us or our affiliates (excluding any corporate income taxes imposed on us or our affiliates) because we or our affiliates have furnished programs, services or services to you, collected any fee from you, licensed our Proprietary Marks to you and/or entered into this Agreement with you; (b) all amounts we advance, pay or become obligated to pay on your behalf for any reason; and, (c) any amount to reimburse us for costs and commissions paid or due to a collection agency or in connection with other collection efforts; and (d) all amounts you owe us or our affiliates for programs, products or services that you purchase from us or our affiliates.

## **6. OPTION FOR ADDITIONAL FRANCHISES**

### **6.01 Option**

We may grant you an option to purchase one or more additional franchised Businesses within a specified period, for a specified Initial Franchise Fee and embracing a franchised territory or territories contiguous to your Territory. If we grant you an option, we will do so in the form of Exhibit D.

## **7. SITE SELECTION, CONSTRUCTION, TRADE DRESS AND LEASE REQUIREMENTS**

### **7.01 Pizzeria Location**

A. You may operate your franchised Business only from your Pizzeria location (the "Pizzeria Location"). You may use the Pizzeria Location for no other purpose than the operation of the franchised Business.

B. If you have suggested a Pizzeria Location which we have approved before the execution of this Agreement, then the address of that Pizzeria Location will be set forth on Exhibit A to this Agreement. If you have not suggested a Pizzeria Location which we have approved before the execution of this Agreement, then the following provisions will apply:

We will furnish to you our Pizzeria site selection criteria following the execution of this Agreement. You agree to use your best efforts to find an acceptable Pizzeria Location within the Territory. You must comply with all our Pizzeria specifications, requirements and restrictions. The Pizzeria Location will be subject to our advance written approval, and our determination will be final. We may require you to submit maps, completed checklists, photographs, diagrams of the premises with measurements and other information and materials which we may reasonably require to evaluate your proposed Pizzeria Location.

It is of the essence of this Agreement that you select a Pizzeria Location, identify it to us, obtain our advance written approval and sign a lease approved by us (or provide proof of ownership) for

your Pizzeria Location within two months following the date of our execution of this Agreement. If you intend to own the Pizzeria Location, then you agree to furnish to us proof of ownership or an executed contract of sale within 30 days following our approval of the Pizzeria Location. If you do not secure a Pizzeria Location within the time limits and following the procedures specified in this Section 7.01, then this failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If we terminate the Agreement for this reason, then all funds you paid us will be considered earned by us, except that we will return to you 75% of the Initial Fee, or 50% if we have already furnished our Initial Training Program to you, on condition that you execute a General Release in the form of Exhibit I running in favor of us and our affiliates. (You will not be entitled to multiple refunds if there is more than one reason for termination (see the following paragraph and Section 8.02.), so the maximum refund you may receive is 75% of the Initial Franchise Fee (minus our expenses).

In addition, if you and we cannot agree upon a Pizzeria Location within one month following the Effective Date, then either you or we can terminate this Agreement, and if either of us does so, then we will refund 75% of the Initial Franchise Fee (or 50% if we have already furnished our Initial Training Program to you), on condition that you execute a General Release in the form of Exhibit I running in favor of us and our affiliates. (You will not be entitled to multiple refunds if there is more than one reason for termination (see the preceding paragraph and Section 8.02.), so the maximum refund you may receive is 75% of the Initial Franchise Fee (minus our expenses).

You acknowledge and agree that any advice we furnish regarding site selection and our proposal, inspection and/or approval of any proposed site for your Pizzeria Location will not constitute, and will not be deemed to constitute, our express or implied representation, warranty, guarantee or any other indication of the prospective profitability, viability or merit of the Location, and you hereby forever waive any claim to the contrary.

#### **7.02 Location Lease**

If you will be leasing the Pizzeria Location, then promptly following our written approval of your proposed Pizzeria Location site, you agree to obtain a lease or sublease for the Pizzeria Location which, unless we otherwise approve the lease in advance, must be accompanied by a rider incorporating the requirements specified in Exhibit C to this Agreement. You agree to deliver to us a copy of any proposed lease or sublease and any related documents (collectively, the "Lease") before you execute the Lease. Any Lease will be subject to our advance written approval, which we will not unreasonably withhold or delay, provided, however, that we expressly reserve the right to disapprove any Lease not accompanied by a rider embracing all of the provisions of Exhibit C. If we do not communicate our approval or disapproval of a proposed Lease to you within twenty business days following our receipt of the proposed Lease, and if the Lease is accompanied by a rider containing the required provisions of Exhibit C, then the Lease will be considered approved.

You may not, in any Lease, create any obligations or grant any rights against us or our affiliates or agree to any term, condition or covenant which is inconsistent with this Agreement or any related agreement. You also acknowledge and agree that you are bound by the terms, conditions, covenants and obligations of the Lease and that your failure to comply with the Lease will constitute a material breach of this Agreement. You may not assign, transfer or encumber your Lease or sublet all or any part of the Pizzeria Location without our advance written approval.

#### **7.03 Construction of Your Pizzeria**

After acquiring the Pizzeria Location by lease or purchase, you shall at your expense construct your Pizzeria or, if applicable, convert the existing premises at the Pizzeria Location to become your Pizzeria, in conformity with the final plans and specifications which we have approved. At your expense and prior to commencing construction of your Pizzeria, you must obtain all necessary permits, licenses, variances and approvals pertaining to the building, occupancy, signs, utilities, zoning, use, and any other permits, approvals or variances which are necessary to permit the construction and use of a Pizzeria as may be required by federal, state and local laws, rules,

regulations or ordinances. You shall certify to us in writing that all such permits, licenses, variances and approvals have been obtained.

You must engage a qualified, licensed and bonded general contractor to construct your Pizzeria and to complete all improvements. You must obtain and maintain in force during the entire period of construction the insurance required under Section 10.01 of this Agreement. Your indemnification of us, our affiliates and all others specified in Section 9.12 below applies to each and every activity arising from or related to the construction of your Pizzeria. You understand and agree, and promise never to contend or assert otherwise, that our approval of your final plans for your Pizzeria does not render us liable for any defects, neglects, omissions, errors or negligence associated with such plans and shall not in any fashion be construed to diminish or negate your indemnification of us, our affiliates and the others referenced in Section 9.12 below nor render us liable in any fashion or to any extent for any liabilities engendered thereby.

You must use your best efforts to complete the construction or conversion of your Pizzeria promptly. You must provide us with comprehensive information regarding all phases of the development process of the Pizzeria Location as we may require, such as weekly progress reports during conversion, in the format we designate. This information will include (without limitation and as applicable) the names, addresses and telephone numbers of your architect, civil engineer, surveyor, general contractor, subcontractors, principal vendors and environmental consultant, and the primary contact for each; copies of all permits, licenses, contractor's liability insurance certificates and other similar items required for the conversion of your Pizzeria; and, copies of all construction or remodeling contracts and documents, along with originals of all lien waivers and copies of all invoices. These requirements will also apply to any construction, remodeling, renovation or refurbishing of your Pizzeria at any time after it opens.

We will not be responsible for delays in construction, conversion, remodeling, equipping or decoration or for any loss resulting from your Pizzeria's plans that you furnished to us before implementing the changes. You hereby grant us access to your Pizzeria Location while work is in progress. We may require any reasonable modifications of the construction of your Pizzeria that we consider necessary or desirable in our reasonable business judgment. If you fail to promptly begin the design, construction, equipping and opening of your Pizzeria with due diligence, we may elect to terminate this Agreement immediately upon notice to you. All signs at your Pizzeria must conform to our sign criteria, unless you demonstrate good cause and we consent in writing to such non-conformance.

When construction is complete and before you open your Pizzeria, your architect and general contractor must provide us with a certificate stating that the as-built plans for the Pizzeria fully comply with the Americans with Disabilities Act (the "ADA"); the architectural guidelines under the ADA; and, all other laws, rules, regulations, codes and ordinances applicable to the Pizzeria and the Pizzeria Location, including any requirements set forth in the Lease for the Pizzeria Location.

We will have the right, but not the obligation, to conduct a final inspection of the completed Pizzeria before it opens. We may require any corrections and modifications we consider reasonable and necessary to bring the Pizzeria into compliance with the plans and specifications we approved. The Pizzeria will not be allowed to open if the Pizzeria does not conform to the approved plans and specifications, including changes thereto that we may approve.

#### **7.04 Specifications and Sources of Supply**

We may provide you with a sample layout for the interior of a prototype Pizzeria and a set of typical preliminary plans and specifications for, and approved sources of supply of, your Pizzeria's furniture, fixtures, equipment, signs and/or other trade dress elements. We reserve the right to be (and earn a profit as) an approved source or the only approved source of certain of your Pizzeria's furniture, fixtures, equipment and/or other trade dress elements and to earn a profit from such activity. If we have not specified a source of supply for any such item, then you may purchase that item from any source, so long as the items purchased are in strict accordance with any

specifications concerning the item which we have issued in the Manual or otherwise. You must obtain our advance written consent before deviating in any fashion from our specifications.

All signs at your Pizzeria must conform to our sign criteria, unless we otherwise consent in writing, for good cause you demonstrate.

Any sample layout and preliminary plans we furnish you will not address the requirements of any federal, state or local law, code or regulation, including those of the ADA or similar laws or rules. You alone, working with your architect or engineer (if applicable), are responsible for ensuring that your Pizzeria, as constructed, complies with all applicable laws, rules, regulations, ordinances, building codes, fire codes, permit requirements and the ADA. Further, any sample layout and preliminary plans we furnish you will not contain the requirements of, and may not be used for, construction drawings or other documentation necessary to obtain permits or authorizations to build and/or operate a specific Pizzeria. You agree, at your expense, to employ architects, designers, engineers or others, all as we may specify, necessary to complete, adapt, modify or substitute the layout, plans and specifications for your Pizzeria.

You must employ a qualified, licensed architect and/or engineer that we specify or, if we do not specify, who is reasonably acceptable to us to prepare preliminary plans and specifications for the site improvement and construction of your Pizzeria (which must be based on the sample layout and preliminary plans we furnish to you). You must submit a complete set of your proposed final plans and specifications to us and obtain our written approval of them before you seek to register them with any governmental or quasi-governmental agency or begin construction of your franchised Pizzeria. Our approval will be based on our assessment of compliance with our standards for new Pizzerias. We will not assess compliance with federal, state or local laws, rules or regulations, including the ADA. Your architect must certify to you in writing that the plans and specifications for your Pizzeria comply with the ADA; the architectural guidelines under the ADA; all applicable federal, state and/or local laws, rules and regulations for accessible facilities; and, all other applicable federal, state or local laws, rules and regulations (including building codes, fire codes and permit requirements). You must furnish us with a copy of this certification prior to opening for business.

You agree that any plans and specifications you prepare and submit to us will be irrevocably licensed to us in perpetuity. We, our affiliates and any other franchisees to whom we give these plans and specifications may use them without owing you any compensation or being liable to you in any way.

#### **7.05 Maintaining Your Pizzeria**

You shall at all times maintain at your sole expense the interior and exterior of your franchised Pizzeria and the entire franchised Pizzeria Location and any other facilities used by the franchised Business in first class condition and repair, and in compliance with all applicable laws, rules, regulations and our Manual, except to the extent that we may otherwise expressly agree in writing.

#### **7.06 Refurbishing Your Pizzeria**

We have the right to require you once every 5 years during the Initial Term of this Agreement, at your sole expense, to update, remodel, refurbish, renovate, modify or redesign the Pizzeria so that it reflects our then-current standards. If any such direction of ours requires you to expend more than \$40,000 to effect the directed activity, then you will have six months following your receipt of our notice to comply with our direction. In addition, we will relieve you from our direction if in our sole opinion you will be unable to amortize the additional investment required during the balance of the Initial Term of this Agreement; however, under these circumstances, we may extend the term of this Agreement to allow for a new schedule of amortization, and if we do so you will be required to comply with our direction.

#### **7.07 Relocation of Your Pizzeria**

You may not relocate your Pizzeria to another location without first obtaining our written approval for the new location and reimbursing us for any reasonable costs we incur in considering your

request. If you relocate the Pizzeria with our approval subject to the terms of this Section 7.07, the new location will be the "Pizzeria Location" of the franchised Business. Any relocation will be at your expense. All leases or subleases that you enter into, all plans and specifications for your relocated Pizzeria that you adduce and all construction, remodeling, renovation or other such activity that you perform at and for the relocated Pizzeria must be in accordance with all of the provisions of this Article 7 and our then-current standards, specifications and requirements.

#### **7.08 Time is of the Essence**

**Subject to the provisions of Article 21 of this Agreement ("Unavoidable Delay or Failure to Perform [Force Majeure]"), time is of the essence with regard to each and every requirement of this Article 7.**

### **8. OUR DUTIES**

#### **8.01 Confidential Operating Manual; Policy Statements**

We will lend you one copy of our confidential operating manuals (the "Manual"). The Manual may take the form of one or more of the following: one or more loose leaf or bound volumes; bulletins; notices; videos; CD-ROMS; other electronic media; online postings; e-mail and/or electronic communications; facsimiles; or, any other now or hereafter developed medium capable of conveying the Manual's contents.

The Manual will, among other things, set forth our operating systems, procedures, policies, methods, standards, specifications and requirements for operating your franchised Business. You agree to operate your Business in strict compliance with the Manual.

We have the right to prescribe additions to, deletions from or revisions of the Manual (the "Supplements to the Manual"), all of which will be considered a part of the Manual. All references to the Manual in this Agreement will include the Supplements to the Manual. Supplements to the Manual will become binding on you as if originally set forth in the Manual, upon being delivered to you.

You acknowledge that we are the owner of all proprietary rights in the Manual and all intellectual property rights connected therewith (including common law copyright) and that you are acquiring no property or other right to the Manual other than a license to use it and comply with it during the Term of this Agreement. You agree to ensure at all times that your copy of the Manual is current and up-to-date. If there is any dispute as to your compliance with the provisions of the Manual and any Supplements to the Manual, the master copy of the Manual and any Supplements to the Manual maintained at our principal office will control.

In addition to the Manual, we may issue policy statements designed to provide you with information and/or insight as to our current thinking about various business issues or strategies. Policy statements are not part of the Manual, are not contracts and do not create any contractual or other binding obligation on either you or us.

#### **8.02 Initial Training Program**

After you secure a Pizzeria and before the opening of the franchised Pizzeria, we will provide an initial training program (the "Initial Training Program") for up to three people free of cost to you for tuition and materials. You (if the franchisee is an individual), your Pizzeria Manager (as defined in Section 9.07) and your Principal Pizzaman (as defined in Section 9.07) must attend and successfully complete the Initial Training Program. We will determine the date of commencement, location and duration of the Initial Training Program and notify you of them.

If we reasonably conclude in our business judgment that either you (if an individual) and/or your Pizzeria Manager and/or your Principal Pizzaman has failed to attend or successfully complete our Initial Training Program to our satisfaction in our business judgment, then that person may re-enroll in our next scheduled Initial Training Program at no additional charge. We will have the right to terminate this Agreement if, following your Initial Training Program (including re-enrollment

training), we determine that you (if the franchisee is an individual) and/or your Pizzeria Manager and/or your Principal Pizzaman has failed to attend or successfully complete our Initial Training Program to our satisfaction, in our business judgment. This failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure. If we terminate the Agreement for this reason, then all funds you paid us will be considered earned by us, except that we will return to you 50% of the Initial Franchise Fee which you paid to acquire the franchise, on condition that you execute a General Release in the form of Exhibit I running in favor of us and our affiliates. (You will not be entitled to multiple refunds if there is more than one reason for termination (see Section 7.01), so the maximum refund you may receive is 75% of the Initial Franchise Fee (minus our expenses).

You must pay an additional charge to us for providing the Initial Training Program to additional or replacement personnel. This charge will be no greater than \$1,000 per person. This training is required of replacement Pizzeria Managers and Principal Pizzamen.

We reserve the right at all of our training programs to determine the duration of such programs, what subjects are included in the curriculum of our training programs and to train any number of individuals from any number of Businesses, whether franchised or otherwise affiliated with us, at the same time. Under no circumstance will you be compensated for any work your trainees may perform or services your trainees may render in the course of participating in any of our training programs. We reserve the right to furnish our training programs by means of a company intranet or other electronic means of communication (such as web based tutorials, video streaming, or through other now or hereafter developed media).

At all times during the Term of this Agreement, you agree to pay all the expenses incurred by your trainees or attendees in connection with any training, conferences, conventions or other meetings they attend, including, but not limited to, their salaries, transportation costs, meals, lodging and other living expenses.

### **8.03 On-Site Training or Assistance**

You may request on-site training or assistance at any time in accordance with guidelines we may specify in the Manual or otherwise. We will not be obligated to provide on-site training or assistance, but if we elect to do so, we may impose a fee for each day of on-site training or assistance we agree to provide. The timing of all advice, consultation and training provided for in this Agreement will be subject to the availability of our personnel.

### **8.04 On-Going Training**

We may from time to time develop additional training programs which you (if an individual), your Pizzeria Manager and Principal Pizzaman must attend and successfully complete. We will determine the duration, curriculum and location of these future additional training programs. We reserve the right to furnish such programs by means of a company intranet or other electronic means of communication (such as web based tutorials, video streaming, or through other now or hereafter developed media). We reserve the right to charge our then-current training fees for such programs. You also agree to pay all of the expenses incurred by your trainees or attendees in connection with any additional training programs we develop, including their salaries, travel costs, meals, lodging and other living expenses.

In addition, we may from time to time conduct an annual conference, convention or training session. We will determine the duration, curriculum and location of these. You (if an individual), your Pizzeria Manager and Principal Pizzaman must attend each annual conference, convention or training session.

### **8.05 Field Support Services**

After you open your Pizzeria, we may from time to time offer you field support services, supervision and/or assistance that we consider advisable through on-site visits, off-site sessions, telephonic, electronic or other communication modes. You may also at any time communicate with our

headquarters for consultation and guidance with respect to the operation and management of your Business. The timing of our field support and headquarter consultation services will be subject to the availability of our personnel.

#### **8.06 Consultation Services**

We may offer you, for a fee, consultation services beyond the field support services described in Section 8.05. Our representatives may render consultation services on-site, off-site, by telephone or through other communication devices, subject to scheduling availability. Consultation services may include specialized advice related to the operation of your Patsy's Pizzeria; on-site reviews of your operations and the furnishing of retraining as needed; on-site retraining of your Pizzeria Manager, Principal Pizzaman and other personnel; and, other specialized assistance as may be requested by you. You agree to pay us for any consultation services performed at your request on the terms, at the times and in the amounts that we set forth at the time of offer or sale, in our Manual or otherwise.

#### **8.07 Accounting and MIS Systems**

We may, but need not specify the electronic and/or written accounting and management information system ("MIS"), procedures, formats and reporting requirements which you will utilize to account for your franchised Business; maintain your financial records and Pizzeria data; and, generate reports for both you and us. In addition to operating reports, payroll, cash management and general ledger accounts, these systems may be tailored to provide computerized point-of-sale ("POS") scanning and invoice entry. You will be solely responsible for performing all bookkeeping, recordkeeping and accounting duties prescribed under this Agreement or in the Manual and for bearing the costs of these activities.

#### **8.08 Test Marketing**

We may, from time to time, conduct market research and testing to determine consumer trends and the desirability of new food or beverage products and services. You agree to cooperate with us by participating in any such market research programs, test marketing new food or beverage products and services in the Pizzeria, and providing us with timely reports and other relevant information which we may request regarding such market research. In connection with any such test marketing, you shall purchase for your Pizzeria a reasonable quantity of test products as we specify in our Manual or otherwise. You shall effectively promote and make a reasonable effort to sell such test products.

#### **8.09 Pricing**

Because enhancing Patsy's Pizzeria's interbrand competitive position and consumer acceptance for Patsy's Pizzeria's programs, products and services is a paramount goal of us and our franchisees, and because this objective is consistent with the long term interest of the System overall, we may exercise rights with respect to the pricing of programs, products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the programs, products and/or services offered and sold at your franchised Pizzeria; recommending retail prices; advertising specific retail prices for some or all programs, products or services sold by your franchised Pizzeria, which prices you will be compelled to observe (colloquially referred to as "price point advertising campaigns"); engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free"); and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your franchised Pizzeria may charge the public for the programs, products and services it offers. We may engage in any such activity either periodically or throughout the Term of this Agreement. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge and agree that any maximum, minimum or other prices we prescribe or suggest may or may not optimize the revenues or profitability of your franchised Business and you irrevocably waive any and all claims arising from or related to our prescription or suggestion of your franchised Business's retail prices.

### **8.10 Nature of Obligations**

All our obligations under this Agreement are to you alone. No other party is entitled to rely on, enforce or obtain relief for breach of any of our obligations hereunder, either directly or by subrogation.

## **9. YOUR DUTIES**

### **9.01 Opening Date**

You must fulfill all of your pre-opening obligations set forth in this Agreement, the Manual and in other written notices from us, and open your franchised Business to the general public no later than 160 following the Effective Date. Time is of the essence.

You will not be allowed to open your Pizzeria without our written approval, which we will not unreasonably withhold. In order to obtain our approval to open, you must: obtain all required state, local and other required government certifications, permits and licenses, furnish to us copies of all such required permits and licenses; furnish to us copies of all insurance policies required under this Agreement; attend and successfully complete our Initial Training Program to our satisfaction (as provided in this Agreement); pay us or our affiliates any amounts due through the date that you request our approval to open; not be in default under any agreement with us or any affiliate of ours; not be in default under, but instead be current with, all contracts or agreements with your principal vendors, suppliers and other business creditors (including the lessor or sublessor of your Pizzeria Location, us and our affiliates); and, otherwise comply in all respects with the pre-opening obligations set forth in this Agreement, the Manual or other written notices we may furnish to you.

### **9.02 Manner of Operation**

Your franchised Business and the Pizzeria it operates must comply at all times with every provision of this Agreement, the System and the Manual. You may not use the System or the Proprietary Marks for the benefit of any business other than the franchised Business. You may not conduct (or permit anyone else to conduct) any business at your Pizzeria other than the franchised Business embraced by this Agreement without first obtaining our written consent, which we may withhold for any reason or no reason. You acknowledge, understand and agree that your strict compliance with the System, this Agreement and the Manual are of the essence to this Agreement and are critically important to you, us and all other franchisees, since your failure to adhere to the System, this Agreement and/or the Manual may damage the reputation and goodwill enjoyed by the restaurant network and the Proprietary Marks.

### **9.03 Modifications to the System**

In the exercise of our sole business judgment, we may from time to time modify any components of the System and requirements applicable to you by means of Supplements to the Manual or otherwise, including, but not limited to, altering the programs, products, services, methods, standards, accounting and computer systems, forms, policies and procedures of the System; adding to, deleting from or modifying the programs, products and services which your franchised Business is authorized and required to offer; modifying or substituting the equipment, signs, trade dress and other Business characteristics that you are required to adhere to (subject to the limitations set forth in this Agreement); and, changing, improving, modifying or substituting for the Proprietary Marks. You agree to implement any such System modifications as if they were part of the System at the time you signed this Agreement.

You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any franchised Business, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the franchised Business. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

#### **9.04 Cobranding**

We may determine from time to time to incorporate in the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which your Business, along with other Businesses, will be required to offer and sell. This activity, referred to as “cobranding”, may involve changes to the Proprietary Marks and may require you to make modifications to your Pizzeria’s premises and the furniture, fixtures, equipment, signs and trade dress of your Pizzeria. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that program at your Pizzeria at the earliest commercially reasonable time and to execute any and all instruments required to do so. Under no circumstance will any cobranding program increase your Continuing Royalty, System Advertising Contribution (if any) or local advertising expenditure obligations under this Agreement.

#### **9.05 Compliance with Laws, Rules and Regulations**

You agree to adhere to the highest standards of honesty, integrity and fair dealing in all dealings with the public and to operate your Business in strict compliance with all laws, rules, regulations, ordinances, policies and procedures of any federal, state, county, municipal or local governmental or quasi-governmental agency, commission and/or authority which govern the construction or any element of the operation of your franchised Pizzeria and Business. You also agree to obtain and keep in good standing all licenses, permits and other governmental consents and approvals which are now or hereafter required to operate your Pizzeria and Business now or in the future.

You represent and warrant to us that, as of the date of this Agreement and at all times during the Term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury’s Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or, is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other disposition of this Agreement to a “Specially Designated National or Blocked Person” (as defined below) or to an entity in which a “Specially Designated National or Blocked Person has an interest. For the purposes of this Agreement, “Specially Designated National or Blocked Person” means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a “specially designated national or blocked person” or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business.

You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or, any other legally prohibited individual or entity.

#### **9.06 Health, Safety and Cleanliness**

You shall meet (or exceed) and maintain the highest health standards and ratings applicable to the operation of your franchised Pizzeria. You shall furnish to us, within five (5) days following your receipt thereof, a copy of all inspection reports, warnings, citations, certificates, or ratings resulting from inspections of your Pizzeria conducted by any federal, state, county, local or other governmental agency, commission and/or authority.

You shall comply with our requirements and specifications concerning the quality, service and cleanliness of your Pizzeria; the programs, products and services sold, offered for sale and/or provided at the Pizzeria; and, the operation of the Pizzeria under the System, as those requirements may be specified by us in this Agreement, in the Manual or otherwise in writing.

You shall permit us or our agents, at any reasonable time and with our without notice, to remove samples of items from your franchised Business' inventory, or from your franchised Pizzeria, without payment therefor, in amounts reasonably necessary for testing either by us or an independent laboratory to determine whether said samples meet our then-current standards and specifications. We may require you to bear the costs of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our specifications.

You shall at all times maintain your franchised Pizzeria in the highest degree of sanitation, repair and condition.

#### **9.07 Your Participation in the Operation of the Business; Pizzeria Manager and Principal Pizzaman**

Unless we otherwise permit in writing, you agree to personally supervise and participate in the day-to-day operation of the franchised Business and to devote your time, attention and best efforts to the performance of your obligations under this Agreement, all ancillary documents relating to this Agreement and all other agreements which may now or hereafter be in effect between us (or any affiliate) and you (or any affiliate). If you are licensed to operate more than one Business, then you agree to devote such amount of your time and attention to the performance of your duties as is necessary for the proper and effective operation of each such Business.

You must designate a "Pizzeria Manager" for the effective operation of your franchised Business. Before designating and engaging the services of the Pizzeria Manager, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and, secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. The Pizzeria Manager must attend and successfully complete our Initial Training Program. If you are an individual, then you may serve as the Pizzeria Manager. In addition, the proposed Pizzeria Manager must demonstrate to our satisfaction (both at the time of approval and on a continuing basis thereafter) that he/she satisfies our educational, managerial and business standards, and has the aptitude and ability to conduct, operate and supervise your franchised Business.

You must designate a "Principal Pizzaman" for the effective operation of your franchised Business. Before designating and engaging the services of the Principal Pizzaman, you must identify such individual to us; furnish information to us regarding the candidate's background, experience and credentials; and, secure our prior written approval of the candidate, which we will not unreasonably withhold or deny. The Principal Pizzaman must attend and successfully complete our Initial Training Program. In addition, the proposed Principal Pizzaman must demonstrate to our satisfaction (both at the time of approval and on a continuing basis thereafter) that he/she satisfies our standards, and has the aptitude and ability to perform his duties for your franchised Business.

Upon the death, disability or termination of employment of your Pizzeria Manager or Principal Pizzaman, as applicable, for any cause or reason, you must immediately notify us. You must designate a successor or acting Pizzeria Manager or Principal Pizzaman, as applicable, promptly and, in any event, no later than ten days following the death, disability or termination of the predecessor Pizzeria Manager or Principal Pizzaman, as applicable. The above protocols and procedures governing your proposal and our approval of your initial Pizzeria Manager and Principal Pizzaman, as applicable, shall apply to any successor Pizzeria Manager and Principal Pizzaman, as applicable, you may propose. Any successor Pizzeria Manager or Principal Pizzaman, as applicable, must possess those credentials set forth in our Manual, must attend and successfully complete our next scheduled Initial Training Program and must attend and successfully complete such other reasonable training at such times as we may specify, all at your expense. The failure to

employ and train a successor Pizzeria Manager or Principal Pizzaman, as applicable, will constitute a material breach of this Agreement.

## **9.08 Requirements Concerning Programs, Products and Services**

### **A. *Programs, Products and Services You Sell***

You agree to sell all programs, products and services which are part of the System and all other programs, products and services which we in the future incorporate into the System unless, as to any one or more items, sale is prohibited by local law or regulation or we have granted you our advance written approval to exclude certain programs, products, or services. You may not sell any program, product or service which is not a part of the System or which we delete from the System.

You must maintain in sufficient supply products, materials, supplies and paper goods as conform to our then-current written standards and specifications (as set forth in the Manual or otherwise) and must refrain from deviating therefrom by the use of any non-conforming items without our prior written consent. Your Pizzeria must prepare all products utilizing such preparation standards, procedures and techniques as we specify and must refrain from any deviation from our standards and specifications without our prior written consent.

If you desire to sell any program, product, or service which is not a part of the System, then you must obtain our advance written permission, which we may deny for any or no reason. If we grant such advance written approval, then the program, product or service in question will become a part of the System; we may, but will not be required to, authorize the program, product or service for sale at one or more other Pizzerias; we may subsequently revoke our approval for any or no reason; we will own all rights associated with the program, product, or service; and, you will not be entitled to any compensation therefor.

### **B. *Proprietary Programs, Products and Services***

You must purchase or lease any proprietary programs, products, supplies, equipment, materials and services used, offered or sold at the Pizzeria which now comprise, or in the future may comprise, a part of the System and which were developed by, are proprietary to or kept secret by us or our affiliates, only from us, an affiliate of ours that we designate or an independent distributor whom we authorize. We impose this requirement to advance uniformity of the Patsy's Pizzeria concept and quality and to protect our trade secrets, which are of the essence to the System and this Agreement. Proprietary products may include one or more food and beverage items (including, without limitation, mozzarella cheese and/or tomato sauce), ingredients, condiments, and other pizzeria-related and restaurant-related products, services and equipment and any other category of programs, products, services or equipment. We (or our affiliates or designees) will sell to you all proprietary products under terms we develop and advise you of from time to time. We reserve the right to earn a profit on the sale of proprietary products to you.

### **C. *Sources of Supply and Specifications***

You must purchase certain required non-proprietary programs, products, supplies, equipment, materials and services from suppliers we designate in writing; from suppliers you propose and we approve; and/or, in accordance with our written specifications. All such designated sources must demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; that they possess adequate quality controls and capacities to supply your (and other Pizzerias') needs promptly and reliably; and, must be approved in writing by us (and have not thereafter been disapproved) prior to any purchases by you from any such supplier. All such designated sources and specifications are subject to addition, modification, revocation and/or deletion by us from time to time upon notice to you. If we revoke or delete any product, supply, equipment, component or any approved supplier, then you must cease using any such disapproved item (or any items purchased from a revoked source of supply) which are inventoried by your Pizzeria within ten days following your receipt of written or electronic notice from us, unless the item or source of supply poses a threat to the health or safety of the public, in

which case you must cease using such item or source of supply immediately upon notice from us orally, electronically, or in writing.

We may from time to time provide you with specifications governing the minimum standards of programs, products, services and/or equipment required to be used in or sold by your Pizzeria, for which we do not designate a required source of supply. We will set forth such specifications in our Manual or in other written or electronic notices we transmit to you. We may add to, modify or revoke our specifications in writing from time to time.

If we specify any particular source of supply for any particular non-proprietary program, product, service, supply, equipment and/or material and you wish to propose an alternative source of supply, we will exercise our approval of your proposed alternative supply reasonably, in accordance with the following procedure.

1. You must submit a written request to us for approval of the supplier and then furnish us with the information, data and samples that we reasonably request;
2. The supplier must demonstrate to our reasonable satisfaction that it is able to supply the program, product, service or equipment to you meeting our specifications;
3. We or our agents must have the right, and must be permitted, to inspect the proposed supplier's facilities and to have samples from the supplier delivered either to us, an independent laboratory or another designee for testing, all at your and/or the proposed supplier's expense;
4. The proposed supplier must demonstrate to our reasonable satisfaction, following our inspection or other review, that it is in good standing in the business community in all respects; that the program, product, supply, equipment, material or service meets or exceeds our specifications and standards for same in all respects; and, that the proposed supplier's manufacturing and distribution capabilities are sufficient to furnish you (and other Pizzerias) with the subject program, product, supply, equipment, material or service in a consistently timely, sanitary, hygienic and cost-efficient fashion;
5. We may require that the proposed supplier also agree to comply with such other requirements we may deem appropriate, including our ability to conduct continuing inspections and, in connection therewith, charge reasonable continuing inspection fees and administrative costs; and,
6. Nothing in the foregoing shall be deemed to require us to approve any particular supplier or to require us to make available to prospective suppliers any standards, specifications, procedures or protocols that we, in our business judgment, deem confidential.

We, our affiliate or our designee may be an approved source of supply for any such program, product, supply, equipment, material or service that you are required to purchase. However, you will not be obligated to purchase any such non-proprietary items solely from us or our affiliate. We will determine the prices we charge for any such item and will notify you of such prices at the time of sale, in our Manual or otherwise. We reserve the right to earn a profit from selling any and all such non-proprietary items to you and other Patsy's Pizzeria franchisees.

We also reserve the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of non-proprietary goods, services or equipment be paid until further notice to the System Advertising Fund (to be expended as provided in this Agreement). If we do so, then you hereby acknowledge that you will not assert any interest in such monies.

#### ***D. Systemwide Supply Contracts***

We may, in the exercise of our business judgment, enter into supply contracts either for all Pizzerias or a subset of Pizzerias situated within one or more geographic regions (each, a "systemwide supply contract"). We may enter in such systemwide supply contracts with one or more vendors for programs, products, supplies, equipment, materials and services that all company-owned and franchised Pizzerias in the United States, or company-owned and franchised Pizzerias in a designated geographic area, will be required to purchase, use and sell. If we do so, then immediately upon notification, you, we and all other Pizzerias (or, as applicable, those in the designated geographic area) must purchase the specified program, product, supply, equipment, material or service only from the designated supplier. However, if at the time of our notification you are already a party to a non-terminable supply contract with another vendor or supplier for the item in question, then your obligation to purchase from our designated supplier under the systemwide supply contract will not begin until the scheduled expiration (or earlier termination) of your pre-existing supply contract.

We make no representation that we will enter into any systemwide supply contracts or other exclusive supply arrangements or, if we do so, that you would not otherwise be able to purchase the same programs, products and/or services at a lower price from another supplier. We may add to, modify, substitute or discontinue systemwide supply contracts or exclusive supply arrangements in the exercise of our business judgment.

#### **9.09 Menus**

You shall periodically design and update Pizzeria menus utilizing the Proprietary Marks. You shall submit proposed menus to us for our prior written approval, which approval shall not be unreasonably withheld or delayed so long as your menus conform in all respects to our menu standards, specifications and requirements for design and content as set forth in our Manual or in other written communications to you. In the alternative, we may, from time to time, furnish to you're the form of menus and/or menu boards which you will be required to us (subject to the pricing provisions of Section 8.09 above).

#### **9.10 Computer and Point of Sale Systems**

Before the opening of the franchised Business, you agree to procure and install, at your expense, the computer hardware, software, wired and/or wireless internet connections and service, required dedicated telephone and power lines, security cameras and other computer-related accessories, peripherals and equipment that we specify in our Manual or otherwise (the "computer and Point of Sale systems"). You agree to obtain and maintain high-speed communications access, such as broadband, DSL or other high-speed capacity that we require for your computer and Point of Sale systems. You also agree to maintain at all times a functioning e-mail address for your Business.

You agree to provide all assistance we require to bring your computer and Point of Sale systems online with our computers at the earliest possible time and to maintain these connections as we require. You agree to input and maintain in your computer and Point of Sale systems all data and information which we prescribe in our Manual, in our proprietary software (if any) and its manuals, and otherwise. We will have independent access to your computer and Point of Sale systems and we may retrieve from your computer and Point of Sale systems all information that we consider necessary, desirable or appropriate. You must accurately, consistently and completely record and provide through the computer and Point of Sale systems all information concerning the operation of the franchised Business that we require, in the form and at the intervals that we require.

If we develop or have proprietary software developed for us in the future, you agree to use the proprietary software developed by us or on our behalf. You must sign, when we request, our standard form Software License Agreement (Exhibit E). We will initially furnish our proprietary software and associated manuals and materials to you at our expense. You agree to purchase from us new, upgraded or substitute proprietary software whenever we determine to adopt them system-wide, at the prices and on the terms that we establish. You agree to purchase from us or our designee, as applicable, new, upgraded or substitute proprietary software whenever we determine to adopt them systemwide, at the prices and on the terms that we or such third party vendor establish, but you will not be required to do so more than once in any calendar year.

You agree, at your expense, to keep your computer and Point of Sale systems in good maintenance and repair. We may mandate that you add memory, ports, accessories, peripheral equipment and additional, new or substitute software. Following our testing and determination that it will prove economically or systemically beneficial to you and to us, you agree to install at your own expense the additions, modifications, substitutions and/or replacements to your computer and Point of Sale hardware, software, telephone and power lines and other computer and Point of Sale facilities as we direct, on the dates and within the times we specify in our Manual or otherwise.

You understand and agree that modes of computerization and communication are rapidly evolving and that, accordingly, we may require you at your expense to purchase, install and utilize at your Business and Pizzeria such hereafter developed modes of computerization, communication, media and/or interfaces as we, in our sole business judgment, determine to incorporate into the System. You shall do so at such time and in such manner as we designate, in our Manual or other written notice.

Upon termination or expiration of this Agreement, you must return all software, disks, tapes and other magnetic storage media to us in good condition, allowing for normal wear and tear.

You will provide to us all user ID's and passwords required to access files and other information stored on your franchised Business's computer and Point of Sale systems. You will at all times ensure that the only personnel conducting transactions on your computer or Point of Sale systems will be those who have been trained and qualified in accordance with the requirements of our Manual.

#### **9.11 Web Sites/Social Media**

You may not maintain a World Wide Web site or social media page or otherwise maintain a presence or advertise on the Internet, through social media or in any other mode of electronic commerce (each a "Web site") in connection with the franchised Business without our advance written approval, which we may withhold for any reason or for no reason. Your Web site(s) may be accessible only through our Web site(s). If you develop a Web site with our approval, you must follow all guidelines and requirements set forth in the Manual and use any templates provided in the Manual (including required hyperlinks), so that your site conforms to our requirements, including, without limitation, those related to format, "look and feel," substantive content, privacy and technical performance. You may not allow customers to see your Web page(s) or any modifications unless you have received our advance written approval. We will be and at all times remain the sole owner of the copyrights for all material which appears on your Web page(s). All content and information which appears on your Web site(s) or which you gather from visitors to your Web site will constitute "Confidential Information" as defined in Section 13.01.

We may establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and systemwide communications (among other activities) can be effected.

#### **9.12 Indemnification**

You agree that you will, at your sole cost, at all times defend us, any affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (we and all others referenced above being the "Franchisor Parties"), and indemnify and hold harmless us and the Franchisor Parties to the fullest extent permitted by law, from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to any element of your establishment, construction, opening and operation of your Pizzeria and franchised Business, including (without limitation) any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of the franchised Pizzeria or Business; crimes committed on or near any of the premises, facilities of your franchised Business or vehicles used

by your franchised Business; all acts, errors, neglects or omissions engaged in by you, your contractors or subcontractors, as well as any third party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation or upgrading of your Pizzeria, whether or not any of the foregoing was approved by us; defects in any Pizzeria you construct and/or operate, whether or not discoverable by you or by us; all acts, errors, neglects or omissions of you or the franchised Business and/or the owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliates or representatives of you or the franchised Business (or any third party acting on your behalf or at your direction), whether in connection with the franchised Business or otherwise, including (without limitation) any property damage, injury or death suffered or caused by any delivery person or vehicle serving your franchised Business; all liabilities arising from or related to your offer, sale and/or delivery of programs, products and/or services as contemplated by this Agreement; and, any action by any customer of yours or visitor to your Pizzeria or any other facility of your franchised Business.

As used above, the phrase "claims, losses, liabilities and costs" includes all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys' and experts' fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Franchisor Parties' attorneys and/or experts); all expenses of recall, refunds, compensation and public notices; and, other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by you pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity or defense.

Specifically excluded from the indemnity you give hereby is any liability associated with our or the other Franchisor Parties' gross negligence, willful misconduct or criminal acts (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you).

You agree to give us written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Franchisor Party within three days of your actual or constructive knowledge of it. At your expense and risk, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, we will seek your advice and counsel and keep you informed with regard to the defense or contemplated settlements. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Franchisor Parties and to hold us and them harmless.

We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to do so. Under no circumstance will we or the other Franchisor Parties be required to seek recovery from third parties or otherwise mitigate our or their losses to maintain a claim against you. You agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by us or the other Franchisor Parties from you. The indemnification obligations of this Section 9.12 will survive the expiration or sooner termination of this Agreement.

### **9.13 Inspection**

We (and any of our authorized agents or representatives, including outside accountants, auditors and/or inspectors) may enter your Pizzeria and any premises of your franchised Business, and/or visit any locations at which you have provided or are providing programs, products or services to customers or maintain business records, and inspect and audit the programs, products, and services provided from or at such locations; the products and supplies contained at such locations

and their condition; confer with your employees and customers; and, assess your operating systems and compliance with this Agreement. We may conduct such inspections with or without prior notice to you. You shall cooperate with us or our representatives conducting such inspections by rendering any assistance they may reasonably request. Following any such inspection, you agree to take such steps as are necessary and incorporate into your Pizzeria and your franchised Business any reasonable corrections and modifications we require to maintain the standards of quality and uniformity we prescribe, as quickly as is reasonably possible and using all resources at your disposal.

#### **9.14 Intellectual Property You Develop**

You hereby permanently and irrevocably assign to us any and all rights and interests (including intellectual property rights and interests) to any and all of the following which is developed by you, or on your behalf, if developed in whole or in part in connection with your franchised Business or Pizzeria: all programs, products or services; all variations, modifications and/or improvements on programs, products or services; your means, manner and style of offering and selling programs, products and services; management techniques or protocols you may develop (or have developed on your behalf); all sales, marketing, advertising and promotional programs, campaigns or materials developed by you or on your behalf; and, all other intellectual property developed by you or on behalf of your franchised Business. We may authorize ourselves, our affiliates and/or other franchised Businesses to use and exploit any such rights which are assigned to us hereunder. The sole consideration for your assignment to us of all of the foregoing rights shall be our grant of the franchise conferred upon you by this Agreement.

#### **9.15 Adequate Reserves and Working Capital**

You must at all times maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under this Agreement and to cover the risks and contingencies of the franchised Business for at least three months. These reserves may be in the form of cash deposits or lines of credit.

#### **9.16 Credit Cards and Other Modes of Payment**

You agree to become and remain a merchant for any credit cards and/or debit cards which we may specify in our Manual or otherwise. Further, you agree to maintain the creditworthiness required of each of these credit card or debit card issuers; to honor these cards for credit purposes; and, to abide by all related regulations and procedures that we and/or the credit card and/or debit card issuer prescribes.

Further, you agree that, at your sole expense, you shall at our direction and by the time we specify purchase, install and utilize such equipment, facilities and personnel necessary to enable now or hereafter developed alternative modes of customer payments (beyond cash, credit cards and debit cards). Such alternative modes of payment may include, by way of example only, "smart phone" payment transactions.

#### **9.17 Compliance with Security Protocols**

You agree to assure all communication connections (of whatever form, wireless, cable, internet, broadband or other) and access to financial information, especially credit card information, is at all times kept secure in a manner which is in compliance with all legal requirements and, particularly, with all security requirements of the issuing credit card companies. You further agree to hold us and the other Franchisor Parties (as defined in Section 9.12) harmless from any and all claims and liabilities related to same. In addition, at your cost, you agree to provide us with a written report of verification from a specialist approved by us confirming compliance with the obligations imposed by this Section 9.17 and any other proof of such compliance that we may reasonably require.

#### **9.18 Delivery Vehicles**

Any vehicle used by you to deliver pizza and other products to customers or to provide any other services hereunder shall meet any standards and specifications imposed by us for delivery vehicles (in our Manual or otherwise). All signs used in connection with any such vehicle must

conform to our sign criteria as to type, color, size, design and location. All vehicle signs must be approved in writing by us before installation or display.

You shall not engage or utilize any individual in the operation of a motor vehicle in connection with delivering products or providing services hereunder who is under the age of eighteen years (or the minimum age, if any, required by your insurer to obtain the automobile liability insurance required by Section 10.01 of this Agreement) or who does not possess a valid driver's license under the laws of the state in which you provide such services. You shall require each such individual to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, we do not set forth any standards or exercise control over any motor vehicle utilized by you.

#### **9.19 Hours of Operation**

You agree to continuously operate your franchised Pizzeria on the days and during the minimum hours that we from time to time may specify in our Manual or otherwise. You may establish hours of operation in addition to the required minimum hours, subject to applicable laws, rules or regulations.

#### **9.20 Business Entity Requirements and Records**

If you are a corporation, limited liability company, limited partnership or any other type of business entity, you must comply with the following requirements (which will also apply to any assignee of this Agreement which is a business entity):

- A. Furnish us with all of your formation, organizational and governing documents; a schedule of all owners (indicating as to each its percentage ownership interest); any shareholder, partnership, membership, buy/sell or equivalent agreements and documents; and, a list of all of your officers, directors and managers (as applicable).
- B. Unless we otherwise consent in writing, your business entity's formation and governing documents must provide that its activities will be confined exclusively to the operation of the franchised Business.
- C. You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein.

Without our prior written consent (which shall not be unreasonably withheld, delayed or denied), you may not permit any mortgage, lien, pledge or other security interest in respect of any of your business entity's shares, equity interests or other ownership interests without our prior written consent. Any violation of the preceding restriction will give us the right to terminate this Agreement immediately upon notice to you.

#### **9.21 Staffing and Training**

You agree to maintain a competent, conscientious, trained staff (including pizzamen) in sufficient numbers as we require so that you may promptly, efficiently and effectively service customers. You shall take such steps as are necessary to ensure that your employees preserve good customer relations.

To impart to your management, employees and pizzamen the latest procedures, techniques, policies and standards of the System, you agree to conduct the in-house meetings, training sessions, electronic training programs or other programs that we specify in our Manual or otherwise or as you – using your reasonable business judgment – determine are necessary, appropriate or desirable, using any material and programs we may provide for this purpose.

#### **9.22 Testimonials and Endorsements**

You agree to permit us (or any of our authorized agents or representatives) to communicate in any manner with your customers to procure customer testimonials and endorsements of the programs, products or services furnished by your franchised Business and any related programs, products or services. You agree to cooperate with us in procuring testimonials and endorsements. You agree that we will be free to make whatever use of testimonials and endorsements that we determine,

and that we will owe you absolutely no direct or indirect compensation or other duty as a consequence of our use.

### **9.23 Trade Accounts**

You agree to maintain your trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers. If you do not maintain your trade accounts in a current fashion, we may pay any or all of the accounts on your behalf, but we will have no obligation to do so. If we pay any accounts on your behalf, then you agree to immediately repay us as provided by Section 5.05 (E). If you do not keep your trade accounts current or make immediate repayment to us, this will be a material breach of this Agreement entitling us to terminate this Agreement following our giving you notice and an opportunity to cure your breach.

### **9.24 No Conflicting Agreements**

During the Term of this Agreement, you may not be party to any contract, agreement, business entity formation or governance document, mortgage, lease or restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

### **9.25 Taxes**

You shall promptly pay when due all taxes levied or assessed upon your franchised Business including, without limitation, all employment, workers' compensation and sales taxes. In the event you have any bona fide dispute as to your liability for taxes assessed, you may contest the validity of the amount of the tax in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant, to occur against the premises of your franchised Business, your Pizzeria or any improvements thereon.

### **9.26 Government Actions**

You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding and/or the issuance of any citation, order, writ, injunction, award or decree of any court, agency or other governmental or quasi-governmental instrumentality, which may adversely affect the operation or financial condition of your franchised Business.

### **9.27 Privacy and Data Protection**

You will: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information within your control) to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual ("Personal Information") in any way, including, but not limited to, national data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules ("Privacy Laws"); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause us to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us in compliance with the Privacy Laws; and (v) immediately report to us the theft or loss of Personal Information (other than the Personal Information of your own officers, directors, shareholders, employees or service providers). You must also comply with payment card industry ("PCI") standards, norms, requirements and protocols, including PCD Data Security Standards.

## **10. INSURANCE**

### **10.01 Your Required Insurance Coverage**

A. Within ten days following our execution of this Agreement, and thereafter at all times throughout the Term of this Agreement, you agree to purchase at your own expense, and maintain in effect at all times, the following categories of insurance coverage in forms and through insurance

companies satisfactory to us. You understand and agree that your Lease may require other or greater insurance coverages than those stated in this Section. Such insurance coverage must extend to and embrace your franchised Business; your franchised Pizzeria; all activities conducted in, at or from your Business and Pizzeria; all facilities which may be situated upon your Business's and Pizzeria's premises; and, all activities arising from or related to the construction, operation or occupancy of your Pizzeria and any other facilities situated on your Pizzeria's premises. Your required coverages, policy limits, limitations on deductibles and limitations on self-insured retentions are prescribed by us in our Manual or otherwise in writing and, as noted below, are subject to change:

1. Broad form comprehensive general liability coverage and broad form contractual liability coverage (including premise operations, products, professional malpractice, and personal injury) satisfactory to us of at least \$3,000,000 aggregate. This insurance may not have a deductible or self-insured retention of over \$5,000.
2. "All risk" property, buildings and contents insurance (including, without limitation, plate glass provisions) on your Pizzeria and property, in an amount adequate to replace them in case of an insured loss.
3. Automobile liability coverage (including coverage of owned, non-owned and hired vehicles, medical payments, and insured motorist) with minimum limits of liability in the greater of (i) the amount required by all applicable state and federal laws, or (ii) \$1,000,000 for each person killed or injured, and, subject to that limit for each person, a total minimum liability of \$3,000,000 for any number of persons injured or killed in one accident, and a minimum limit of \$300,000 for injury, destruction or loss of use of property of third persons as the result of any one accident.
4. An all-inclusive standard umbrella policy of at least \$1,000,000.
5. Business Interruption Insurance in sufficient amounts to cover the rental of the Pizzeria, previous profit margins, maintenance of competent personnel and other fixed expenses.
6. Worker's compensation and employer's liability insurance (in statutory amounts), unemployment insurance and state disability insurance (as required by governing law), for your employees.
7. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement.

B. The insurance coverage that you acquire and maintain under this Article 10 must:

1. Name us and the other Franchisor Parties identified in Section 9.12 as additional insureds and provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured (except for workers' compensation, employer's liability and any other employee-related insurance mandated by any federal, state or local law, rule or regulation).
2. Contain no provision which in any way limits or reduces coverage for you if there is a claim by one or more of the Franchisor Parties.
3. Extend to and provide indemnity for all obligations assumed by you under this Agreement and all other items for which you are required to indemnify us under this Agreement.
4. Contains such endorsements as we may specify from time to time in the Manual.

5. Be primary to and without right of contribution from any other insurance purchased by the Franchisor Parties.
6. Provide, by endorsement, that we are entitled to receive at least 30 days prior written notice of any intent to reduce policy limits, restrict coverage, modify, cancel, not renew or otherwise alter or amend the policy.
7. Contain a waiver of subrogation rights against us, the other Franchisor Parties identified in Section 9.12 and any of our successors and/or assigns.
8. Be obtained from responsible insurance carriers acceptable to us which possess a Best's Insurance Guide rating of no less than "A+13".
9. All public liability policies may be required by us to contain a provision that although we are named as an additional insured, we are nevertheless entitled to recover under said policies on any loss occasioned to us or the other Franchisor Parties by reason of your negligence or that of your servants, agents or employees.

C. You agree not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend any required insurance policy without our specific advance written consent, which may be denied for any or no reason.

D. If there is a claim by any one or more of the Franchisor Parties against you, you must, upon our request, assign to us all rights which you then have or thereafter may have with respect to the claim against the insurer(s) providing the coverages described in this Section 10.01.

E. You agree that we may periodically add to, modify or delete the types and amounts of insurance coverage which you are required to maintain under this Agreement, and all features and elements thereof, by written notice to you (through a Supplement to our Manual, or otherwise). Upon delivery or attempted delivery of this written notice, you agree to immediately purchase insurance conforming to any such newly established standards and limits.

#### **10.02 Certificates of Insurance**

You agree to promptly provide us with certificates of insurance evidencing the coverages required by this Agreement at least ten (10) days prior to your commencing any of the activities or operations contemplated by this Agreement and, thereafter, at least thirty (30) days prior to the expiration of any such policy. All certificates must evidence proper coverage as required by this Agreement and the Manual. Attached to each certificate shall be a copy of the endorsement amending any clause in the subject policy which relates to other insurance and confirming that all coverage is primary insurance and that our insurance (and the insurance of the other Franchisor Parties identified in Section 9.12 above) is applicable only after all limits of your policy(ies) are exhausted.

You agree to renew all insurance policies and documents and to furnish renewal certificates of insurance to us before the expiration date of the expiring policy in question. We may at any time require you to forward to us full copies of all insurance policies.

#### **10.03 Purchase of Insurance on Your Behalf**

If you fail to purchase insurance conforming to the standards and limits we prescribe, we may (but we are not required to) obtain on your behalf the insurance necessary to meet these standards, through agents and insurance companies that we choose. If we do this, then you must immediately pay the required premiums or reimburse us for the premiums we advanced and must also pay us a reasonable fee for the efforts we undertake to obtain such insurance for you. Nothing contained in this Agreement will impose any duty or obligation on us to obtain or maintain any specific forms, kinds or amounts of insurance on your behalf.

#### **10.04 No Undertaking or Representation**

Nothing in this Agreement may be considered our undertaking or representation that the insurance that you are required to obtain or that we may obtain for you will insure you against any or all insurable risks of loss which may arise out of or in connection with the operation of the franchised Business. We advise you to consult with your insurance agent and other risk advisors regarding any types, amounts or elements of insurance coverage beyond those specified herein which may be prudent to obtain.

#### **10.05 Failure To Purchase Insurance or To Reimburse**

If you fail to purchase or maintain any insurance required by this Agreement or you fail to reimburse us for our purchase of any required insurance on your behalf, your failure will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

### **11. ADVERTISING**

#### **11.01 Administration of the System Advertising Fund**

When we determine to form a System Advertising Fund, we will notify you. We or our designee will administer the System Advertising Fund as follows:

A. As provided in Section 5.03, you agree to pay us a System Advertising Fund Contribution which, combined with the contributions made by all other Patsy's Pizzeria franchisees, will constitute the System Advertising Fund (or the "Fund").

B. We will direct all advertising programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Fund advertising. You acknowledge that the Fund is intended to further general public recognition and acceptance of the Proprietary Marks for the benefit of the System. You further acknowledge that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Territory. The Fund is not a trust and we are not a fiduciary with respect to the Fund.

C. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or local advertising, including (without limitation): television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; consumer research, interviews and related activities; the creation, maintenance and periodic modification of the Patsy's Pizzeria website; advertising at sports events; mailers, door hangers, freestanding inserts/coupons, brochures and sponsorships; mystery shoppers (both for the System and for competitive networks or units); celebrity endorsements; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; accounting for System Advertising Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect the System or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other advertising agency fees.

D. We need not maintain the sums paid by franchisees to the System Advertising Fund, or income earned from the Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the System Advertising Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund and advertising programs for franchisees including, without limitation, preparing marketing and advertising materials; working with advertising

agencies, advertising placement services and creative talent; preparing an accounting of contributions to the System Advertising Fund and the annual statement of Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the System Advertising Fund. Our right to expend monies from the System Advertising Fund to reimburse us for such activities is exclusive of any advertising agency fees which the Fund must expend to secure the services of an advertising agency or to have print, broadcast or internet advertising placed by an agency.

E. Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing System Advertising Fund income and expenses for the fiscal year just ended, a copy of which statement will be sent to you upon request.

F. We expect to expend most contributions to the Fund for advertising during the fiscal year when the contributions are made. If we expend less than the total sum available in the Fund during any fiscal year, we may either expend the unused sum during the following fiscal year or rebate all or a portion of the unused sum to franchisees on a pro rata basis for them to spend on local advertising and promotion (as provided for in subsection G). If we advance and expend an amount greater than the amount available in the Fund in any fiscal year (in addition to any sum required to be expended because we did not expend all the sums in the Fund during the preceding year), we will be entitled to reimburse ourselves from the Fund during the following fiscal year for all such advanced sums, with interest payable on such advanced sums at the greater rate of 1.5% per month or the maximum commercial contract interest rate permitted by law (with interest accruing the first calendar day following the day on which we advance and expend any such sum).

G. We reserve the right to use any media, create any programs and allocate advertising funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their System Advertising Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total System Advertising Fund Contributions collected from all Patsy's Pizzeria franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish in our Manual or otherwise.

H. Although the System Advertising Fund is intended to be a perpetual duration, we maintain the right to terminate the Fund, but will not do so until all of the monies in the Fund have been expended for advertising and promotional purposes.

#### **11.02 Advertising Standards You Must Comply With**

You may only use advertising which we have either furnished or approved in writing in advance. You agree to conduct all advertising which uses the Proprietary Marks or refers in any way to your franchised Business in a dignified manner and in a fashion calculated to avoid fraud, illegality, deception, misrepresentation, embarrassment, shame, ridicule, disparagement or liability of any type or nature accruing to you, us, your franchised Business, the System, your Pizzeria or other Patsy's Pizzeria franchisees or Businesses. You agree to conform all of your advertising to the standards, specifications and requirements specified in writing by us, in our Manual or otherwise.

If we learn that you have breached these requirements, we will notify you in writing and if you do not cure the breach within three days following delivery of our notice, then we may terminate or remove any unauthorized advertising at your expense, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to you (which we may also do if your breach, by its nature, is incurable).

Under this Agreement, the term "advertising" is defined to mean any and all advertising, identification and promotional materials and programs of any type or nature whatsoever including print and broadcast advertisements; direct mail materials; brochures; advertising specialties; electronic commerce communications and "bulletin boards"; any advertising on the internet/worldwide web; any advertising or promotion on social media; public relations and brand awareness programs; direct mail; door hangers; freestanding inserts and coupons; sponsorships; point of sale materials; press releases; business cards; displays; leaflets; telephone and computer greetings; messages and voice-mail/e-mail sent to or accessible by customers or other third parties; promotional material captured in any electronic medium; any advertising through any hereafter developed media, platforms, devices or modes of communication; and, any other material or communication which we denominate as "advertising" in our Manual or otherwise.

You agree to submit to us for approval, before use or dissemination, copies of all proposed advertising you intend to use (except for advertising which we furnish to you under this Agreement or advertising you have previously submitted and we have approved). Our approval of any of your proposed advertising may be withheld for any or no reason. If we do not respond within ten business days following our documented receipt of your proposed advertising material, then our approval will be deemed withheld and the proposed advertising material not approved. You acknowledge that our grant or denial of our approval of your proposed advertising will not give rise to any liability on our part and you waive any possible claims against us to the contrary.

#### **11.03 Grand Opening Advertising, Local Advertising and Promotion**

You must spend, according to a Market Introduction Program we prepare and provide to you, a total sum of \$2,500 on grand opening advertising. The Market Introduction Program will set forth the commencement dates of such requirements and the type and nature of advertising that must be conducted during that time period. The Market Introduction Program's requirements will end on the date that your Pizzeria opens for business to the public. You agree to make these grand opening advertising expenditures using the advertising material, media, special events and other public relations activities that we require or approve, in our Manual or otherwise.

In addition to the grand opening advertising spend requirement set forth above, you agree to expend \$5,000 per year on local advertising and promotion, such expenditure to be increased on January 1 of each year during the term hereof by the percentage of increase in the "CPI" during the preceding twelve (12) months, the CPI being defined as the Consumer Price Index for all Urban Consumers (CPI-U) – All Items (1982-84=100) for the United States published by the Bureau of Labor Statistics of the U.S. Department of Labor, and if the CPI is discontinued, the successor index most nearly comparable thereto. "Local Advertising and promotion" means the local or regional Advertising and promotional activities that we specify in our Manual or otherwise, or approve in advance as provided in Section 11.02.

On or before January 15th of each year during the term of this Agreement, and at any other times that we may require, you agree to furnish to us copies of all statements, invoices and checks issued during the preceding year showing that you have spent the required amounts for local advertising. You further agree to furnish to us an accurate accounting of all expenditures for local advertising and promotion in the previous calendar year, at the same time that you submit the annual financial statements required by Section 12.01 below.

You will be entitled to a credit against your minimum local advertising and promotion requirement for contributions made to an advertising cooperative (as provided for in Section 11.04), but will not be entitled to any credit for Yellow Pages or White Pages advertisements.

#### **11.04 Advertising Cooperatives**

We may, from time to time, establish, change, merge or dissolve regional advertising cooperatives for a geographic area which encompasses two or more Businesses (each a "Regional Advertising Cooperative"). We will furnish to you written notice of the establishment of any Regional Advertising Cooperative for your Territory. The notice will specify the date you are to begin contributions and the amount of the contributions. Contributions will be calculated as a percentage

of Gross Revenues as defined in Section 5.04 above. Your contributions to a Regional Advertising Cooperative will not be less than 1% nor more than 2% of your Gross Revenues, unless the maximum contribution is changed by franchisee Cooperative members in accordance with the terms of the Bylaws of the Cooperative. You will be entitled to a credit against your minimum local advertising and promotion requirement as set forth in Section 11.03 for contributions made to an advertising cooperative.

Businesses that are owned and operated by us or an affiliate of ours and are within the geographic area of a Regional Advertising Cooperative will participate in and contribute to the Cooperative on the same basis as required of franchisee members of the Cooperative. All Regional Advertising Cooperatives will be governed by Bylaws in the form of Exhibit G, except as modified to conform with the laws of any specific jurisdiction.

The Regional Advertising Cooperative may expend its funds for any or all of the following purposes: (i) development of advertising ideas and concepts; (ii) development of market research and merchandising programs; (iii) preparation of advertising campaigns; (iv) development of promotional ideas and strategies; (v) preparation of collateral creative materials; (vi) preparation of advertisements; (vii) placing and paying for regional marketing and advertising; (viii) planning, negotiating, contracting and trafficking all media programs; (ix) employing advertising agencies to assist in these activities and securing other technical and professional advice in connection with the above; (x) other public relations; and, (xi) administration of the Cooperative, including legal and accounting services. It will not be a requirement that expenditures made by a Regional Advertising Cooperative be proportionate to your contributions or those of any other franchisee.

Your failure to make any required payments to any Regional Advertising Cooperative will be a material breach of this Agreement which, unless cured as provided in Section 18.03, may result in this Agreement being terminated.

#### **11.05 Yellow/White Page Advertising**

You agree to list your Business in all print and/or electronic alphabetic directories ("White Pages") serving your Territory. You are also required to advertise your Business continually in all print and/or electronic classified directories ("Yellow Pages") serving your Territory under headings designated by us in our Manual or otherwise. We may annually furnish you with demographic information and recommendations regarding which Yellow Pages directory(ies) in your Territory you should advertise in for the coming year. You agree to procure, place and pay for all of your White Pages advertising and any Yellow Pages advertising we may require. We may specify the size, style and content of your Yellow Pages advertising and may require you to utilize the services of a classified telephone directory advertising or placement agency we designate. In lieu of individualized Yellow Pages advertising for your franchised Business, we may instead require you and all other Businesses situated within a geographic area served by one or more Yellow Pages print or electronic directories (including Businesses owned or franchised by us or our affiliates) collectively to prepare, place and equally share in the cost of combined Yellow Pages advertisements featuring, and treating identically, all such Businesses. Any expenditures you make for White Pages or Yellow Pages advertising will be in addition to, and not included in, those sums which this Agreement requires you to expend for local advertising and promotion.

### **12. RECORDS, AUDITS, REPORTING REQUIREMENTS AND PRIVACY**

#### **12.01 Financial Statements**

A. No later than 30 days following the end of each calendar quarter during the Term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the franchised Business's profit and loss for the quarter and a balance sheet as of the end of the quarter. You must certify these statements to be true and correct.

B. No later than 90 days following the end of each of your fiscal years during the Term of this Agreement, you agree to furnish to us, in a form we approve, a statement of the franchised Business's profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year,

prepared on a compilation basis and certified to be true and correct by you. We reserve the right to require these annual financial statements to be audited by an independent certified public accountant.

C. The financial statements required above must be prepared in accordance with United States generally accepted accounting principles, including all disclosures required under those principles.

D. No later than 30 days following your filing of the annual tax returns of the franchised business, you agree to furnish to us exact copies of the tax returns, including federal, state and any local income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by you to any governmental agency or entity have been paid, and that if you are a business entity, there is no reason to believe that your entity's status has been impaired.

E. If you do not timely furnish to us any of the financial statements or tax returns required above in this Article 12 then you agree to pay us a late charge of \$50 per month that each financial statement or tax return is overdue. We may also in such circumstance elect to terminate this Agreement upon giving you notice and an opportunity to cure your default.

F. You authorize us to incorporate in our franchise disclosure document and/or promotional literature information derived from the above financial statements, so long as you or your Business are not individually identified.

#### **12.02 Financial Records and Audit**

A. You agree to record all Gross Revenues received by and all expenditures made by you or your franchised Business. You further agree to keep and maintain adequate records of all such Gross Revenues and expenditures and to maintain accurate books, records and tax returns, including related supporting material (such as cash receipts, and credit and charge records) for your franchised Business. We may specify, in our Manual or otherwise, the forms and media that you will be required to use in recording your franchised Business' Gross Revenues and expenditures. You agree to keep and preserve for seven years (or such longer period as may be required by any law, rule or regulation) the types and classes of electronic and/or other books, records and tax returns that we specify in our Manual or otherwise, along with all business, personnel, financial and operating records, in any media, relating to your franchised Business. If you do not maintain the required records, this will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. We and/or our agents (who may be outside accountants and auditors), designees and/or employees will have the right, at any time, with or without written notice, during normal business hours, to enter your Pizzeria and any other offices at which the Business is administered, in a fashion calculated not to disrupt your Pizzeria's and Business's operations, to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state, foreign and, if applicable, city); and, your files relating to programs, services and products sold, business transacted and expenditures relating to the Business. These files must include (without limitation) your operating records; bookkeeping and accounting records; customer lists; customer job orders; operating records; operating reports; correspondence; general business records; your copy of the Manual (as amended); invoices; payroll records; journals; ledgers; files; memoranda and other correspondence; contracts; and, all sources and supporting records used to prepare the reports and forms which you are required to submit to us under this Agreement, including the books or records of any business entity which owns the franchised Business. You agree to make any of these materials available for examination at your offices. Alternatively, we may determine to conduct any such audit either at our offices or at the office of a designee of ours and, if we do, you will be required to transmit some or all of the foregoing books and records to us or our designee. In addition to the foregoing, we may require you to scan and electronically

transmit to us such volume of the above-referenced records, files and documents as will not unreasonably burden the licensed business.

C. If an audit reveals that you understated the Gross Revenues on your monthly reports to us by any amount for any month within the period of examination, or for the entire period of examination, when compared to your actual Gross Revenues, then you agree to immediately pay us the additional amount payable as shown by the audit, plus interest calculated as provided in subsection 5.05 (D). If an audit reveals that you understated the Gross Revenues on your monthly reports to us by 2% or more for any month within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due and interest calculated as provided in subsection 5.05 (D), you agree to immediately pay us the full cost of the audit for the entire period of examination. If an audit reveals an understatement by you of 8% or more for any month within the period of examination, or for the entire period of examination, then in addition to paying the additional amounts due, interest calculated as provided in subsection 5.05 (D) and the full cost of the audit for the entire period of examination, your understatement will be a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

### **13. CONFIDENTIAL INFORMATION AND COVENANTS NOT TO COMPETE**

#### **13.01 Restriction on Use of Confidential Information**

You agree to use and permit the use of our Confidential Information (as defined below) solely in connection with the operation of your franchised Pizzeria. You further agree that you will never – during the Initial Term or any Renewal Term of this Agreement, or any time after this or any Renewal Agreement expires or terminates, or your rights under this Agreement or any Renewal Agreement are assigned or terminated – divulge or use any of our Confidential Information for the benefit of yourself, your owners (if you are a business entity) any third party (including any person, business entity or enterprise of any type or nature), nor will you directly or indirectly aid any such third party to imitate, duplicate or “reverse engineer” any of our Confidential Information.

“Confidential Information” means all information, knowledge, trade secrets or know-how utilized or embraced by the System or which otherwise concerns your or our systems of operation, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software. Confidential Information includes (without limitation): all elements of the System and all programs, products, services, equipment, technologies, recipes, food and beverage preparation techniques, policies, standards, requirements, criteria and procedures that now or in the future are a part of the System; our Manual (including Supplements to the Manual); all specifications, procedures, systems, techniques and activities employed by us or by you in the offer and sale of programs, products and/or services at or from your franchised Business; all pricing paradigms established by us or by you; all of our and/or your sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); our specifications, and your final plans, for the construction, buildout, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Pizzeria; the identify of, and all information relating to, the computer and POS hardware and software utilized by us and you; all information pertaining to our and/or your advertising, marketing, promotion and merchandising campaigns, activities, materials, specifications and procedures; all customer lists and records generated and/or otherwise maintained by your franchised Business; our (and, if in the future we permit, your) internet/web protocols, procedures and content; our training and other instructional programs and materials; all elements of our recommended staffing, staff training and staff certification policies and procedures; all communications between us (including the financial and other reports you are required to submit to us under this Agreement); additions to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which we employ now or in the future; and, all other information, knowledge and know-how which either we or our affiliates, now or in the future, designate as confidential.

Confidential Information will not, however, include information which you can demonstrate came to your attention before we disclosed it to you (unless illegally or improperly procured by you before our disclosure) or which, at or after the time of disclosure, has become a part of the public domain through publication or communication by others, but not through any act of yours.

Except as authorized in this Agreement, you agree never to copy, duplicate, record or otherwise reproduce any of the Confidential Information, in whole or in part; otherwise share it with any other third party individual or entity; store it in a computer or other electronic format; or, otherwise make it available to any third party by any other means whatsoever. Upon the expiration or termination of this Agreement, you agree to return to us such Confidential Information as we request (including customer lists and records; all training materials and other instructional content; financial and non-financial books and records; the Manual; and, computer databases, software and manuals) which is then in your possession or, upon our request, destroy all or certain such Confidential Information and certify such destruction to us. It is specifically understood that all customer lists or information adduced by your franchised Business is our property, not yours, and you shall never contend otherwise.

You must only divulge such Confidential Information to your operational personnel as is necessary for each to perform his/her functions and then only on a "need to know" basis. You agree to take all necessary precautions to insure that these individuals maintain the Confidential Information in confidence and comply with the confidentiality provisions of this Agreement. Your agreement to procure execution of our Confidentiality/Non-Competition Agreement from certain of your owners, management and staff is set forth below in Section 13.05.

### **13.02 Covenant Not to Compete**

You agree that (i) at any geographic location whatsoever during the Initial Term and any Renewal Term of this Agreement, and (ii) within your Territory, within ten miles of the perimeter of your Territory or within ten miles of the perimeter, or within, the Territory or market area (as applicable) of any other franchised or company-owned Business (regardless of how established or operated) for a period two years immediately following the termination or expiration of this Agreement or any Renewal Agreement for any reason, you will not directly or indirectly engage in, aid, assist, serve or participate in any other business or activity (a "Competitive Business") which offers or sells any of the food and beverage items, programs, products or services which now or hereafter are authorized for sale under the System (including pizzas, appetizers, salads, calzones, and non-alcoholic beverages) or component thereof in any manner (whether a restaurant, catering service,, wholesale supplier or otherwise); which offers or sells similar or related programs, products or services; which engages in any of the activities which this Agreement contemplates that you will engage in; or, which offers or sells any other food or beverage item, program, product, service or component which now or in the future is part of the System, or any confusingly similar program, product or service.

You are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, member, director, manager, officer, employee, principal, agent, advisor, consultant, lessor, sublessor or any similar capacity. In addition, you agree not to divert any business that should be handled by the franchised Business to any other person or entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Agreement will prevent you from owning for investment purposes only up to an aggregate of 5% of the capital stock of any Competitive Business you do not control, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange.

Further, during the Initial or any Renewal Term of this Agreement, and for two years following the termination or expiration of same for any reason, you agree not to: (i) solicit for employment or hire our management personnel, the management personnel of any of our affiliates or the management personnel of any other franchised Business without first obtaining any written permission from us

and the employer(s) of the management personnel in question, or (ii) sell, assign, lease, sublease or otherwise grant possession of your Pizzeria and/or Location to any individual or entity which intends to utilize same to conduct a Competitive Business thereat (and it shall be your affirmative duty in connection with any such sale, assignment or other disposition of your Pizzeria and/or Location to secure a written memorialization from the purchaser, assignee, lessee, sublessee or permittee that it has no intent to conduct a Competitive Business, as herein defined, following the subject transaction).

It is the intention of these provisions that any person or entity within a legal or beneficial interest in or traceable to, down or through you be bound by the provisions of this covenant, including (without limitation) your spouse, brother, brother-in-law, sister, sister-in-law, parents, parents-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary of yours; and, any other related person or entity, regardless of how many levels or tiers there may be between you and the person or entity.

If you are a business entity, you agree to cause your (as applicable) owners, members, shareholders, directors, officers, partners, general partner, proprietor and or any other beneficial owner to refrain from any of the competitive activities described above in any manner which we reasonably request. In all instances, you shall also cause your Pizzeria Manager, Principal Pizzaman and all other key management employees of your Business to refrain of any of the competitive activities described above in any manner which we reasonably request. Your agreement to procure the execution of our Confidentiality/Non-Competition Agreement from certain such individuals is set forth below.

### **13.03 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article 13 are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency is hereby empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You expressly agree to be bound by any lesser covenants subsumed within the terms of this Article 13 as if the resulting covenants were separately stated in and made a part of this Agreement.

### **13.04 Enforcement of Covenants Not To Compete**

You acknowledge that any violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you consent to the entry of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that any violation of the covenants not to compete will conclusively be deemed to have been accomplished by and through your unlawful use of our Confidential Information, know-how, methods and procedures. Further, you expressly agree that any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants not to compete in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' and experts' fees that we incur in connection with the enforcement of the covenants not to compete set forth in this Agreement.

### **13.05 Procurement of Additional Covenants**

You agree to require and obtain the execution of our form Confidentiality/Non-Competition Agreement attached hereto as Exhibit F from all of the following persons:

1. Before employment or any promotion, your Pizzeria Manager, your Principal Pizzaman and all other managerial personnel; and,
2. If you are a business entity, and as applicable, all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you. You shall

procure all such Confidentiality/Non-Competition Agreements no later than ten days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within ten days following such individual or entity's attaining such status) and shall furnish to us copies of all executed Confidentiality/Non-Competition Agreements within ten days following their execution.

#### **13.06 Your and Our Enforcement of Confidentiality/Non-Competition Agreements**

You agree to vigorously and vigilantly prosecute to the fullest extent permitted by law breaches of any Confidentiality/Non-Competition Agreement executed by any of the individuals referenced in Section 13.05, and you acknowledge our right, to be exercised as we alone determine, to ourselves and enforce the terms of any such executed Confidentiality/Non-Competition Agreement. If the provisions of our Confidentiality/Non-Competition Agreement have been breached by an individual employed, engaged or otherwise serving your franchised Business who has not executed a Confidentiality/Non-Competition Agreement, you must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law.

### **14. CONDITIONS TO AND PROCEDURES GOVERNING RENEWAL**

#### **14.01 Conditions to Renewal**

Your right to enter into a Renewal Franchise Agreement will be conditioned on the following:

- A. You must notify us in writing no more than nine months and no less than six months before the expiration of the Initial Term of this Agreement of your intent to enter into a Renewal Franchise Agreement;
- B. Throughout the Initial Term and at the time of renewal you must have performed all of your material obligations and been in compliance with the terms of this Agreement, the Manual and other agreements between you and us or our affiliates;
- C. At the time of renewal you must be current on the payment of all monetary obligations to us, our affiliates, the lessor or sublessor of your Pizzeria and any material third party supplier of yours;
- D. Before the commencement of the applicable Renewal Term, you must refurbish, redesign and/or remodel your franchised Pizzeria as we reasonably require to meet our then current standards;
- E. You or your Pizzeria Manager (as applicable) and any other management and staff we designate must attend and successfully complete any training that we may reasonably require, at your expense;
- F. You must pay us a renewal fee of 50% of the our then-current Initial Franchise Fee for similar franchised territories, but the Renewal Fee for the first Renewal Term will be no greater than the Initial Franchise Fee which you paid under this Agreement;
- G. You must be able to renew the lease for your Pizzeria on terms acceptable both to you and us, or lease a substitute Location acceptable to and approved by us, without any interruption of business in compliance with the terms of Section 7.02; and,
- H. You must have signed a General Release in the form of Exhibit J. This General Release will not release us from any future claims related to any Renewal Franchise Agreement but will release us from any and all claims you may have related to this Agreement.

If you have satisfied these conditions, then we will provide you with a Renewal Franchise Agreement in the manner specified in the following section.

#### **14.02 Renewal Procedures**

You must exercise your renewal right under this Agreement in the following manner:

- A. You must notify us in writing no more than nine months and no less than six months before the expiration of the Initial Term of this Agreement of your desire to enter into a Renewal Franchise Agreement.
- B. Within thirty days after our receipt of your notice, we will deliver to you a copy of our then-current franchise disclosure document (if we are then legally required to do so) and a copy of your Renewal Franchise Agreement in a form ready to be executed by you (together, the "Renewal Package"). You must acknowledge receipt of the Renewal Package in any fashion that we reasonably specify.
- C. No sooner than fifteen days, but no later than twenty five days, after you receive our Renewal Package, you must execute the Renewal Agreement and return it to us.
- D. If you have exercised your renewal right as described above and have complied with all of the procedures set forth herein, and on the date of expiration of the Initial Term you satisfy all of the conditions to renewal identified in Section 14.01 of this Agreement, then we will execute the Renewal Franchise Agreement previously executed by you and will, deliver one fully executed copy of your Renewal Franchise Agreement to you.
- E. If you do not perform any of the acts or deliver any of the writing required herein in a timely fashion, this will be considered your conclusive election not to exercise your right to enter into a Renewal Franchise Agreement and such right will then automatically lapse and expire without further notice or action by us. If this occurs, this Agreement will terminate at the end of the Initial Term, except for the post-termination and post-expiration provisions of this Agreement which by their nature will survive.
- F. **Time is of the essence with regard to this Section 14.02.**

#### **14.03 Notice of Expiration**

If applicable law requires us to give you notice of expiration of this Agreement at a specified time prior to such expiration, and we have not done so, then the term of this Agreement will be extended to the date following which our notice has been given and the legally required notice period has expired.

### **15. ASSIGNMENT**

#### **15.01 Assignment By Us**

We have the right to assign all of our rights and privileges under this Agreement to any person or business entity. If we assign this Agreement, you expressly agree that immediately upon and following such assignment, we will no longer have any obligation - - directly, indirectly or contingently - - to perform or fulfill the duties or obligations imposed upon "Franchisor" hereunder. Instead, all such duties and obligations will be performed solely by our assignee, and you will never assert, contend or complain otherwise.

You agree and affirm that we may undertake a refinancing, recapitalization, securitization, leveraged buyout or other economic or financial restructuring. You expressly waive any and all claims, demands or damages arising from or related to such activities.

You also agree that we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Proprietary Marks, regardless of the location of these businesses and/or facilities, which may be within the Territory or immediately proximate to the Territory.

### **15.02 Assignment By You – General**

You understand and acknowledge that we have entered into this Agreement in reliance on and in consideration of your singular personal skills and qualifications (or, if you are a business entity, the personal skill and qualifications of your owners and managers), and the trust and confidence that we repose in you (or your owners and managers, if you are a business entity), and that this Agreement and the franchise conveyed hereunder is therefore personal to you and is your personal obligation. Accordingly, except as provided below, neither all nor any part of your interest in this Agreement; the franchise conveyed hereby; your rights, privileges or obligations under this Agreement; the franchised Business; your Pizzeria; the ownership of your franchised Business; your Lease or Sublease (as applicable); or, your rights to use the System, Proprietary Marks, Confidential Information and/or Manual may in whole or in part be assigned, sold, transferred, pledged, encumbered, shared, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any fashion without first obtaining our written consent in accordance with this Article 15 (which consent shall not be unreasonably withheld) and without first complying with our right of first refusal pursuant to Section 15.06 below.

Any actual or attempted assignment, transfer or sale of this Agreement, the franchise conveyed hereunder, the franchised Business, your franchised Pizzeria, any ownership interest in you (if you are a business entity), any of the other interests, rights or privileges identified in the preceding paragraph, or any interest in any of these, in violation of the terms of this Article 15, will be null, void and of no effect, and will be a material and incurable breach of this Agreement which, unless we waive to the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

If you are a business entity, then for the purposes of this Agreement, “assignment” includes (without limitation) the transfer, issuance or redemption in the aggregate of more than 25% of the voting power or (as applicable) the capital stock, partnership interest, membership interest or any other species of ownership interest in you (or any lesser percentage sufficient to control your business entity or the franchised Business, as the term “control” is most broadly defined by any United States or state securities and/or corporate and/or partnership law) to any person or entity who is not (i) already a (as applicable) shareholder, member, partner or other category of owner of your franchised Business; (ii) the spouse of such individual; (iii) a trust controlled by such individual; or, (iv) a business entity owned, controlled and composed solely of such individuals in the same proportionate ownership interest as each such individual had in you before the assignment, as provided below. You agree to immediately report to us all such transfers or assignments of ownership in your business entity, even if less than 25%, in accordance with the procedure set forth in our Manual or otherwise.

### **15.03 Assignment By You – To A Business Entity You Form**

If you are an individual and would like to transfer your interest in this Agreement to a business entity you form solely for the convenience of business entity ownership, you must obtain our prior written consent. We will not unreasonably withhold consent if all of the following conditions are met:

- A. The business entity must be newly organized and duly formed, and its activities must be confined exclusively to serving as “Franchisee” under this Agreement (unless we otherwise consent in writing).
- B. You must be the sole owner of all ownership interests in the business entity and its principal officer or manager (as applicable) (or the sole owner of 75% or more of all ownership interests in the business entity, with the remaining owners being your spouse and/or adult children).
- C. If more than two individuals serve as “Franchisee” hereunder, each individual must have the same proportionate ownership interest in the business entity as he or she had in the franchised Business before the transfer.

- D. You and the business entity must execute an agreement with us under which you and the business entity agree to be jointly and severally liable for all duties, responsibilities and obligations to us under this Agreement and expressly agree to be bound by all of the terms, conditions and covenants of this Agreement. Each then-current and future owner of any interest in the business entity must agree in writing to personally guarantee the performance by the business entity of your obligations under this Agreement, and to be individually bound by all of the terms and conditions of this Agreement and any other agreements between you and us, in the form of Exhibit H to this Agreement.
- E. Each present and future owner of any interest in the business entity must execute our Confidentiality/Non-Competition Agreement the form of which is attached as Exhibit F to this Agreement.
- F. The name of the business entity formed by you may not include the Proprietary Mark "Patsy's Pizzeria", any variant thereof or any word confusingly similar thereto.
- G. Your business entity must comply in all respects with the requirements and prohibitions set forth in Section 9.20 of this Agreement ("Business Entity Requirements and Records").

Any transfer pursuant to this Section 15.03 will not be subject to our right of first refusal below and will not require you to pay to us any transfer fee.

#### **15.04 Assignment By You – Sale To Third Party**

If we do not elect to exercise our right of first refusal (as provided in Section 15.06 below), then we will not unreasonably withhold consent to your sale, transfer or assignment of any interest in you (if you are a business entity), the franchise conveyed by this Agreement, your Business, your Pizzeria, your Lease or Sublease (as applicable) and your right to use the System, or any interest in any of these, to a third party. You agree that it will not be unreasonable for us to impose, among other requirements, the following conditions to granting consent to your proposed sale, assignment or transfer of any of the foregoing:

- A. That the proposed assignee (meaning all individuals and entities which, after the proposed sale, transfer or assignment, will be franchisees under this Agreement or under any successor agreement) applies to us for acceptance as a franchisee and demonstrates to our satisfaction that the proposed assignee (and, if it is a business entity, each and every owner and guarantor of the proposed assignee) possesses the skills, qualifications, financial condition, background and history, reputation, economic resources, education, managerial and business experience, moral character, credit rating and ability to assume your duties and obligations under this Agreement and any successor and related agreement. You must pay the costs of any such investigation conducted by us.
- B. That, upon our request, the proposed assignee (or, if the proposed assignee is a business entity, each and every owner or guarantor of the proposed assignee) presents itself for a personal interview at our corporate office, or any other location we designate, at the date and time we reasonably request, without expense to us. We may determine to meet with your proposed assignee at his, her or its principal place of business or residence and, if we do, you will reimburse us for all travel, lodging, meal and personal expenses related to such activity.
- C. That the proposed assignee has the organizational, managerial and financial structure and resources required to conduct the franchised Business properly, taking into account such factors (among others) as the number of Pizzerias and market areas involved and their geographic proximity.

- D. That the proposed assignee comply with our ownership requirements relative to the control of the proposed assignee and the franchised Business.
- E. That the proposed assignee (and, if the proposed assignee is a business entity, each and every owner or guarantor of the proposed assignee) comply with our restrictions relative to involvement in any business which competes with the franchised Business.
- F. That the proposed assignee have those financial resources and capital to operate the franchised Business in accordance with such standards and the satisfaction of such conditions as we indicate from time to time.
- G. That the proposed assignee; his, her or its proposed Pizzeria Managers; and, such other post-transaction employees of the franchised Business attend and successfully complete our Initial Training Program before the assignment, and any other training that we reasonably require, at the assignee's expense (which will include our then-current training fee and the cost of the trainees' transportation, lodging, food and other living expenses). Each individual undergoing such training must first execute the Confidentiality/Non-Competition Agreement, the form of which is attached as Exhibit F to this Agreement. We may waive these requirements if the proposed assignee is one of our existing franchisees in good standing.
- H. That, if required, the lessor or sublessor of your Pizzeria Location consents in writing to the assignment to the proposed assignee.
- I. That, as of the date of the assignment, you have cured any existing defaults under any provisions of this Agreement or any other agreement or arrangement with us or our affiliates, and have fully satisfied in all respects all of your accrued and/or then-current monetary and other obligations to us and our affiliates (under this Agreement or otherwise), all sources of financing of your franchised Business and all material sources of supply of your franchised Business.
- J. That the assignee execute a new Franchise Agreement with us, and all other agreements required of new franchisees, in the form and on the terms and conditions we then offer to new franchisees, which terms and conditions may vary significantly from this Agreement. The assignee will not be obligated to pay another Initial Franchise Fee under the new Agreement but will be required to pay our then-current fees for furnishing our Initial Training Program and any other services we are required to furnish under the new Agreement. The term of the new Franchise Agreement will be the balance of the Term of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for your guarantees; any of your obligations to us or our affiliates which remain outstanding and/or unsatisfied; and, the post-termination and post-expiration provisions of this Agreement which, by their nature, will survive.
- K. That the assignee has acquired, or will be able to immediately acquire following the execution of the new Franchise Agreement, all permits, licenses and other authorizations required by any federal, state or local, rule or regulation to operate the franchised Business. If applicable law enables you to transfer or assign any of the aforementioned permits, licenses and/or authorizations which you possess to the assignee, then you agree to do so immediately following our execution of the assignee's new Franchise Agreement.
- L. Notwithstanding the foregoing, you understand and agree that you will remain fully liable and responsible for all of your obligations to us and our affiliates under this Agreement which arose in connection with your franchised Business prior to the effective date of your assignee's new Franchise Agreement (specifically including your obligation to indemnify us and the other Franchisor Parties identified in Section 9.12) and you agree to execute any and all documents we reasonably request to further evidence such liability.

- M. That if the proposed assignee is a business entity, we have the absolute right to require any owners or other parties having an interest in the proposed assignee or the Pizzeria Location to execute the Guarantee in the form attached as Exhibit H to this Agreement.
- N. That the Total Sales Price of your sale, assignment or transfer is not so excessive, in our sole determination, that it jeopardizes the continued economic viability and future operations of the franchised Business and/or the assignee. "Total Sales Price" means all consideration of every kind paid or payable to you or any other person in connection with, arising out of or relating to the assignment or transfer of the franchise, the Franchise Agreement or the franchised Business, whether money, property or other thing or service of value including consideration received for your Business; your rights under this Agreement; contracts; goodwill; restrictive covenants; consulting arrangements; your furniture, fixtures, equipment and trade dress elements; accounts receivable; any consulting salary; or, any other fees or arrangements or other form of consideration, whether the consideration is received in the present or promised to be given to the assignor or any other person in the future (including the highest possible value of any contingent future consideration).
- O. That you and, if you are a business entity, each of your owners and guarantors, and the assignee (and if the assignee is a business entity, each of each owners and guarantors) execute a general release in the form of Exhibit K of any and all claims, demands and causes of action which you, such owners or the assignee and its owners may or might have against us and/or any of the Franchisor Parties through the date of execution of the assignee's new Franchise Agreement.
- P. That if the assignee is a business entity, all of the requirements of its new Franchise Agreement concerning business entities must be complied with before we will execute the new Franchise Agreement and, as applicable, will continue to be complied with thereafter.
- Q. That you furnish us with a copy of any proposed contract of assignment (and any related agreements) and, promptly following execution, furnish to us a copy of the executed contract of assignment (and any related agreements).
- R. That upon our request, either you and/or the proposed assignee, at your/its own expense, modify your Pizzeria to conform to our then-current standards and specifications for System Pizzerias in the United States and complete such modifications, at our election, either prior to the contemplated assignment or such later time reasonably specified by us.
- S. That you pay us a transfer fee of \$5,000 or such greater amount as may be necessary to reimburse us for our legal, accounting and other expenses incurred in connection with your assignment.
- T. That neither the proposed assignee nor any of its owners or affiliates directly or indirectly owns, operates or has any interest in, or has a material business relationship with, a competitor (as denominated in Section 13.02 above) of us or any of our affiliates.

You expressly agree that your obligations to indemnify and hold harmless us and the other Franchisor Parties under Section 9.12 of this Agreement extends to and embraces liabilities arising from or relating to, directly or indirectly, any statements, representations or warranties that you may give to or receive from any proposed assignee and/or any claim that you (and, if you are a business entity, your owners, Pizzeria Manager, management or employees) or your assignee engaged in fraud, deceit, violation of franchise laws or other illegality in connection with the negotiation or consummation of the assignment. As with all other indemnification obligations set forth in this Agreement, this specific indemnification obligation will survive the termination or expiration of this Agreement.

You further understand and agree that our approval of any assignment transaction will not constitute our waiver of any claims against you by us or our affiliates, under this Agreement or otherwise.

The provisions of Section 15.02 through Section 15.04 inclusive pertain to any lease, management agreement or other agreement which would have the effect of transferring any material asset or control of all or any part of the operations of your franchised Business to any third party. Any such agreement must first be approved by us in writing. We will not unreasonably withhold our approval, but our approval may be denied if such agreement is on terms materially different from those which would result from arms-length negotiations or if we determine that the fees payable under such agreement are excessive. Any such agreement and any party thereto who, as a result of the agreement, may directly or indirectly be involved in the ownership of the assets or operations of the franchised Business must meet such standards and conditions as we have put in place at the time you request our consent.

#### **15.05 Assignment By You – Transfer Upon Death or Disability**

If you are a business entity, then upon the death or disability of one or more of your owners (but not the last surviving owner of your business entity, which is addressed in the following paragraph), then the estate, heirs, legatees, guardians or representatives of such owner may freely sell, assign or transfer the deceased's or disabled's interest in this Agreement and/or its interest in the franchised Business to any of the following: (i) the spouse of such individual; (ii) any individual or entity which, at the time of the subject death or disability, is already a (as applicable) shareholder, member, partner or other category of owner of your franchised Business; or, (iii) the franchised Business itself. Any other sale, transfer or assignment of the deceased's or disabled's interest in you or your franchised Business shall be subject to all of the provisions of Section 15.04 of this Agreement ("Assignment By You - - Sale To A Third Party"). You agree to immediately report to us all such transfers or assignments of ownership in your business entity in accordance with the procedure set forth in our Manual or otherwise.

Upon your death or disability (if you are an individual), or the death or disability of your last surviving owner (if you are a business entity), that person's rights will pass to his or her estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "Estate").

The Estate shall have a reasonable period of time (not to exceed six months) following the death or disability to sell (as applicable) Franchisee or the franchised Business in accordance with the provisions of Section 15.04 and subject to our right of first refusal under Section 15.06. Until such sale, transfer or assignment is consummated, the Estate may continue the operation of your franchised Business but only if, at all times, one or more approved Pizzeria Manager, as necessary, of your franchised Business is at all times supervising the operation of your Business and, further, only if all other terms and provisions of this Agreement are complied with. Failure to comply with one of the above alternatives will be a material breach of this Agreement which, unless cured by the Estate, will result in this Agreement being terminated immediately upon notice.

If at any time following your death or disability (if you are an individual), or the death or disability of your last surviving owner (if you are a business entity), the Estate fails to have one or more approved Pizzeria Manager, as necessary, supervising the operation of your franchised Business on a full time basis, then until the Estate retains one or more approved Pizzeria Manager, as necessary, we may assume full control of and operate your franchised Business, but will have no obligation to do so. If we do so, then during this period, we will deduct our expenses for travel, lodging, meals and all other expenses and fees from your franchised Business's Gross Revenues and also pay ourselves a management fee equal to the greater of: (i) two times the salary paid to the individual(s) assigned by us to operate the Business, or (ii) 10% of the Business's monthly Gross Revenues. This management fee will be in addition to the Continuing Royalties due us under this Agreement. We will then remit any remaining funds to the Estate. The Estate and any Guarantor of this Agreement must pay us any deficiency in sums due to us under this Agreement within ten days of our notifying the Estate and such Guarantor of the deficiency. We will not be

obligated to operate your Business. If we do so, we will not be responsible for any operational losses of the Business, nor will we be obligated to continue operating the Business.

“Disability” means any physical, emotional or mental injury, illness or incapacity which prevents or will prevent a person from performing the obligations set forth in this Agreement for at least ninety consecutive days. Disability will be determined either after this ninety day period or, if we elect, at an earlier time following an examination of the person by a licensed practicing physician selected and paid for by us. If the person refuses to submit to an examination, then the person will automatically be considered permanently disabled as of the date of the refusal.

#### **15.06 Right of First Refusal**

Your rights to assign, transfer, redeem or sell any interest in this Agreement or the franchised Business, voluntarily or by operation of law (as provided above), will be subject to our right of first refusal (except in those instances specified above where no such right will pertain), which right of first refusal we may freely assign to any individual or entity. We will exercise our right of first refusal in the following manner.

- A. You must deliver to us a true and complete copy of the proposed assignee's offer (the "notice") including all its material terms and furnish to us any additional information concerning the proposed transaction and the proposed assignee that we reasonably request. Your submission of such information must be accompanied by the seller's representation and warranty that all of the information submitted to us is true, accurate, complete and correct in all respects and, if the seller is a business entity, you must also furnish us with an appropriate resolution of the business entity's governing body authorizing the proposed sale.
- B. We shall have 60 days following our receipt of the notice (or, if we request additional information, 60 days following our receipt of the additional information) to conduct due diligence into the transaction. Our due diligence will be of the type, nature and scope customary for transactions similar to the proposed transaction at issue and, in connection with our due diligence, you agree to make available to us immediately upon demand all information, data, books, or written or electronic records which we may reasonably request and, as well, shall make available to us for inquiry each owner and Guarantor of your franchised Business, the Pizzeria Manager of your Business and any other personnel we specify. As well, all of the requirements of your proposed assignee specified above in Section 15.04 of this Agreement must be complied with.
- C. Within 60 days after our receipt of your notice (or, if we request additional information, within 60 days after receipt of the additional information), we may either consent or withhold our consent to the assignment or redemption, in accordance with this Article, or at our option accept the assignment to ourselves or to our designee, on the terms and conditions specified in your notice. If we or our designee accept the assignment, we will be entitled to all of the customary representations and warranties given by the seller of assets of a business, including (without limitation) representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and your contingent and other liabilities affecting the assets. Any dispute regarding the value of all or any part of the assets or rights proposed to be assigned and/or the consideration proposed to be paid or payable to you or any third party in connection with the proposed assignment shall be determined by a reputable independent appraiser we select, and you and we equally share the expense of, whose determination will be final and binding on us. You expressly understand and agree that nothing in the offer which is the subject of your notice to us may contain any provision or condition the effect of which would be to increase the cost to us, or otherwise change the economic or other material terms imposed on us, as a result of our substitution for the offeror, or as a consequence of compliance with the procedures set forth herein regarding our right of first refusal.

- D. If you are a business entity and a partial transfer is proposed through the assignment or redemption of more than 25% of your entity's ownership interests other than to any of your entity's co-owners, then we or our designee will have the option to purchase not only the interests being transferred but also all remaining interests, so that our resulting ownership will be 100% of your business entity. The price of these remaining interests will be proportionate to the price of the interests initially being offered.
- E. Our credit will be considered at least equal to the credit of any proposed purchaser. We may substitute cash for the fair market value of any other form of payment proposed in the offer.
- F. If we give notice of our exercise of our right of first refusal, closing on our purchase must occur within the later of: (i) sixty days following your receipt of our notice to you; (ii) the closing period (if any) specified in the subject offer; or, (iii) such longer period as may be necessary to conduct the due diligence provided for above.
- G. If we give notice of our exercise of our right of first refusal, you agree to take all action necessary to assign your Lease with the lessor of your Pizzeria Location to us.
- H. If we elect not to exercise our right of first refusal and we consent to the proposed assignment or redemption, then you will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Business to your proposed assignee on the terms and conditions specified in the notice if you satisfy the conditions of Section 15.04 for our approval of an assignment and if you close the transaction within sixty days (or such further time as may be stipulated by law, rule or regulation). If, however, the terms specified in your notice are changed, the changed terms will be considered a new offer, and we will have an identical right of first refusal with respect to this new offer. Further, if you fail to close the assignment transaction within sixty days (or such further period of time as may be stipulated by applicable law, rule or regulation), then our right of first refusal hereunder shall be restored and we may elect to exercise same within thirty days thereafter.
- I. Our election not to exercise our right of first refusal with respect to any offer will not affect our right of first refusal with respect to any later or modified offer. If we do not exercise our right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. You and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Business specified in this Article 15.

#### **15.07 Security Interest**

Without our prior written consent (which will not be unreasonably withheld, delayed or denied), you may not pledge, encumber, mortgage, hypothecate or otherwise grant any third party a security interest in this Agreement, the franchised Business, your Pizzeria, any ownership interests in you (if you are a business entity), any ownership interests in any business entity which directly or indirectly controls you, your Lease or Sublease (as applicable) or any of the tangible assets material to the operation of your franchised business (including, without limitation, the premises of your franchised Business and your Pizzeria Location). We may also require your compliance with any policy statement which we adopt and announce regarding security interests in franchised Businesses. We reserve the right to review and approve the terms of any security agreement or other document granting a security interest in any of the assets or interests described in this Section 15.07, which approval shall be in writing.

#### **15.08 Your Offer and Sale of Securities**

If you are a business entity and intend to offer and sell securities of any type or nature or other ownership interests in you, the franchised Business, any owner and/or any Guarantor, then you

must give us written notice at least sixty days prior to the date of commencement of any such offering. Any such offering shall be subject to our right of first refusal, as set forth above in Section 15.06, and shall comply with any written policies adopted and announced by us from time to time.

You must submit to us for our review and consent, at least thirty days prior to your filing them with any government agency, any and all materials required by federal and/or state law for any direct or indirect offer or sale of securities or other ownership interests. If your offering of securities or other ownership interests will be exempt from federal and/or state filing requirements, then any materials you will use in any such exempt offering shall be submitted to us for our review and consent at least thirty days prior to their use. Our review of your offering materials and information included therein will be conducted solely for our benefit and not for the benefit or protection of any other person. All of your offering materials and documents must include legends and statements as we may specify, including legends and statements which disclaim our liability for, or involvement in, your offer and sale of securities or other ownership interests, and must advise all offerees that our review of your offering materials must not be deemed in any fashion our approval, endorsement, acceptance or adoption of any representation, warranty, covenant or projection contained in those materials.

Your offer and sale of securities and other ownership interests is specifically embraced by your indemnification of us and the other Franchisor Parties identified in Section 9.12 of this Agreement. Any other participant in your offer of securities or other ownership interests must agree to fully indemnify us in a parallel fashion in that form which we prescribe.

You must pay us a non-refundable fee of \$10,000 or such greater amount as may be necessary to reimburse us for our reasonable costs and expenses in reviewing your proposed offering, including, without limitation, legal and accounting fees.

#### **15.09 Bankruptcy**

If you, your franchised Business or any owner of you and/or your franchised Business is the subject of any voluntary or involuntary proceeding under the U.S. Bankruptcy Code, as amended, and if this Agreement does not terminate as provided in Section 18.01 below, but, instead, is to be assumed by, or assigned to, a third party individual or entity which has made a *bona fide* offer to accept an assignment of this Agreement as contemplated by the U.S. Bankruptcy Code, then you must notify us of any such proposed assignment or assumption within five days after your receipt of such proposed assignee's offer to accept assignment or to assume your rights and obligations under this Agreement. Such notice must be given to us, in any event, no later than ten days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption.

The notice required above must contain the following: (i) the name and address of the proposed assignee; (ii) all of the terms and conditions of the proposed assignment and assumption; and, (iii) adequate assurance to be provided to us to assure the proposed assignee's future performance under this Agreement, including (without limitation) the assurance referred to in Section 365 of the U.S. Bankruptcy Code and the satisfaction of the preconditions to assignment set forth in Section 15.04 of this Agreement.

We will then have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed assignment and assumption, to accept an assignment of this Agreement to ourselves, upon the same terms and conditions, and for the same consideration (if any), as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions or other expenses which may be saved by you as a result of our exercise of the rights and options granted to us herein. Under no circumstance shall we be liable for the payment of any brokerage commissions or other expenses as a result of our exercise of our rights and options hereunder unless we otherwise agree in writing.

"Adequate assurance of future performance", as used above, shall mean that we shall have been furnished with specific evidence that any proposed assignee of this Agreement can and will comply

with all operational and other performance requirements, and with all conditions, obligations, duties, covenants and requirements of a franchisee under: (i) this Agreement; (ii) the standard form Franchise Agreement then being offered to our franchisees; (iii) such other ancillary agreements as we may require; and (iv) any of our policies describing our franchisees' duties, obligations, conditions, covenants or performance requirements. You understand and agree that adequate assurance of future performance shall mean that any proposed assignee must meet our then current standards for assignments set forth in Section 15.04 above.

#### **15.10 No Waiver of our Rights**

Our consent to any sale, transfer or assignment under this Article 15 shall not constitute a waiver of any claims we may have against you, your franchised Business, any of your owners and/or any Guarantor, nor shall our consent be deemed a waiver of our right to require exact compliance with any of the terms of this Agreement by any assignee.

### **16. PROPRIETARY MARKS**

#### **16.01 Our Ownership of Proprietary Marks**

You agree that the Proprietary Marks are our (or our affiliates') exclusive property. You assert and will in the future assert no claim to any goodwill, reputation or ownership of the Proprietary Marks by virtue of your licensed use of the Proprietary Marks, or for any other reason. You agree that you will not do or permit any act or thing to be done in derogation of any of our rights or the rights of our affiliates in connection with the Proprietary Marks, either during or after the Term of this Agreement. You agree not to apply for or obtain any trademark or service mark registration of any of the Proprietary Marks or any confusingly similar marks in your own name. You agree to use the Proprietary Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. If you are a business entity, then you agree that under no circumstance will you incorporate any of the Proprietary Marks, any portion thereof or any name or mark derivative of or similar to the Proprietary Marks, in your business entity's name. You may never use the Proprietary Marks in connection with any other business except for the franchised Business. You agree that you will not, during or after the Term of this Agreement, impair the goodwill associated with the Proprietary Marks or in any way dispute or impugn the validity of the Proprietary Marks, our rights (or those of our affiliates) to the Proprietary Marks, or the rights of us, our affiliates, other franchisees of ours or other third parties to whom we may have licensed the Proprietary Marks.

You acknowledge that our rights in the Proprietary Marks are not limited to the specific presentation or configuration of any of them, but rather extend to all combinations and displays of the words and/or design elements thereof and extend to all translations of them in any language. Further, you acknowledge and agree that our rights in and to the Proprietary Marks are not limited to such rights as may be conferred by registrations thereof or by applications for registrations but, instead, include extensive common law and other rights in the Proprietary Marks vested in us as a result of their use by us or our affiliates and other authorized parties.

#### **16.02 Limitations on Your License to Use the Proprietary Marks**

Nothing in this Agreement will give you any right, title or interest in or to any of our (or our affiliates') Proprietary Marks except as a mere privilege and license, during the Term of this Agreement, to display and use the Proprietary Marks according to the limitations set forth in this Agreement, in our Manual or in other written notices to you. You understand and agree that your limited license to use the Proprietary Marks granted by this Agreement applies only to the Proprietary Marks shown on Exhibit B (if we do not subsequently designate them as being withdrawn from use), together with those which we may later designate in the Manual or otherwise in writing. In all instances your use of the Proprietary Marks must comply with our directions, limitations, specifications and authorized prescribed uses. You expressly understand and agree that you are bound not to represent in any manner that you have acquired, and you will not assert any claim to, any ownership, goodwill, reputation or equitable rights in any of our Proprietary Marks by virtue of the limited license granted under this Agreement, by virtue of your use of any of the

Proprietary Marks or otherwise. All of your uses of the Proprietary Marks, whether as a trademark, service mark, trade name or trade style, will inure to our benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with your use of the Proprietary Marks or operation of the franchised Business or your Pizzeria, including any "local goodwill", which, you expressly agree, exclusively vests in us.

### **16.03 Use and Display of Proprietary Marks**

A. You must not use, and must not permit or cause another to use, the Proprietary Marks except in the manner and to the extent specifically licensed to you under this Agreement. You agree that each use you make of any Proprietary Mark will accurately portray the Mark and that the Mark will not be used or portrayed in a manner which jeopardizes the goodwill associated with the Mark or the System. You agree to use the Proprietary Marks in full compliance with rules we prescribe from time to time in our Manual or otherwise. You are prohibited (except as expressly provided in this Agreement) from using any Proprietary Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by us to you). You may not use any Proprietary Mark in connection with the sale of any unauthorized service, product or program or in any other manner not explicitly authorized in writing by us. You may use the Proprietary Marks only for the operation of the franchised Business or in permitted advertising for the franchised Business. Your right to use the Proprietary Marks is limited to the uses authorized under this Agreement. Any unauthorized use of the Proprietary Marks by you will constitute an infringement of our rights and a material and incurable breach of this Agreement which, unless we waive the breach, will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

B. You may not use the Proprietary Marks in any way which will incur any obligation or indebtedness on our behalf. You agree to comply with this Agreement's and our Manual's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and in executing any documents considered necessary by us or our counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

C. You agree to affix our Proprietary Marks on the facilities of your franchised Business, including your Pizzeria, your franchised Business's point-of-sale materials, signs, stationery, advertising, sales, marketing and promotional materials and other objects in the size, color, lettering style and fashion and at the places which we designate in our Manual or otherwise. You also agree to display the Proprietary Marks and relevant trademark and copyright notices pursuant to the requirements set forth in the Manual. No trademarks, logotypes, names, symbols or service marks other than the Proprietary Marks may be used by or in connection with your franchised Business in any fashion whatsoever except as we may expressly provide in our Manual or as we may approve in writing.

### **16.04 Required Means of Identification; Non-Use of Trade Name**

You must operate and advertise your franchised business under the assumed business name "Patsy's Pizzeria," without prefix or suffix. You agree, at your expense, to perform all filings and procure all required or necessary government approvals or registrations required to do business under that assumed business name; to comply with any instructions we give you regarding the filing or maintenance of any trade name or fictitious business name registrations; to execute any documents we or our counsel deem necessary to protect the Proprietary Marks to maintain their continued validity and enforceability; and, upon request, to furnish to us copies of all such filings, approvals and registrations. You must never identify yourself as an agent of ours. You must conspicuously identify yourself, your franchised Business and your Pizzeria as an independently owned and operated franchised business in all dealings with your customers, contractors, suppliers, public officials and members of the public, and in all advertising, promotion and marketing related to your Business. You agree to place this notice of independent ownership in your Pizzeria and any other facilities of your franchised Business and on printed materials, business cards, stationery, marketing and advertising materials, signs and other written or

electronic modes in the form, size and manner we specify in our Manual or otherwise and in such fashion as we require from time to time.

If you are a business entity, you may not use our Proprietary Marks, any portion or segment of our Proprietary Marks or any confusingly similar words or symbols in your business entity's name. In particular, you may not use the words "Patsy's Pizzeria" or any segment or variant thereof as part of your business entity's name.

You shall require all of your advertising, promotional materials, signs, decorations, paper goods (including disposable food containers, napkins, menus, and all forms and stationery used in or by your franchised Business), and all other items we may designate, to feature and bear the Proprietary Marks in the form, color, location and manner we prescribe.

#### **16.05 Our Defense of Proprietary Marks and Copyrights**

If you receive notice, are informed of or learn of any claim, suit or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Proprietary Marks or any of our copyrights (each, a "claim"), you agree to promptly notify us. We will then promptly take any action we may consider necessary to protect and defend you against the claim and indemnify you against any loss, cost or expense incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to your use of the Proprietary Marks or copyrights. You may not settle or compromise any claim of a third party without our prior written consent. We will have the right to defend, compromise and settle the claim at our sole cost and expense, using our own counsel. You agree to cooperate fully with us in connection with the defense of the claim and to execute any and all documents, and do any and all things, as our counsel deems necessary, including (but not limited to) becoming a nominal party to any legal action. If you do so, then we shall reimburse you for your out-of-pocket costs in doing such acts and things, but you will bear the salary costs of your employees and we will bear the costs of any judgment or settlement. You grant irrevocable authority to us, and appoint us as your attorney in fact, to defend and/or settle all claims of this type. You may participate at your own expense in the defense or settlement, but our decisions with regard to the defense or settlement will be final.

We will have no obligation to defend or indemnify you pursuant to this Section 16.05 if the claim arises out of or relates to your use of any of the Proprietary Marks and/or our copyrights in violation of the terms of this Agreement.

#### **16.06 Prosecution of Infringers**

If you receive notice or are informed or learn that any third party which you believe is not authorized to use the Proprietary Marks is using the Proprietary Marks or any variant of the Proprietary Marks, you agree to promptly notify us. We will then determine whether or not we wish to take any action against the third party on account of the alleged infringement of our Proprietary Marks. You will have no right to make any demand or to prosecute any infringement claim. If we undertake an action against an infringing party, you must execute any and all documents and do such acts and things as, in our counsel's opinion, are necessary including (but not limited to) becoming a nominal party to any legal action. Unless the litigation is the result of your improper use of the Proprietary Marks, we shall reimburse you for your out-of-pocket costs in doing such acts and things, but you will bear the salary costs of your employees and we will bear the costs of any judgment or settlement.

#### **16.07 Discontinuance or Substitution of Proprietary Marks**

If now or hereafter one or more of the Proprietary Marks can no longer be used, or if we in our sole business judgment determine to adopt and use one or more additional or substitute Proprietary Marks, then you agree to promptly comply with any of our directions or instructions to modify or discontinue use of any Proprietary Mark and/or adopt and use one or more additional substitute Proprietary Marks. We shall have no obligation to reimburse you for any expenditures you make to comply with such instructions or directions. Nor will we be liable to you for any other expenses, losses or damages sustained by you or your franchised Business as a result of any Proprietary

Mark addition, modification, substitution or discontinuation. You waive any claim or any such expenses, losses or damages and covenant not to commence or join in any litigation or other proceeding against us or any of our affiliates for any of these expenses, losses or damages.

## **17. RELATIONSHIP OF THE PARTIES**

### **17.01 Relationship of the Parties**

You understand and agree that you are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your franchised Business does not directly or indirectly vest in us the power to hire, fire or control any such employee.

You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of your franchised Business and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your franchised Business.

You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Business. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the franchised Business.

### **17.02 You are the Sole and Exclusive Employer of your Employees.**

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion is any such employee either employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under the exclusive dominion and control of you and never under the direct or indirect control of us in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and, pay all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/Affordable Care Act contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, which have no such authority or ability. You further attest and affirm that any minimum requirements we establish are solely for the purpose of ensuring that your franchised Business is at all times operated at those levels necessary to operate your franchised Business in conformity with the System and the products, services, standards of

quality and efficiency, and other Patsy's Pizzeria brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your franchised Business, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a franchised Business and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees).

## **18. DEFAULT AND TERMINATION**

### **18.01 Termination By Us – Automatic Termination Without Notice**

You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you, the franchised Business, or any affiliate or Guarantor thereof is adjudicated as bankrupt or insolvent; all or a substantial portion of the assets of your franchised Business are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against you, the franchised Business and/or any affiliate or Guarantor thereof and is not immediately contested and thereafter dismissed or vacated within sixty days from filing; you, the franchised Business and any affiliate or Guarantor thereof cause, permit or acquiesce in an order for relief under the U.S. Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency, reorganization, receivership or other similar law now or hereafter in effect, or consent to the entry for an order for relief in an involuntary proceeding or to the conversion of an involuntary proceeding to a voluntary proceeding, under any such law; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, the franchised business, or any affiliate or Guarantor of the franchised Business, or the assets of any of them, is filed and consented to by you; a receiver or other custodian (permanent or temporary) of all or part of the assets or property of you, the franchised Business and any affiliate or Guarantor of the franchised Business is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any federal or state law are instituted by or against you, the franchised Business or any affiliate or Guarantor thereof; you, any affiliate or yours and any Guarantor are dissolved; execution is levied against you, the franchised Business, any affiliate or Guarantor thereof and/or the property of any of the foregoing; the property of the franchised Business or your Pizzeria is sold after levy thereon by any governmental body or agency, sheriff, marshal or other person authorized under federal, state and/or local law; or, if you are a business entity, your governing body adopts any resolution or otherwise authorizes action to approve any of the foregoing activities.

### **18.02 Termination By Us Upon Notice – No Opportunity To Cure**

You will have materially breached this Agreement and we may, at our option, terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by overnight courier, personal physical delivery or any other manner authorized by Section 27.01 below, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events:

1. You do not open your Pizzeria for business to the general public by the date specified in Section 9.01 of this Agreement; cease operating the franchised Business; abandon the franchise relationship established under this Agreement; or,

fail to operate your Pizzeria for three consecutive days during which you are required to operate it under this Agreement, unless your failure to operate is due to force majeure (as defined in Section 21.01 of this Agreement).

2. You omitted or misrepresented any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.
3. We and you agree in writing to terminate this Agreement.
4. You lose the right to possession of the Pizzeria Location.
5. You, your Pizzeria Manager and/or, if you are a business entity, any owner, member, shareholder, director or manager (as applicable) of such entity is convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your operation of the franchised Business, or is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated with the Proprietary Marks or our interest in the System or Proprietary Marks.
6. You purport or, if you are a business entity, any owner or principal of you purports to transfer any rights or obligations under this Agreement, any interest in you, the franchised Business or your Pizzeria to any third party in violation of the terms of this Agreement.
7. You do not comply with the covenant not to compete set forth in this Agreement during the term of this Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or, do not obtain the execution of the additional covenants required by this Agreement.
8. You, your Pizzeria Manager and all others required to do so fail to attend or successfully complete our Initial Training Program (after being afforded the opportunity to repeat the training pursuant to Section 8.02 of this Agreement).
9. You knowingly conceal revenues; maintain false books or records; falsify information or otherwise defraud or make false representations to us; or, submit any false report to us.
10. You do not maintain the financial records required by Section 12.02 of this Agreement.
11. We or our designee conducts an audit of your franchised Business which discloses that any monthly report or statement which you submitted to us understated your Gross Revenues by 8% or more for any month within the period of examination, or for the entire period of examination.
12. You refuse us permission to inspect, or to conduct an operational and/or financial audit of, your Business.
13. You take, withhold, misdirect or appropriate for your own use any funds withheld from your employees' wages which should have been set aside for the franchised Business' employee taxes, FICA, insurance or benefits; wrongfully take or appropriate for your own use our property or funds; systemically fail to deal fairly and honestly with your employees, customers or suppliers; or knowingly permit or, having discovered the facts, fail to take any action against, or to discharge, any agent, servant or employee who has embezzled our funds or property or that of any customers or others.
14. After curing a default which is subject to cure under Section 18.03 below, you commit the same act of default again within six months.

15. You make a willful misrepresentation or do not make a material disclosure required by any governmental or quasi-governmental authority regarding any matter involving or affecting the operations of your franchised Business and your Pizzeria.
16. You interfere or attempt to interfere in any manner with our contractual relations and/or our relationships with our other franchisees; any supplier of you, us or other franchisees; any governmental or quasi-governmental authority; your or our customers, employees or advertising agencies; or, any third parties.
17. You commit any act or default which materially impairs the goodwill associated with our Proprietary Marks and which, by its nature, is incurable; or, if the default is curable, you fail to cure the default following delivery of written notice to cure at least seventy-two hours in advance.
18. You do not comply, for a period of fifteen (15) days after notification of non-compliance by us or any governmental or quasi-governmental authority, with any federal, state or local law or regulation applicable to the operation of the franchised Business.
19. You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice.
20. You do not purchase or maintain any category of insurance required by this Agreement.
21. You, your franchised Business, your Pizzeria Manager and/or your Pizzeria violate any law, rule or regulation, and/or engages in any act or practice, which subjects you and/or us to widespread publicity, ridicule or derision.
22. You breach the provisions of this Agreement relating to advertising standards and do not cure this breach within three days following written notice from us.
23. You purchase any proprietary programs, products or services from us or our affiliates, or purchase from us, our affiliates or any third party non-proprietary goods, programs, products or services pursuant to a systemwide supply contract we negotiate, and you use, divert, sell or otherwise exploit such programs, products or services for the benefit of any other individual, entity or business.
24. You operate your franchised Business and/or your Pizzeria in a fashion that, in our business judgment, in any way jeopardizes the life, health or safety of the general public, your customers and/or your employees. If you do so, then not only may we terminate this Agreement upon notice, but you agree that we may either beforehand or concurrently direct you to immediately close your Pizzeria; you shall immediately comply with such direction (which may be given orally or in writing); and, you shall hold us harmless from and against any claims whatsoever relating to our direction to close your Pizzeria.
25. You make any use of our Confidential Information and/or Proprietary Marks not specifically authorized by this Agreement or our Manual, or you directly or indirectly utilize or devote same for the benefit of any individual or entity other than your franchised Business.
26. You engage in any act or conduct, or fail to engage in any act or conduct, which under this Agreement specifically authorizes us to terminate this Agreement immediately upon notice to you.
27. You default under any agreement between you and any lessor or sublessor of your Pizzeria Location and you do not cure the default within the period specified in the Pizzeria Location's Lease or Sublease (as applicable).

### **18.03 Termination by Us – Thirty Days to Cure**

Except as provided in Section 18.01, 18.02 or in this Section 18.03, you will have thirty calendar days after we furnish you with a written notice of default, transmitted in accordance with the terms of Section 27.01 of this Agreement, to cure any default under this Agreement (or, if the default cannot reasonably be cured within this time, to initiate action to cure the default within such time and complete cure within the shortest reasonable time thereafter) and to provide us with evidence that you have done so. If you have not cured any default within the applicable cure period specified in this Section 18.03 (or, if the default cannot reasonably be cured within such time, you have not initiated action to cure the default within the applicable cure period and thereafter cure the default within the shortest reasonable time thereafter), or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the applicable cure period, or any longer period required by applicable law, without further notice to you.

You will be in default of this Agreement for any failure to comply with any of the requirements imposed upon you and, if you are a business entity, your owners and Guarantors by this Agreement, our Manual and/or all Supplements to the Manual or if you and/or your owners or Guarantors otherwise fail to fulfill the terms of this Agreement in good faith. These defaults include the following events, which are set forth as examples only and are not meant to, nor shall they be deemed to, delineate all of the possible defaults which you may commit under this Agreement:

1. You fail, refuse or neglect to pay promptly when due any money owed to us, our affiliates or any lender which has provided financing to your franchised Business. The cure period for this default shall not be the above-referenced thirty calendar days but, instead, will be five calendar days after we transmit to you a written notice of default. If you fail to cure any such default within such shortened cure period, then this Agreement will terminate immediately upon expiration of the applicable cure period.
2. You fail, refuse or neglect to submit the financial and non-financial reports and other information required to be submitted to us under this Agreement, our Manual or other written notices we transmit to you, or you make any false statements in connection with any reports or other information required to be submitted to us.
3. Your franchised Business and/or Pizzeria offers and sells any programs, products or services that we do not authorize under this Agreement or our Manual.
4. You fail to maintain your trade accounts in a current status and/or fail to seek to promptly resolve any disputes with trade suppliers.
5. You engage in any business, or market any program, product or service, under a name or mark which, in our opinion, is confusingly similar to the Proprietary Marks.
6. You fail to pay any taxes due and owing by your franchised Business (including employee taxes) when due.
7. You do not use our Proprietary Marks and/or trade dress solely in the manner and for the purposes directed by us in this Agreement, our Manual or otherwise.
8. You violate the restrictions pertaining to advertising set forth in Article 11 of this Agreement.
9. You do not indemnify us and/or one of the Franchisor Parties as required by this Agreement.
10. By act or omission, you permit a continued violation in connection with the operation of the franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief.

11. You fail to obtain or maintain any required permit, certificate or other governmental approval required either by this Agreement or applicable law, rule or regulation.
12. You employ any individual who is not eligible for employment in the United States under any federal, state, local or other law, rule or regulation.
13. You fail to operate your Pizzeria during the days and hours specified in our Manual without our prior written approval.
14. You fail to maintain and operate your Pizzeria in a good, clean and sound manner and in strict compliance with our standards for quality, cleanliness and maintenance as set forth in our Manual or otherwise.
15. If any Guarantor fails to comply with any of the requirements imposed by or pursuant to the Guarantee addressed in Section 32.02 of this Agreement.
16. You do not devote the amount of your time and attention and/or your best efforts to the performance of your duties of this Agreement necessary for the proper and effective operation of your franchised Business and/or Pizzeria.
17. You fail to implement (and, at your expense, take all steps necessary to implement) and thereafter adhere to any new or changed System requirements.
18. If a final material judgment not subject to appeal is entered against you or any Guarantor and remains unsatisfied for more than thirty days or, if any such judgment is subject to appeal, you do not prosecute such appeal within thirty days (or such shorter period as any law, rule or regulation requires).

#### **18.04 Description of Default**

The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

#### **18.05 Your Failure to Pay Constitutes Your Termination of This Agreement**

Your failure to timely cure any breach of your obligation to make payments of Continuing Royalties, System Advertising Contributions, or any other monies due and owing to us or our affiliates under this Agreement, or to timely cure any other material breach of this Agreement committed by you, in either instance following our notice to you that you have committed a breach of this Agreement and granting you an opportunity to cure said breach, will be irrevocably deemed to constitute your unilateral rejection and termination of this Agreement and all related agreements between you and us or our affiliates, notwithstanding that a formal notice of such termination(s) ultimately issues from us, and you shall never contend or complain otherwise.

#### **18.06 Cross Default**

Any default or breach by you, your affiliates and/or any guarantor of yours of the Lease or Sublease for the Pizzeria Location or any other agreement between us or our affiliates and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us or our affiliates and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. Your "affiliates" means any persons or entities controlling, controlled by or under common control with you.

#### **18.07 Continuance of Business Relations**

Any continuance of business relations between you and us after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal,

extension or continuation of this Agreement unless you and we agree in writing to any such renewal, extension or continuation.

#### **18.08 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights to terminate this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by such laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

### **19. FURTHER OBLIGATIONS AND RIGHTS FOLLOWING THE TERMINATION OR EXPIRATION OF THIS AGREEMENT**

#### **19.01 Further Obligations and Rights Following the Termination or Expiration of this Agreement**

If this Agreement expires or terminates for any reason or is assigned by you, you will cease to be one of our authorized franchisees and you will lose all rights to the use of our Proprietary Marks, the System, all Confidential Information and know-how owned by us and any goodwill (including "local" goodwill) engendered by the use of our Proprietary Marks and/or attributed to your conduct of the franchised Business.

Upon expiration or earlier termination of this Agreement for whatever reason, you agree to:

1. Immediately pay all royalties, fees, Sublease payments and other sums due and owing to us or our affiliates, plus interest, and all sums due and owing to any landlord, suppliers, employees, taxing authorities, advertising agencies, lenders and all other third parties.
2. Discontinue the use of the Proprietary Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a Business, a Pizzeria or any similar business. You may not use, in any manner or for any purpose, directly or indirectly, any of our Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by you by virtue of the relationship established by this Agreement. You may never identify yourself to the public in any fashion whatsoever as a current or former Patsy's Pizzeria franchisee.
3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Proprietary Mark "Patsy's Pizzeria", or any other Proprietary Mark of ours, or any variant, within fifteen days following termination or expiration of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf and at your expense, execute all documents necessary to cause discontinuance of your use of the name "Patsy's Pizzeria", or any related name used under this Agreement. You irrevocably appoint us as your attorney-in-fact to do so.
4. Upon any termination of this Agreement by us for cause, we will have the right immediately to enter and take possession of your Pizzeria to maintain continuous operation of the previously franchised business, provide for orderly change of management and disposition of personal property, and otherwise protect our interests. If you dispute the validity of our termination of the franchise, we will nevertheless have the option (which you irrevocably grant) to operate the business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, we agree to make a full and

complete accounting for the period during which we operated the previously franchised business.

5. If we terminate this Agreement because of your default or you terminate same through failure to make payment following notice and opportunity to cure (pursuant to Section 18.03), you must pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) lost profits, lost opportunities, damage inuring to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a successor franchised business at the Pizzeria Location. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the franchised Business at the time of termination and against any of your money which we are holding or which is otherwise in our possession.
6. Immediately deliver to us all training or other manuals furnished to you (including the Manual and Supplements to the Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear our Proprietary Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of ours, and any copies of them in your possession which relate to the operation of the franchised Business. You may retain no copy or record of any of these items, except for your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law. You agree that the foregoing items, materials, lists, files, software and other similar items will be considered to be our property for all purposes.
7. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.
8. At our option, either change the telephone numbers utilized by your franchised Business or, upon our written demand, direct the telephone company to transfer the telephone numbers listed for the franchised Business to us or to any other person or location that we direct. If you do not promptly direct the telephone company to do so, you irrevocably appoint us as your attorney-in-fact to direct the telephone company to do so.
9. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in Article 13 of this Agreement (including those restricting your ability to sell, assign, lease or otherwise grant possessory rights to your Pizzeria and/or Location to a party intending to conduct a Competitive Business thereat).
10. Continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Article 13 of this Agreement.
11. Immediately surrender to us all computer software, data storage disks or tapes and other electronic media used in the operation of the franchised Business, printouts, and other information pertaining to computer operations, codes, procedures and programming. You agree not to destroy, damage, hide or take any steps to prevent us from obtaining any information which you had stored in the computer system of the franchised Business. You agree not to retain any printouts, disks, tapes or other electronic media containing any of the programs or data stored in the computer system.
12. If you lease your Pizzeria Location from a third party and we elect not to assume possession of the Pizzeria Location and/or elect not to exercise our option under

Article 20 below, then promptly upon termination or expiration of this Agreement, you agree to "deidentify" the Center Location in all respects by performing all redecoration and remodeling, and effecting physical changes to the Location and the franchised Business' décor, trade dress, color combination, signs and other physical characteristics, as we consider necessary in our reasonable business judgment to distinguish the Location from a duly authorized Pizzeria Location. If you refuse, neglect or fail to do so, we have the right to enter upon the Location and effect such required changes at your sole risk and expense, without liability for trespass.

## **20. OUR OPTION UPON TERMINATION OR EXPIRATION**

### **20.01 Option to Purchase Your Franchised Business's Assets, Computers and Computer and Point of Sale Systems**

A. Upon the termination or expiration of this Agreement for any reason, we, any of our affiliates, and/or any nominee or designee we name are hereby granted an option, exercisable within 30 days after the termination or expiration becomes effective, to purchase as soon as practicable thereafter (including any period necessary for the obtaining of governmental approvals and consents of the concerned lessor) all of your operating assets relating to the franchised Business. The date on which such purchase is closed will be referred to as the "Closing Date". The following terms and conditions will apply to the option granted by this Article 20:

1. All leasehold improvements, furniture, fixtures, supplies, equipment, trade dress elements and inventory will be purchased at your original cost or for an amount equal to their fair market value, whichever is less. If you and we cannot agree on "fair market value", then an appraiser shall determine same in accordance with the procedures set forth in Section 20.02 below.
2. All transferrable permits, licenses and other governmental authorizations will be transferred or assigned to us, our affiliate, nominee or designee (as applicable) at the soonest possible time, specifically including any alcoholic beverage licensing, permits or authorizations.
3. All printed material, forms and other materials purchased from us under this Agreement will be purchased for an amount equal to their cost (if any).
4. All property, real or personal, sold to us or our affiliate, nominee or designee (as applicable) under this Article 20 must be free and clear of all liens, debts, claims, liabilities, leases, encroachments, covenants, conditions, restrictions, rights, rights of way and/or other encumbrances (except for tax liens and special and/or other assessments not delinquent) unless we, in our reasonable opinion (or that of our affiliate, nominee or designee, as applicable), determine that the existence of same either will not interfere with the proposed use of the property or that the existence of same are merely due to easements of record, zoning ordinances or statutes, use and occupancy restrictions of public record or other limitations which are generally applicable to similar properties in the vicinity.

B. You will convey to us (or our affiliate, nominee or designee, as applicable) good and merchantable, full, legal, equitable and beneficial title to all of the foregoing assets by means of appropriate deeds, bills of sale and assignments containing warranties of title. You hereby irrevocably designate us as your attorney-in-fact and proxy to execute any and all instruments necessary and appropriate to effect such conveyance and will sign any other documents or agreements necessary for our appointment as such. We (or our affiliate, nominee or designee, as applicable) will have the right at our option to assume any liabilities encumbering the assets sold under the provisions of this Article or any of the liabilities for which we would otherwise be

indemnified by you pursuant to Section 9.12 of this Agreement, and reduce the consideration payable to you accordingly. You will pay all transfer taxes and recording fees, if any.

C. All rents, interest, assessments, taxes and other charges or royalties related to the assets to be conveyed, the payment period of which began before the Closing Date, will be prorated to the Closing Date on the basis of the most recent rates available, and the prorated amount will be added to or subtracted from, as the case may be, the consideration payable to you.

D. You agree to use your best efforts to assist us (or our affiliate, nominee or designee, as applicable) in obtaining any government or other approvals or consents necessary to carry out the terms and intent of this Article 20.

## **20.02 Appraisals**

If you and we cannot agree within a reasonable time on the fair market value of any assets we, our affiliate, nominee or designee acquire from you pursuant to this Article 20, or the commercially reasonable terms of any lease we require you to enter into for land and facilities owned by you (or any affiliate) and utilized by the franchised Business, then such dispute will be resolved by means of an appraisal conducted in the following fashion. If, within 60 days following your receipt of our notice that we intend to exercise one or more of the options set forth above, you and we cannot agree on the fair market value of the item in question, then you and we within the next seven days shall each select one appraiser and notify the other party of its designee. The two appraisers you and we select will be instructed to meet within thirty days following their selection for the purpose of selecting a third appraiser to serve with them. If the two appraisers you and we select cannot agree on the selection on the third appraiser within 15 days after the selection of the last of them, then you shall select the third appraiser from a list of three appraisers we propose in writing. In the event our disagreement pertains to the commercially reasonable terms of any lease you are required to enter into with us for the Pizzeria Location (if you own it), then each appraiser selected must have received the MAI designation and must be actively engaged in appraisal work in the county in which the Pizzeria Location is located. The appraisers' determination of the fair market value of any item(s) we intend to purchase from you, or the commercially reasonable terms of the Lease for your owned Pizzeria Location, will be binding on both of us. If following the appraisal we exercise any of the options set forth above, then you and we will each pay one half (1/2) of the cost of any and all such appraisals. If we do not elect to exercise any option provided herein following the appraisals then we alone shall bear the cost of all of the appraisal. If we exercise any of the options granted to us above, we will have the right to set off from all amounts due to you any and all amounts which are due and owing by you to us and our affiliates.

## **20.03 Timing**

If we exercise our option to purchase (or, with respect to your Pizzeria Location, lease) any of the assets of your franchised Business as provided in this Article 20, then the Closing Date shall be no later than sixty days after either you and we agree on the fair market value of the assets in question (or, with respect to the Pizzeria Location, the commercially reasonable terms for our lease for such Pizzeria Location) or, if you and we cannot agree on same, no later than sixty days after the determination of such fair market value/commercially reasonable terms furnished by the appraisers provided for in Section 20.02 of this Agreement.

# **21. UNAVOIDABLE DELAY OR FAILURE TO PERFORM (FORCE MAJEURE)**

## **21.01 Unavoidable Delay or Failure to Perform (Force Majeure)**

Any delay in our or your performance of any duties under this Agreement, or any non-performance of such duties, that is not your or our fault (as applicable) or within your or our reasonable control – including, but not limited to, fire; floods, natural disasters; Acts of God; war; civil commotion; terrorist acts; any governmental act or regulation; any delays or defaults in deliveries by common carriers and/or postal services and/or overnight couriers; computer network outages; late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors; strikes; lockouts; and any other similar event beyond such party's control) will not constitute a breach or cause a

default under this Agreement, provided, however, that we or you (as applicable) will take all steps reasonably possible to mitigate damages caused by such failure or delay.

Notwithstanding the foregoing, if any such failure or delay continues for more than 180 days, we will have the right at any time thereafter during the continuance of such failure or delay to terminate this Agreement upon 30 days advance written notice to you.

## **22. APPROVALS AND WAIVER**

### **22.01 Approvals**

Whenever this Agreement requires you to secure our prior approval or consent, such approval or consent must be obtained in writing and must be timely sought.

### **22.02 Waiver and Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of such breach or any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting the foregoing, our acceptance of any payment specified to be paid by you under this Agreement will not be, nor constitute, our waiver of any breach of any term, covenant or condition of this Agreement.

### **22.03 Our Withholding of Consent – Your Exclusive Remedy**

In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be an action or proceeding to enforce this Agreement's provisions, for specific performance or for declaratory judgment.

### **22.04 No Warranty or Guaranty**

If we afford you a waiver, approval, consent or suggestion in connection with this Agreement, we do not thereby make any warranty or guarantee upon which you may rely and by doing so we assume no liability or obligation to you.

## **23. OUR RIGHT TO CURE DEFAULTS**

### **23.01 Our Right to Cure Defaults**

In addition to all other remedies granted pursuant to this Agreement, if you default in the performance of any of your obligations, or breach any term or condition of this Agreement or any related agreement, then we may, at our election, immediately or at any time thereafter, without waiving any claim for breach under this Agreement and without notice to you, cure the default on your behalf. Our cost of curing the default and all related expenses will be due and payable by you immediately upon demand.

## **24. INJUNCTION**

### **24.01 Injunction**

You explicitly affirm and recognize the unique value and secondary meaning associated with the System and the Proprietary Marks. Accordingly, you agree that any noncompliance by you with the terms of this Agreement, or any unauthorized or improper use of the System or the Proprietary Marks by you, will cause irreparable damage to us and other System franchisees. You therefore agree that if you engage in such noncompliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the term of this Agreement, we and our affiliates will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions without the requirement that we post a bond of any type or nature, or any other form of security. You will be responsible for payment of all

costs and expenses, including reasonable attorneys' and expert fees, which we and/or our affiliates may incur in connection with your non-compliance with this covenant.

## **25. INTEGRATION OF AGREEMENT**

### **25.01 Integration of Agreement**

This Agreement, all exhibits to this Agreement, and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in the preceding sentence, however, is intended to disclaim the representations we made in the franchise disclosure document that we provided to you. You acknowledge that you are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of your own independent investigation of the franchised Business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees which are contrary to the terms set forth in this Agreement or any franchise disclosure document required or permitted to be given to you pursuant to applicable law. You specifically acknowledge that no officer, director, employee, agent, representative or independent contractor of ours is authorized to furnish you with any financial performance information; that, if they nevertheless do, you have not relied on any such financial performance information given to you by any such individual; and, that if any such individual attempts to or actually does give you any such financial performance information in contravention of this provision, you will immediately communicate such activity to us. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range of historic or prospective sales, expenses and/or profits of franchised or non-franchised Businesses and Pizzerias.

## **26. NO ORAL MODIFICATION**

### **26.01 No Oral Modification**

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. You expressly acknowledge that no oral promises were made to you (or, if they were, that you are not relying and will not rely on any such oral promise) and that our obligations are confined exclusively to those set forth in this Agreement. You understand and assume the business risks inherent in this enterprise.

## **27. NOTICES**

### **27.01 Notices**

Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally or by a recognized overnight delivery service capable, through "signature capture" or otherwise, of documenting delivery or attempted delivery of the notice; and, will be effective on the date that delivery either is effected or is documented to have been first attempted. We reserve the right to designate in our Manual a now or hereafter developed mode of electronic communication to facilitate our giving notices to each other, but only if the mode of communication we specify is capable of affording evidence of delivery or attempted delivery.

Patsy's Pizzeria Franchise Corp.  
2287-91 First Avenue  
New York, New York 10035  
Attention: Isa Brija

With a copy to:

Kaufmann Gildin & Robbins LLP  
767 Third Avenue  
New York, New York 10017  
Attention: David J. Kaufmann, Esq.

Any notice to you will be addressed to you at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

E-Mail: \_\_\_\_\_

Attention: \_\_\_\_\_

Either party to this Agreement may, in writing, on ten days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

## **28. SEVERABILITY**

### **28.01 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future law, rule or regulation which by its terms is applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, that provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect, unless said provision pertains to the payment of monies due to us or our affiliates under this Agreement of any type or nature whatsoever, in which case we may at our option terminate this Agreement. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement (but not any of its payment provisions) and the parties agree to be bound by and perform this Agreement as so modified.

## **29. NO THIRD PARTY BENEFICIARIES**

### **29.01 No Third Party Beneficiaries**

This Agreement is entered into solely between you and us. Other than our affiliates or as expressly set forth in this Agreement, there is no intended third party beneficiary of this Agreement and you agree that none is to be presumed or deemed to exist.

## **30. EXECUTION, CONSTRUCTION AND INTERPRETATION; FURTHER ACTS**

### **30.01 Execution, Construction and Interpretation; Further Acts**

A. This Agreement may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one and the same instrument. Electronic and facsimile signatures will be considered as binding and conclusive as if original.

B. The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against us or you.

C. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

D. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

E. If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us under this Agreement are joint and several.

F. As used in this Agreement, the words "include", "includes", or "including" are used in a non-exclusive sense and shall be construed to mean "including without limitation".

### **31. LEGAL ACTIONS, GOVERNING LAW AND VENUE**

#### **31.01 Attorneys' Fees**

Except as otherwise provided by this Agreement, each party to any legal action or proceeding brought against the other party shall be responsible for his/her/its own attorneys' fees, experts' fees, court costs and all other expenses sustained in the course of such litigation (including any appeals). You acknowledge, however, that certain provisions of this Agreement provide that should we prevail in certain legal actions or proceedings against you, you must reimburse us for all costs and expenses incurred in connection with such legal actions or proceedings (including any appeal thereof), including reasonable attorneys' fees, experts' fees, court costs and all other expenses we incur.

#### **31.02 Attorneys' Fees – Third Party Actions**

If we become a party to any action or proceeding commenced or instituted against us by a third party arising out of or relating to any claimed or actual act, error or omission of yours and/or any of your officers, directors, shareholders, management, employees, contractors and/or representatives (the "Franchisee Party(ies)") your Pizzeria and/or your franchised Business by virtue of statutory, "vicarious", "principal/agent" or other liabilities asserted against or imposed on us as a result of our status as Franchisor; or if we become a party to any litigation or any insolvency proceeding involving you pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then you will be liable to, and must promptly reimburse us for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses we incur in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, we will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to our proof of claim in any insolvency or bankruptcy proceeding you file.

#### **31.03 Governing Law**

This Agreement; all relations between us; and, any and all disputes between you and/or any other Franchisee Party, on the one hand, and us and/or any other Franchisor Parties, on the other hand, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If we move our principal headquarters to another state, we reserve the right to designate that state's law as governing, again without recourse to that successor state's (or any other) choice of law or conflicts of law principles, upon written notice to you. If, however, any provision of this Agreement is enforceable under the laws of New York (or a successor state we designate as provided above), and if your franchised Business is located outside of New York (or such hereafter designated state) and the provision would be enforceable under the laws of the state in which the franchised Business is located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section 31.03 is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of the State of New York, or any successor state we

designate as provided above, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

#### **31.04 Venue**

Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the parties (as defined below); and, any and all disputes between the parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located. You hereby irrevocably submit yourself to the jurisdiction of any such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You agree that any dispute as to the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your Pizzeria Location, we may bring such an action in any state or federal district court which has jurisdiction. You hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "parties" includes all of the Franchisor Parties and all of the Franchisee Parties and, as to each of them, whether acting in their corporate or individual capacity, along with any other individual entity acting or purporting to act by, through, under or under authority granted by you.

#### **31.05 Waiver of Jury Trial and Punitive Damages**

- A. The parties to this Agreement (as denominated in Section 31.04) explicitly waive their respective rights to a jury trial in any litigation between them which is authorized or contemplated by this Agreement, and hereby stipulate that any such trial shall occur without a jury.
- B. You, your Guarantors and the other Franchisee Parties hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between such parties and/or any of their affiliates and us and/or any of our affiliates, and you and such others covenant never to advance or pursue any such claim for punitive damages. You and such others agree that in the event of a dispute, you and such others shall be limited to the recovery from the Franchisor Parties of any actual damages sustained by you or them. You covenant to secure from any Franchisee Party which does not execute this Agreement his/her/its execution of a writing adduced by us confirming the foregoing, in such manner and by such time we reasonably specify.

#### **31.06 No Consolidated or Class Actions**

You and the other Franchisee Parties may only pursue any claim you have against us or the other Franchisor Parties in an individual legal action or proceeding. Neither you nor any other Franchisee Party shall join or combine its/their legal action or proceeding in any manner with any action or claim of any other Patsy's Pizzeria franchisee, franchise owner or franchisee guarantor, nor will you, or any other Franchisee Party maintain any action or proceeding against us and the other Franchisor Parties in a class action, whether as a representative or as a member of a class or purported class, nor will you or any other Franchisee Party seek to consolidate, or consent to the consolidation of, all or part of any action or proceeding by any of them against us or the other Franchisor Parties with any other litigation against us or such other Franchisor Parties.

#### **31.07 Limitation on Actions**

Any and all legal actions or proceedings brought by you against us or the other Franchisor Parties arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between such parties; and, any and all disputes between

such parties, whether sounding in law or equity, must be commenced within two years from the occurrence of the acts, errors and/or omissions giving rise to such legal action or proceeding. If not, then you irrevocably covenant and agree that such action or proceeding shall be barred.

## **32. LIABILITY OF "FRANCHISEE"; GUARANTEE**

### **32.01 Liability of "Franchisee"**

The terms "Franchisee" and "you" as used in this Agreement will refer to each person executing this Agreement as Franchisee, whether that person is one of the spouses, partners, proprietors, shareholders, trustees, trustors or beneficiaries or persons named as included in you, and will apply to each of these persons as if he/she were the only named Franchisee in this Agreement. If you are a married couple, both husband and wife executing this Agreement will be liable for all your obligations and duties as Franchisee under this Agreement as if the spouse were the sole Franchisee under this Agreement. If you are a partnership or proprietorship, or if more than one person executes this Agreement as Franchisee, each partner, proprietor or person executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement. If you are a trust, each trustee, grantor and beneficiary signing this Agreement will be liable for all the obligations and duties of Franchisee under this Agreement. If you are a business entity, all owners of such entity executing this Agreement will be liable for all obligations and duties of Franchisee under this Agreement as if each such owner or the sole franchisee under this Agreement.

### **32.02 Guarantee**

If you are a business entity, then we may require certain individuals or other entities (the "Guarantors") to guarantee all of your duties, requirements and obligations under this Agreement, both financial and non-financial, by executing a guarantee in the form of Exhibit H (the "Guarantee"). In the event of the death of any Guarantor, we may require replacement guarantees sufficient in our sole business judgment to provide us with the same protection as we had originally bargained for.

If you are in breach or default under this Agreement, we may proceed directly against each such individual and/or entity Guarantor without first proceeding against you and without proceeding against or naming in the suit any other such Guarantor. Your obligations and those of each such Guarantor will be joint and several. Notice to or demand upon one such Guarantor will be considered notice to or demand upon you and all such Guarantors. No notice or demand need be made to or upon all such Guarantors. The cessation of or release from liability of you or any such Guarantor will not relieve you or any other Guarantor, as applicable, from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## **33. SURVIVAL**

### **33.01 Survival**

Any provision of this Agreement which imposes in any fashion, directly or indirectly, an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **34. OUR BUSINESS JUDGMENT**

### **34.01 Our Business Judgment**

Whenever this Agreement or any related agreement grants, confers or reserves to us the right to take action, refrain from taking action, grant or withhold our consent or grant or withhold our approval, unless the provision specifically states otherwise, we will have the right to engage in such activity at our option using our business judgment, taking into consideration our assessment of the long term interests of the System overall. You and we recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by our business judgment, neither said court, said judge nor any other person reviewing those activities or

decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable.

### **35. YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS**

#### **35.01 Your Representations**

You represent and warrant to us, with the intention that we are relying on your representations and warranties in entering into this Agreement, that:

1. If you are a business entity (including a corporation, limited liability company, general partnership or limited partnership), you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and your business entity is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over your franchised Business.
2. If you are business entity, you have all requisite power and authority to execute, deliver, consummate and perform this Agreement, and all necessary business entity proceedings have been duly taken to authorize the execution, delivery and performance of this Agreement.
3. This Agreement has been duly authorized, executed and delivered by you, includes your legal, valid and binding obligations, and will be binding and enforceable upon you and your successors and assigns in accordance with its terms when executed by both parties.
4. You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements which you furnished to us before the execution of this Agreement.
5. As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, shareholders, proprietors, partners, members, managers, Guarantors, shareholders, or any other Owner of a direct or indirect, partial or whole interest in you (as applicable), after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or, which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.
6. All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

#### **35.02 Your Acknowledgments**

You represent, warrant and acknowledge to us, with the intention that we will be relying thereon in entering into this Agreement, that:

1. No representation has been made by us or our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) and relied on by

you as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the franchised Business, or any other Pizzeria or Business, other than any information we may have provided in Item 19 of our franchise disclosure document, nor have we or any of the foregoing made any representations, statements or promises to you which conflict with, contravene or vary from the contents of our franchise disclosure document.

2. No representation or statement has been made by us or our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) and relied on by you regarding our anticipated income, earnings and growth or that of the System, or the viability of the business opportunity being offered under this Agreement.
3. Before executing this Agreement, you have had the opportunity to contact all our existing franchisees.
4. You have been advised and given the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, the terms and provisions of this Agreement and the prospects for the franchised Business, using the services of legal counsel, accountants or other advisers of your own choosing. You have either consulted with these advisers or have deliberately declined to do so.
5. You have received from us a copy of our franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise, at least fourteen calendar days before the execution of this Agreement or at least fourteen calendar days before the payment by you to us of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.
6. No representation or statement has been made by us or our affiliates (or any of our or their officers, directors, managers, employees, agents or salespersons) and relied on by you regarding your ability to procure any required license, permit, certificate or other governmental authorization that may be necessary or required for you to carry out the activities contemplated by this Agreement.
7. You have carefully considered the nature and extent of the restrictions upon you set forth in this Agreement (including, without limitation, the covenants not to compete and the restrictions on assignment) and the rights and remedies conferred upon you and us under this Agreement. Such restrictions, rights and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to us; (c) are fully required to protect our legitimate business interests; and, (d) do not confer benefits upon us that are disproportionate to your detriment.
8. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors.

### **36. SUBMISSION OF AGREEMENT**

#### **36.01 Submission of Agreement**

Our tendering this Agreement to you does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both us and you. The date that we execute this Agreement, referred to in this Agreement as the "Effective Date", will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

YOU ACKNOWLEDGE THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO YOU OTHER THAN THOSE SET FORTH IN OUR FRANCHISE DISCLOSURE DOCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO YOU, YOU ARE NOT RELYING ON THEM.

YOU HAVE READ ALL OF THE FOREGOING AGREEMENT AND ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_

Witness/Date

FRANCHISEE:

If a corporation or other entity:

\_\_\_\_\_  
(Name of Corporation or Other Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

PATSY'S PIZZERIA FRANCHISE CORP.

By: \_\_\_\_\_

Its: \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

## NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

1. The last sentence of the third paragraph of Section 8.01 of the Franchise Agreement ("Confidential Operating Manual; Policy Statements") is amended to read as follows:

"The Manual and any additions, deletions, revisions or Supplements to the Manual are material in that they will affect the operation of the franchised Business, but they will not conflict with or materially alter your rights and obligations under this Agreement or place an excessive economic burden on your operations."

2. Sections 7.01, 8.02, 14.01 (H) and 15.04 (O) of the Franchise Agreement are each amended to include the following language immediately following the requirement that Franchisee execute a General Release:

"Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied."

3. The second sentence of Section 13.04 of the Franchise Agreement is amended to read as follows:

"Accordingly, you consent to the seeking of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete set forth in this Agreement."

4. The third and fourth sentences of Section 24.01 of the Franchise Agreement ("Injunction") is amended to read as follows:

"You therefore agree that if you engage in this non-compliance, or unauthorized and/or improper use of the System or Proprietary Marks, during or after the period of this Agreement, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the seeking of these temporary and permanent injunctions."

Dated: \_\_\_\_\_

FRANCHISEE:

If an entity:

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

PATSY'S PIZZERIA FRANCHISE CORP.

By: \_\_\_\_\_

**EXHIBIT A**

**FRANCHISED TERRITORY; PIZZERIA LOCATION**

## **EXHIBIT A**

### **FRANCHISED TERRITORY; PIZZERIA LOCATION**

The Territory as defined in Section 3.01 of the Franchise Agreement will consist of:

---

The Pizzeria Location as defined in Section 7.01 of the Franchise Agreement is:

---

## **EXHIBIT B**

### **PROPRIETARY MARKS**

The Proprietary Marks as defined in Section 1.01 of the Franchise Agreement will consist of:

"PATSY'S PIZZERIA"

and such other and further Proprietary Marks (as defined in Section 1.01 of the Franchise Agreement) that we may from time to time license to you in conjunction with and addition to the Proprietary Marks listed above. Any such other and further Proprietary Marks will be deemed a part of this Exhibit B.

**EXHIBIT C**

**REQUIRED PROVISIONS FOR LEASE RIDER**

## **REQUIRED PROVISIONS FOR LEASE RIDER**

All Leases you enter into for the Pizzeria Location must contain a Rider with provisions acceptable to us providing that:

1. After the expiration or termination of the Franchise Agreement for any reason, we will have the option for 30 days to cure any defaults within a reasonable period of time; at our election, either to assume the obligations of and replace you as the lessee under the Lease, or to have another franchisee, licensee, joint venture partner or other designee of ours assume the obligations of and replace you as the lessee under the Lease; and, if we have assumed the obligations of and replace you as the lessee under the Lease, to reassign the Lease to another franchisee, licensee, joint venture partner or other designee of ours.
2. The lessor or sublessor (the "Landlord") will furnish to us written notice specifying any default and the method of curing the default; allow us 30 days after receipt of the notice to cure the defaults (except that if the default is the non-payment of rent, we will have only fifteen days from receipt of notice to cure the default); and, allow us to exercise our option for us or another franchisee, licensee, joint venture partner or other designee of ours to succeed to your interest in the Lease.
3. The Landlord will accept us or another franchisee designated by us as a substitute tenant under the Lease upon notice from us that we are exercising our option for us or another franchisee, licensee, joint venture partner or other designee of ours to succeed to your interest in the Lease and/or to reassign the Lease to another franchisee following our assumption of obligations under the Lease.
4. The required provisions in 1., 2. and 3. above are rights but not obligations for us to assume your rights and responsibilities under the Lease.
5. The Landlord acknowledges that you alone are responsible for all debts, payments and performances under the Lease before we or another franchisee, licensee, joint venture partner or other designee of ours takes actual possession of the premises.
6. The Lease may not be modified or amended without our advance written consent, which we may not unreasonably withhold. The Landlord will promptly provide us with copies of all proposed modifications or amendments and true and correct copies of the executed modifications and amendments.
7. The Landlord agrees to furnish us with copies of all letters and notices sent to you pertaining to the Lease and the premises, at the same time that these letters and notices are sent to you.

**EXHIBIT D**  
**FRANCHISE OPTION AGREEMENT**

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EXHIBIT A – INITIAL FEES FOR OPTIONED FRANCHISES

EXHIBIT B – FRANCHISE TERRITORIES

## FRANCHISE OPTION AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between PATSY'S PIZZERIA FRANCHISE CORP., a New York corporation with its principal office at 2287-91 First Avenue, New York, New York 10035 ("we," "us," "our," "Franchisor" or "the Company") and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("you," "your" or "Franchisee").

### 1. Introduction

You have purchased a franchise pursuant to our Patsy's Pizzeria Franchise Agreement (the "Franchise Agreement"), and you would like to secure an option for the purchase of one or more additional Patsy's Pizzeria franchises, within a specified period of time and for a specified Initial Franchise Fee (as defined below). We would like to grant you this option.

### 2. Grant of Option

Subject to the terms and conditions of this Agreement and the Franchise Agreement, we grant to you, and you accept, an option to purchase \_\_\_\_\_ additional franchises from us.

### 3. Initial Franchise Fees for Optioned Franchises

The Initial Franchise Fee for each franchise optioned hereby is set forth in Exhibit A of this Option Agreement.

### 4. Option Fee

In consideration for our granting this option to you, you agree to pay us an Option Fee equal to 10% of the Initial Franchise Fee for each additional Patsy's Pizzeria franchise optioned to you under this Agreement. This sum will be due in full when you sign this Option Agreement and will be considered fully earned by us when paid, in consideration of our granting you the options. The Option Fee is not refundable in whole or in part under any circumstance. However, if you exercise your option and purchase the additional Patsy's Pizzeria franchises optioned under this Agreement, then we will credit the portion of the Option Fee you paid us allocable to each additional franchise toward the Initial Franchise Fee for each additional franchise. If you do not execute a Franchise Agreement for the first optioned Patsy's Pizzeria franchise within the time period specified in this Agreement, or you do not execute a Franchise Agreement for any succeeding franchise within any succeeding time period specified in this Agreement, then the option granted to you under this Agreement will lapse and the Option Fee you paid under this Agreement will not be refunded.

### 5. Option Schedule; Optioned Franchise Territories

You may exercise the option granted under this Agreement only according to the following Option Schedule, which sets forth the date upon which you must execute the Franchise Agreement for each optioned Patsy's Pizzeria franchise and the date no later than which you must commence operations of each Patsy's Pizzeria business pursuant to each such Franchise Agreement. The franchises optioned under this Agreement embrace the contiguous geographic areas as delineated in Exhibit B to this Agreement either by a map or written description (the "Franchise Territories").

| Business Number | Franchise Territory | Date of Execution | Commencement of Operations Date |
|-----------------|---------------------|-------------------|---------------------------------|
| 1               | Exhibit B-1         |                   |                                 |
| 2               | Exhibit B-2         |                   |                                 |

| <b>Business Number</b> | <b>Franchise Territory</b> | <b>Date of Execution</b> | <b>Commencement of Operations Date</b> |
|------------------------|----------------------------|--------------------------|----------------------------------------|
| 3                      | Exhibit B-3                |                          |                                        |
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| 5                      | Exhibit B-5                |                          |                                        |
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| 7                      | Exhibit B-7                |                          |                                        |
| 8                      | Exhibit B-8                |                          |                                        |
| 9                      | Exhibit B-9                |                          |                                        |
| 10                     | Exhibit B-10               |                          |                                        |

## **6. Exercise of Option**

Any option granted under this Agreement must be exercised in the following manner:

(a) Not less than 60 days before the scheduled date of Franchise Agreement execution for each Business specified above in Section 5, you must give us written notice of your intent to exercise the option granted under this Agreement for the applicable Business, and request from us a copy of our then-current Patsy's Pizzeria Franchise Disclosure Document, including our then-current Franchise Agreement (the "Franchise Disclosure Document") and three execution copies of the then-current Franchise Agreement.

(b) Within 20 days after we receive your request, we will deliver to you a copy of the Franchise Disclosure Document and three execution copies of the Franchise Agreement. Promptly after you receive the Franchise Disclosure Document and execution copies of the Franchise Agreement, you must immediately acknowledge your receipt by executing the Receipt in the Franchise Disclosure Document and return it to us.

(c) Not less than 14 calendar days following your receipt of our Franchise Disclosure Document, you must execute the three execution copies of the Franchise Agreement and deliver them to us with payment of the Initial Franchise Fee for the franchise; this payment must be by certified check or bank draft made payable to our order.

(d) If you fail to perform any of the acts or fail to deliver any of the notices required by subsections (a), (b) or (c) of this Section in a timely fashion, your failure will be considered your election not to exercise your option rights under this Agreement, and will cause your option rights to lapse and expire without further notice or action by us, and you will forfeit the Option Fee you paid to us under this Agreement.

(e) If you exercise your option right in the form and manner described in this Agreement, and you comply in all respects with the conditions contained in Section 7 of this Agreement, we will counterexecute the copies of the Franchise Agreement that you executed and we will deliver one fully executed copy of the Franchise Agreement to you within 14 calendar days after we received them from you.

(f) When you sign the Franchise Agreement for each optioned franchise, the terms, conditions, requirements and duties imposed by the Franchise Agreement for the optioned franchise will govern and preempt this Option Agreement.

## **7. Conditions**

Your right to enter into a Franchise Agreement for any Patsy's Pizzeria franchise optioned under this Agreement is conditioned upon your having fulfilled all of the following conditions:

(a) At the time of your exercise of the option, you must have fully performed and otherwise be in compliance with all your obligations under any Franchise Agreement entered into between you and us and under all other agreements which may then be in effect between us (or our parent, or the affiliates, subsidiaries and designees of both entities) and you;

(b) You must not be in default of any provision of any Franchise Agreement, and any amendments or replacement of the Franchise Agreement, or any other agreement with us (or our parent, or the affiliates, subsidiaries and designees of either entity) and you must have substantially complied with all of the terms and conditions of such agreements during their terms;

(c) You must have satisfied all monetary obligations owed by you to us (and our parent, and the subsidiaries, affiliates and designees of both entities) and timely met those obligations throughout the term of any Patsy's Pizzeria Franchise Agreement; and,

(d) If your franchise relationship with Franchisor is terminated or expires for any reason, then the option granted under this Agreement will be null and void at the time of such termination or expiration.

## **8. No Franchise Conveyed**

You will not be deemed for any purposes to be a franchisee of ours with respect to any of the franchises optioned to you under this Agreement except to the extent that you have exercised the option granted under this Agreement in the manner provided for in this Agreement and you and we have signed a Franchise Agreement with respect to the optioned franchise.

## **9. No Assignment**

You may assign this Option Agreement only in connection with the permitted assignment of the Franchise Agreement(s) and subject to the restrictions concerning assignment set forth in Article 15 of the Franchise Agreement(s). Any other assignment of this Agreement will be void, of no effect, will cause this option to lapse and will be considered your election not to exercise the option and to forfeit the Option Fee to us.

## **10. Waiver and Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by you under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

## **11. Integration of Agreement**

This Option Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this sentence is intended to disclaim the representations we made in the Franchise Disclosure Document that we provided to you. You acknowledge that you are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of your own independent investigation of the business opportunity and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees which are contrary to the terms set forth in this Agreement or of any

offering circular, prospectus, disclosure document or other similar document required or permitted to be given to you pursuant to applicable law.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. You expressly acknowledge that no oral promises or declarations were made to you and that our obligations are confined exclusively to the terms in this Agreement. You understand and assume the business risks inherent in this enterprise.

## **12. Notices**

Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally, by certified mail (return receipt requested, postage prepaid), or by documented overnight delivery with a reputable carrier; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to us will be addressed to us at:

Patsy's Pizzeria Franchise Corp.  
2287-91 First Avenue  
New York, New York 10035  
Attention: Isa Brija

With a copy to:

Kaufmann Gildin & Robbins LLP  
767 Third Avenue  
New York, New York 10017  
Attention: David J. Kaufmann, Esq.

Any notice to you will be addressed to you at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

Either party to this Agreement may, in writing, on ten days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

## **13. Miscellaneous**

### **A. Construction and Interpretation:**

(1) This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

(2) Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in New York, New York. You agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated

in New York, New York. You hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

(3) The titles and subtitles of the various sections and paragraphs of this Option Agreement are inserted for convenience and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Option Agreement.

(4) The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against us or you.

(5) It is agreed that if any provision of this Option Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

**B. Severability:**

Nothing contained in this Option Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation required to be made applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

**C. Counterparts:**

This Option Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

**14. Submission of Option Agreement**

The submission of this Option Agreement does not constitute an offer and this Option Agreement will become effective only upon the execution of this Agreement by you and us.

THIS OPTION AGREEMENT Will NOT BE BINDING UPON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF OURS.

Dated: \_\_\_\_\_

FRANCHISEE:

Attest:

If a corporation or other entity:

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Name of Corporation or Other Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_

(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Witness/Date

FRANCHISOR:

PATSY'S PIZZERIA FRANCHISE CORP.

By: \_\_\_\_\_

**EXHIBIT E**  
**SOFTWARE LICENSE AGREEMENT**

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## SOFTWARE LICENSE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between PATSY'S PIZZERIA FRANCHISE CORP., a New York corporation with its principal office at 2287-91 First Avenue, New York, New York 10035 ("Licensor") and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("Licensee").

### 1. GRANT OF LICENSE

#### 1.01 Grant of License

Licensor grants to Licensee a nontransferable, nonexclusive single-site license for the use of those computer programs, system documentation manuals and other materials (hereinafter collectively referred to as "Patsy's Pizzeria Software" or the "Software") supplied by Licensor to Licensee during the term of this Agreement.

#### 1.02 Revisions, Additions and Deletions

Licensor may, from time to time, revise the Patsy's Pizzeria Software or any part of the Software. In doing so, Licensor incurs no obligation to furnish these revisions to Licensee. Licensor reserves the right to add and/or delete, at its sole option, computer programs and/or features to the Patsy's Pizzeria Software. If Licensor furnishes Licensee with revisions or additions to the Patsy's Pizzeria Software, Licensor specifically reserves the right to charge Licensee for them at the prices and on the terms that Licensor determines at its sole option, including, without limitation, any costs associated with installation of computer hardware, equipment, connections, data systems, software, etc. Any updates, replacements, revisions, enhancements, additions or conversions to the Patsy's Pizzeria Software furnished by Licensor to Licensee will become part of the "Software" under this Agreement and subject to this Agreement.

#### 1.03 Rights of Licensor

Licensee recognizes that Licensor is supplying the Patsy's Pizzeria Software and all additional materials and information, including but not limited to all processes, ideas, data and printed material, to Licensee subject to Licensor's proprietary rights. Licensee agrees with Licensor that the Patsy's Pizzeria Software and all information and/or data supplied by Licensor in any form, including but not limited to machine-readable and/or printed form, are trade secrets of Licensor embodying substantial creative efforts and confidential information, ideas, and expressions, are protected by civil and criminal law, and by the law of copyright, are very valuable to Licensor, and that their use and disclosure must be carefully and continuously controlled. Accordingly, Licensee agrees to treat (and take precautions to ensure that its employees treat) the Software as confidential in accordance with the confidentiality requirements and conditions set forth in this Agreement. Licensor is not obligated to provide and Licensee acquires no right of any kind under this Agreement with respect to any source code for the Software.

#### 1.04 Title

Licensor retains title to the Patsy's Pizzeria Software, the system documentation manuals, any additional materials and information furnished by Licensor in any form (including but not limited to object, machine-readable and/or printed form). Licensee agrees to keep every item to which Licensor retains title free and clear of all claims, liens and encumbrances except those of Licensor. Any act of Licensee, voluntary or involuntary, purporting to create a claim, lien or encumbrance on such an item will be void.

#### 1.05 No Other Rights Granted

Apart from the license rights specifically enumerated in this Agreement, this Agreement does not include a grant to Licensee of any ownership right, title or interest, nor any security interest or other interest, in any Intellectual Property Rights (as defined in the following sentence)

relating to the Software or any part of the Software. "Intellectual Property Rights" means any and all rights to exclude under patent law, copyright law, oral rights law, trade-secret law, semiconductor chip protection law, trademark law, unfair competition law or other similar rights.

## **2. TERM**

### **2.01 Term**

This License Agreement is effective from the date of execution by Licensors and will remain in full force so long as Licensee remains a Franchisee in good standing under to the Patsy's Pizzeria Franchise Agreement entered into between Patsy's Pizzeria Franchise Corp. and Licensee, dated \_\_\_\_\_ (the "Franchise Agreement"). The Franchise Agreement is incorporated in this Agreement as though set forth in full.

## **3. RESTRICTIONS ON LICENSEE**

### **3.01 Single-Site Use**

The Patsy's Pizzeria Software and other materials provided under this Agreement may be used only on a single central processing unit (referred to as the "CPU") and its associated networked peripheral units at the same site. "Use" of a program will consist either of copying any portion of the program from storage of units or media into the CPU, or the processing of data with the program, or both. Licensee agrees to keep all programs, documentation and materials in any form (including but not limited to object, machine-readable and/or printed form) supplied under this license in a secure place, under access and use restrictions satisfactory to Licensors, and not less strict than those applied to Licensee's most valuable and sensitive programs. In the event that the CPU becomes inoperable, Licensee shall have the right to temporarily move the Software to a back-up system at the same site, for a reasonable period of time, while the CPU is inoperable. Licensee shall provide Licensors with written notice within five (5) days of any such movement.

Licensee shall be exclusively responsible for the supervision, management and control of its use of the Software and the operating environment, including, but not limited to: (i) assuring proper audit controls and operating methods; (ii) establishing adequate back-up plans in the event of a Software or hardware malfunction, including restart and recovery procedures; (iii) implementing sufficient procedures and checkpoints to satisfy its requirements for security and accuracy of input and output; and (iv) maintaining the proper operating environment for the Software.

### **3.02 Copies**

Licensee agrees that while this license is in effect, or while Licensee has custody or possession of any property of Licensors, and except as provided in the following paragraph, Licensee will not (a) copy or duplicate, or permit anyone else to copy or duplicate, any physical or magnetic version of the Patsy's Pizzeria Software or other information furnished by Licensors in any form (including but not limited to object, machine-readable and/or printed form), or (b) create or attempt to create, or permit others to create or attempt to create, by reverse engineering or otherwise, the source programs or any part of them from the object program or from any other information made available under this license or otherwise (whether oral, written, tangible or intangible).

Notwithstanding the foregoing, any Patsy's Pizzeria Software or additional material which is provided by Licensors in any form (including but not limited to object, machine-readable and/or printed form) may be copied, in whole or in part, solely for the use of Licensee at Licensee's address stated above, for archive or emergency restart purposes, to replace a worn copy, or to understand the contents of such machine-readable material, provided, however, that no more than three printed copies and three object or machine-readable copies will be in existence under this license at any one time without prior written consent from Licensors. The original, and any copies, in

whole or in part, of Patsy's Pizzeria Software and/or additional materials supplied to Licensee by Licensor, which are made under this Agreement, will be the property of Licensor for all purposes.

Licensee agrees to maintain appropriate records of the number and location of all copies of the Software and make such records available upon Licensor's request. Licensee further agrees to reproduce all copyright and other proprietary notices on all copies of the Software in the same form and manner that such copyright and other proprietary notices are originally included on the Software

Licensee agrees to keep any copies and the original at Licensee's address stated above, except that the Licensee may transport or transmit a copy or the original of any licensed program to another location for back-up use when required by CPU malfunction, provided that, when the malfunction is corrected, the copy or the original is destroyed or returned to Licensee's above address.

Licensee agrees to respect and not to remove, obliterate, or cancel from view any copyright, trademark, confidentiality or other proprietary notice, mark, or legend appearing on any of the Software or output generated by the Software, and to reproduce and include same on each copy of the Software.

### **3.03 No Reverse Engineering or Modification**

Licensee agrees that while this license is in effect, or while Licensor has custody or possession of any property of Licensor, Licensee will not modify, translate, enhance, merge, reverse engineer, reverse assemble, disassemble, or decompile the Software or any portion of the Software, derive the source code or the underlying ideas, algorithms, structure or organization form of the Software or any portion thereof or otherwise reduce the Software or any portion of the Software to human-readable form. Licensee may not, and may not attempt to, defeat, avoid, bypass, remove, deactivate or otherwise circumvent any software protection mechanisms in the Software including, without limitation, any such mechanism used to restrict or control the functionality of the Software.

### **3.04 Transfer of Software**

If Licensee transfers possession of any copy, modification, translation or merged portion of the Patsy's Pizzeria Software to another party, the attempt at transfer is void and this license is automatically terminated.

## **4. PROTECTION AND SECURITY**

### **4.01 Non-Disclosure**

Licensee agrees not to disclose, publish, display, translate, release, transfer or otherwise make available the Patsy's Pizzeria Software, any part of the Software or any other materials furnished by Licensor in any form (or any copy of any of the foregoing) to any person, without the written consent of Licensor, which may be withheld with or without cause. Licensee agrees that it will take all necessary action including, but not necessarily limited to, instructing and entering into agreements with all of Licensee's employees, agents, representatives, affiliates, subsidiaries, and/or other third persons/entities associated with Licensee to protect the copyright and trade secrets of Licensor in and to those materials licensed under this Agreement and to assure Licensee's compliance with its obligations under this Agreement. Licensee shall use its best efforts to assist Licensor in identifying and preventing any unauthorized use, copying or disclosure of the Software or any portions thereof. Without limitation of the foregoing, Licensee shall advise Licensor immediately in the event Licensee learns or has reason to believe that any person who Licensee has given access to the Software, or any portion thereof, has violated or intends to violate the terms of this Agreement. The provisions of this Section 4.01 will survive the termination of this Agreement. Licensee shall not rent, lease, loan, distribute, sell, sublicense or encumber the Software.

Licensee shall not create any derivative works from the Software. Licensee agrees that any derivative works created by Licensee from the Software, including, but not limited to, software or other electronic works, are considered derivative works under U.S. law and that use of the derivative work is subject to the terms and conditions of this License Agreement. Derivative works may not be sublicensed, sold, leased, rented, lent, or given away without written permission from Licensor. Licensor will not be responsible for unauthorized, modified and/or regenerated software or derivative works.

Licensee understands and agrees that Licensor may from time to time adopt whatever mechanical or other electronic methods that Licensor deems necessary (in its sole and exclusive judgment) to prevent the unauthorized use and/or distribution of the Patsy's Pizzeria Software.

#### **4.02 Off-Site Communications Lines**

Licensee may not permit the computer programs licensed under this Agreement to be transmitted over any off-site communications lines for any purpose.

### **5. UNAUTHORIZED ACTS**

#### **5.01 Unauthorized Acts**

Licensee agrees to notify Licensor immediately of the unauthorized possession, use or knowledge of any item supplied through this license and of other information made available, to Licensee under this Agreement, by any person or organization not authorized by this Agreement to have such possession, use or knowledge. Licensee agrees to promptly furnish full details of the possession, use or knowledge to Licensor, to assist in preventing the recurrence of the possession, use or knowledge, and to cooperate with Licensor in any litigation against third parties deemed necessary by Licensor to protect its proprietary rights. Licensee's compliance with this paragraph will not be construed in any way as a waiver of Licensor's rights to recover damages or obtain other relief against Licensee for its negligent or intentional harm to Licensor's proprietary rights, or for breach of Licensor's contractual rights.

#### **5.02 Export Law Assurances.**

Licensee may not use or otherwise export or reexport the Software except as authorized by United States law and the laws of the jurisdiction in which the Software was obtained. In particular, but without limitation, the Software may not be exported or reexported: (i) into, or to a national or resident of, any U.S. embargoed country, or (ii) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals, the U.S. Department of Commerce's Table of Denial Orders or to whom export or reexport is prohibited by the United States Department of Treasury Office of Foreign Assets Control ("OFAC") or any other United States or foreign agency or authority. Licensee represents and warrants that Licensee is not located in, under control of, or a national or resident of any such country or on any such list.

### **6. INSPECTION**

#### **6.01 Inspection**

To assist Licensor in the protection of its proprietary rights, Licensee agrees to permit representatives of Licensor to inspect, at all reasonable times, any location at which items supplied under this Agreement are being used or kept.

### **7. ASSIGNMENT OF LICENSE RIGHTS**

#### **7.01 Assignment by Licensor**

Licensor will have the right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Licensor under this Agreement: (i) the assignee must, at the time of the assignment, be financially

responsible and economically capable of performing the obligations of Licensor under this Agreement, and (ii) the assignee must expressly assume and agree to perform these obligations.

## **7.02 Assignment by Licensee**

With respect to Licensee's obligations under this Agreement, this License Agreement is personal, being entered into in reliance upon and in consideration of the singular personal skill and qualifications of Licensee, and the trust and confidentiality reposed in Licensee by Licensor. Therefore, neither Licensee's interest in this Agreement nor any of Licensee's rights or privileges under this Agreement, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without the prior written consent of Licensor. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, made or accomplished in violation of the terms of this Article will be null and void and will constitute an incurable breach of this Agreement by Licensee, and, if this occurs, this Agreement will automatically terminate without further notice.

## **8. INJUNCTION**

### **8.01 Injunction**

Licensee acknowledges that the unauthorized use, modification, transfer or disclosure of the Software or copies thereof will (i) substantially diminish the value to Licensor of the trade secrets and other proprietary interests that are the subject of this Agreement; (ii) render Licensor's remedy at law for such unauthorized use, disclosure or transfer inadequate; and (iii) cause irreparable injury in a short period of time. If Licensee breaches any of its obligations with respect to the use or confidentiality of the Software or if Licensee attempts to use, copy, modify, license, or convey the items supplied by Licensor under this Agreement, in a manner contrary to the terms of this Agreement, in competition with Licensor or in derogation of Licensor's proprietary rights (whether these rights are explicitly stated in this Agreement, determined by law or otherwise), then Licensor shall be entitled to equitable relief to protect its interests therein, including, but not limited to, preliminary and permanent injunctive relief, without having to post bond or other security.

## **9. DEFAULT AND TERMINATION**

### **9.01 Termination**

If the Franchise Agreement is terminated by either party for any reason or expires, then upon the effective date of the termination or expiration of the Franchise Agreement, this Agreement will automatically terminate without notice to Licensee.

Licensor reserves the right to immediately terminate this License Agreement, at Licensor's sole and exclusive option, if Licensee breached any term of this Agreement or of the Franchise Agreement. This termination will be without prejudice to any right or claims Licensor may have and all rights granted under this Agreement will immediately revert to Licensor. If Licensor terminates this Agreement, Licensee agrees to return to Licensor all property of and/or materials supplied by Licensor immediately after the termination.

The termination or expiration of this Agreement or of the Franchise Agreement for any reason whatsoever will not relieve Licensee of its obligations of confidentiality, protection and security under this Agreement, or of the restriction on copying and use as provided in this Agreement, with respect to the Patsy's Pizzeria Software.

Upon termination or expiration of this Agreement or of the Franchise Agreement for any reason, Licensee agrees to immediately return to Licensor the Patsy's Pizzeria Software, including, without limitation, all computer software, disks, tapes and other magnetic storage media (and any future technological substitutions for any of them) in good condition, allowing for normal wear and tear.

## **9.02 Cross-Default**

Any default or breach by Licensee (or any of its affiliates) of any other agreement between Licensor, or its parent or the subsidiary, affiliate or designee of either entity (collectively, Licensor's "Affiliates") and Licensee (or any of its affiliates) will be deemed a default under this Agreement, and any default or breach of this Agreement by Licensee (or any of its affiliates) will be deemed a default or breach under any and all other agreements between Licensor (or any of its Affiliates) and Licensee (or any of its affiliates). If the nature of such default under any other agreement would have permitted Licensor to terminate this Agreement if default had occurred under this Agreement, then Licensor (or its Affiliates) will have the right to terminate all the other agreements between Licensor (or its Affiliates) and Licensee (or any of its affiliates) in the same manner provided for in this Agreement for termination of this Agreement.

## **10. BINDING EFFECT**

### **10.01 Binding Effect**

Licensee agrees that this Agreement binds the named Licensee and each of its employees, agents, representatives and persons associated with it. This Agreement further binds each affiliated and subsidiary firm, corporation, or other organization and any person, firm, corporation or other organization with which the Licensee may enter a joint venture or other cooperative enterprise.

## **11. SECURITY INTEREST**

### **11.01 Security Interest**

Licensee hereby gives to Licensor a security interest in and to the Patsy's Pizzeria Software and other materials furnished under this Agreement as security for Licensee's performance of all its obligations under this Agreement, together with the right, without liability, to repossess the Patsy's Pizzeria Software and other materials licensed under this Agreement, with or without notice, in the event of default in any of Licensee's obligations under this Agreement.

## **12. WAIVER OR DELAY; INTEGRATION; AMENDMENT**

### **12.01 Waiver or Delay**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver by such party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement; and, without limitation upon any of the foregoing, the acceptance of any payment specified to be paid by Licensee under this Agreement shall not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

### **12.02 Integration**

This Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that, and that this Agreement is not to limit any rights that Licensor may have under trade secret, copyright, patent, or other laws that may be available to it. Licensee acknowledges that that the Agreement does not include any other prior or contemporaneous promises, representations, or descriptions regarding the Software, or that if any such promises, representations, or descriptions were made, Licensee is not relying on them. Notwithstanding the foregoing however, nothing in this Section is intended to disclaim the representations Licensor made in the Franchise Disclosure Document that it provided to Licensee.

### **12.03 Amendment**

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties hereto.

## **13. DISCLAIMER**

### **13.01 DISCLAIMER**

LICENSOR WARRANTS AND REPRESENTS THAT IT HAS THE AUTHORITY TO EXTEND THE RIGHTS GRANTED TO LICENSEE IN THIS AGREEMENT. THIS EXPRESS WARRANTY IS EXCLUSIVE AND IN LIEU OF, AND LICENSOR HEREBY DISCLAIMS, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS OR ADEQUACY FOR ANY PARTICULAR PURPOSE OR USE (WHETHER OR NOT LICENSOR KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE); WARRANTIES OF QUALITY OR PRODUCTIVENESS, CAPACITY, ACCURACY OR SYSTEM INTEGRATION; IMPLIED WARRANTIES AGAINST INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY; AND, WARRANTIES AGAINST INTERFERENCE WITH LICENSEE'S ENJOYMENT OF THE LICENSED INFORMATION OR LICENSED INFORMATIONAL RIGHTS. IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT THE LICENSED SOFTWARE AND OTHER INFORMATION MADE AVAILABLE HEREUNDER BY LICENSOR ARE MADE AVAILABLE ON AN "AS-IS" BASIS AND THAT THE ENTIRE RISK AS TO SATISFACTORY QUALITY, PERFORMANCE, ACCURACY AND EFFORT IS WITH LICENSEE. LICENSOR WILL NOT BE LIABLE (WHETHER IN CONTRACT, WARRANTY, TORT, OR OTHERWISE) TO LICENSEE, THIRD PARTIES, OR ANY OTHER PERSON CLAIMING THROUGH OR UNDER LICENSEE, FOR ANY DAMAGES OR EXPENSES, INCLUDING BUT NOT LIMITED TO, ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, LOST DATA, DOWNTIME COSTS, LOST PROFITS AND/OR LOST BUSINESS, ARISING OUT OF OR IN CONNECTION WITH ANY USE, OR INABILITY TO USE, ANY OF THE LICENSED SOFTWARE, MATERIALS OR INFORMATION FURNISHED, INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF GOODWILL, WORK STOPPAGE, COMPUTER FAILURE OR MALFUNCTION, BUSINESS INTERRUPTION OR ANY AND ALL OTHER COMMERCIAL DAMAGES OR LOSSES, WHETHER CAUSED BY DEFECT, NEGLIGENCE, BREACH OF WARRANTY, DELAY IN DELIVERY OR OTHERWISE, REGARDLESS OF THE THEORY OF LIABILITY (WHETHER TORT, CONTRACT, STRICT LIABILITY, OR OTHERWISE), EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR EXPENSES. FURTHER, NO OBLIGATION OR LIABILITY WILL ARISE OR FLOW OUT OF LICENSOR'S RENDERING OF TECHNICAL OR OTHER ADVICE IN CONNECTION WITH THE SOFTWARE OR ANY EQUIPMENT USED WITH THE SOFTWARE. LICENSOR DOES NOT REPRESENT OR WARRANT THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE OR MEET ANY SPECIFIC REQUIREMENTS, THAT THE SOFTWARE WILL BE FREE OF VIRUSES, WORMS, OTHER HARMFUL COMPONENTS OR OTHER PROGRAM LIMITATIONS OR THAT ANY DEFECTS OR ERRORS IN THE SOFTWARE WILL BE CORRECTED. THIS DISCLAIMER OF WARRANTY CONSTITUTES AN ESSENTIAL PART OF THIS AGREEMENT. NO AGENT OF LICENSOR IS AUTHORIZED TO ALTER OR EXCEED THE WARRANTY OBLIGATIONS OF LICENSOR AS SET FORTH HEREIN. NO USE OF THE PRODUCT IS AUTHORIZED HEREUNDER EXCEPT UNDER THIS DISCLAIMER; PROVIDED, HOWEVER, THAT SOME STATES OR JURISDICTIONS DO NOT ALLOW EXCLUSIONS OF AN IMPLIED WARRANTY AND SOME STATES OR JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THAT THIS DISCLAIMER MAY NOT APPLY TO LICENSEE. TO THE EXTENT THAT LICENSOR MAY NOT, AS A MATTER OF APPLICABLE LAW, DISCLAIM ANY WARRANTY, THE SCOPE AND DURATION OF SUCH WARRANTY SHALL BE THE MINIMUM PERMITTED UNDER APPLICABLE LAW.

## **14. LIMITATION OF LIABILITY**

### **14.01 LIMITATION OF LIABILITY**

LICENSOR'S LIABILITY FOR DAMAGES UNDER THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION AND REGARDLESS OF THE LEGAL THEORY, WILL NOT EXCEED THE COST OF REPLACEMENT OF THE SOFTWARE LICENSED UNDER THIS AGREEMENT. THIS WILL BE LICENSEE'S SOLE AND EXCLUSIVE REMEDY. NO ACTION, REGARDLESS OF FORM, ARISING OUT OF ANY PARTY'S OBLIGATIONS UNDER THIS AGREEMENT MAY BE BROUGHT BY EITHER PARTY MORE THAN ONE YEAR AFTER THE CAUSE OF ACTION HAS ACCRUED, EXCEPT THAT AN ACTION FOR NONPAYMENT MAY BE BROUGHT WITHIN ONE YEAR OF THE DATE OF LAST PAYMENT.

## **15. SEVERABILITY**

### **15.01 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation required to be made applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

## **16. GOVERNING LAW; VENUE**

### **16.01 Governing Law**

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, unfair or deceptive trade practice, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

### **16.02 Venue**

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in New York, New York. Licensee agrees that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in New York, New York. Licensee hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

## **17. COSTS OF ENFORCEMENT; ATTORNEYS' FEES**

### **17.01 Costs of Enforcement**

Licensor will be entitled to recover from Licensee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Licensor prevails in any action instituted against Licensee in order to secure or protect those rights inuring to Licensor under this Agreement, or to enforce the terms of this Agreement.

### **17.02 Attorneys' Fees**

If Licensor becomes a party to any litigation or other proceeding concerning this Agreement by reason of any act or omission of Licensee or Licensee's authorized representatives and not by any act or omission of Licensor or any act or omission of Licensor's authorized representatives, or if Licensor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, Licensee will be liable to Licensor for reasonable attorneys' fees, experts' fees and court costs incurred by Licensor in the litigation or other proceeding regardless of whether the litigation or other proceeding or action proceeds to judgment. In addition, Licensor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Licensee.

## **18. SUBMISSION OF AGREEMENT**

### **18.01 Submission of Agreement**

The submission of this Agreement does not constitute an offer and this Agreement will become effective only upon execution of this Agreement by both Licensor and Licensee. Licensor's date of execution will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON LICENSOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF LICENSOR. LICENSEE HAS READ ALL OF THE FOREGOING AGREEMENT AND HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS THEREOF.

Dated: \_\_\_\_\_

LICENSEE:

Attest:

If a corporation or other entity:

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Name of Corporation or Other Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

(Print Name)Dated: \_\_\_\_\_

LICENSOR:

PATSY'S PIZZERIA FRANCHISE CORP.

Attest:

\_\_\_\_\_  
Witness/Date

By: \_\_\_\_\_

**EXHIBIT F**  
**CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

## CONFIDENTIALITY/NON-COMPETITION AGREEMENT

**NAME:** \_\_\_\_\_

**FRANCHISEE:** \_\_\_\_\_

**HOME ADDRESS:** \_\_\_\_\_

**HOME TELEPHONE:** \_\_\_\_\_

**CLASSIFICATION:** \_\_\_\_\_

**(Owner, Shareholder, Officer, Director,  
Attorney, Employee, Etc.)**

\_\_\_\_\_ ("Franchisee") is a franchisee of Patsy's Pizzeria Franchise Corp. ("Franchisor") pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated \_\_\_\_\_ (the "Franchise Agreement"). I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Franchisee and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Franchisee and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all products, services, equipment, technologies and procedures relating to ; all systems of operation, services, programs, products, procedures, policies, standards, techniques, specifications and criteria which now comprise or in the future may comprise a part of the System; Franchisor's Confidential Operating Manual (as same may be amended from time to time); Supplements and/or amendments to the Manual; records pertaining to customers or billings; methods of advertising and promotion; customers; instructional materials; staff composition and organization systems; quality assurance programs; supervision systems; recommended services; recordkeeping systems and materials; bookkeeping systems and materials; business forms; product and service order forms; general operations materials; revenue reports; standards of interior and exterior design and decor; activity schedules; job descriptions; advertising, promotional and public relations materials/campaigns/guidelines/philosophy; specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the System; additions to, deletions from, and modifications and variations of the components constituting the System or the systems and methods of operations which are now, or may in the future, be employed by Franchisor, including all standards and specifications relating thereto and the means and manner of offering and selling same; and, all other components, specifications, standards, requirements and duties imposed by Franchisor or its Affiliates.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of one year immediately following its expiration or termination for any reason, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the Franchise Agreement contemplates will be engaged in by Franchisee; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of one year immediately following the expiration or termination of my employment/service/association/ownership participation, I am prohibited from engaging in any competitive business, if the other business is located within Franchisee's Territory, within ten miles of the boundaries of Franchisee's Territory, or within ten miles of (or within) any other Business Territory (whether Company-owned, franchised or otherwise established and operated).

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the National Association of Securities Dealers Automated Quotation System (NASDAQ), and so long as I or Franchisee do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or termination of my term of employment/service/association, I will immediately refrain from any and all contacts with customers, for any purpose whatsoever.

**I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Franchisee for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Franchisee (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this**

**Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.**

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and Franchisee or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in New York, New York. I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in New York, New York.

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

Witnessed By:

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Witness/Date

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**EXHIBIT G**  
**SAMPLE BY-LAWS OF [NAME OF CORPORATION]**  
**REGIONAL ADVERTISING COOPERATIVE**

**SAMPLE BY-LAWS OF [NAME OF CORPORATION]  
REGIONAL ADVERTISING COOPERATIVE**

**1. PURPOSES**

**1.01 Purposes**

The purposes of \_\_\_\_\_ (the "Corporation"), as set forth in its Certificate of Incorporation, are to provide for and establish cooperative marketing, promotion and advertising programs for the Patsy's Pizzeria Businesses within the \_\_\_\_\_ Area of Dominant Influence (the "ADI"), as defined by The Arbitron Company; to serve as the official voice of the members; and, to pay the administrative expenses incidental thereto.

**2. OFFICES**

**2.01 Registered Office**

The Corporation shall establish and maintain a registered office and a registered agent in the State of \_\_\_\_\_, as required by law, and shall be qualified to conduct business in the State(s) of \_\_\_\_\_. The Corporation may also establish and maintain offices elsewhere in furtherance of its not-for-profit activities as the Board of Directors (the "Board") of the Corporation may deem appropriate.

**3. SEAL**

**3.01 Seal**

The seal of the Corporation shall be in such form as the Board of Directors shall prescribe.

**4. MEMBERSHIP**

**4.01 Qualifications**

The Corporation shall have one class of membership. Any Patsy's Pizzeria franchisee who operates a Patsy's Pizzeria Business located within the ADI under license granted by Patsy's Pizzeria Franchise Corp. for such purpose or representative of any company-owned Patsy's Pizzeria Business shall be eligible for membership in the Corporation, providing that such license granted by \_\_\_\_\_ is in good standing. "Good standing", for the purpose of the preceding sentence, shall mean that the license granted by Patsy's Pizzeria Franchise Corp. to operate a Patsy's Pizzeria Business in the ADI has not been terminated and has not expired.

**4.02 Admission of Members**

Any person, partnership, corporation or other entity eligible for membership shall become a member immediately upon his or its execution of a membership pledge agreement, the form and terms of which shall be established by the Board.

Each new member shall be bound by, observe, participate in and when applicable, contribute to all programs, campaigns, policies and determinations of the Corporation which, by virtue of prior corporate action, are in effect on the date of membership admission.

**4.03 Voting Rights of Members**

Each member in good standing shall be entitled to one vote for each Patsy's Pizzeria Business operated by such member in the ADI under license from Patsy's Pizzeria Franchise Corp. Notwithstanding anything to the contrary set forth in these By-Laws, if a Patsy's Pizzeria Business is operated by two or more co-venturers, such co-venturers collectively, and not individually, shall be entitled to exercise the voting rights which may arise by virtue thereof; and, for the purpose of

determining voting rights hereunder, no individual co-venturer shall be deemed to so operate any such business.

#### **4.04 Transfer of Membership**

Membership in the Corporation shall not be transferable or assignable.

#### **4.05 Member's Sale of Unit**

In the event that a member sells or otherwise transfers his or its Patsy's Pizzeria Business and, by virtue thereof, no longer is eligible for membership in the Corporation, such member shall not be liable for any contributions which accrue during the balance of the Corporation's fiscal year from the date that such sale or transfer becomes effective. Upon the purchase of the Patsy's Pizzeria Business, the purchaser shall immediately apply for membership in the Corporation and the purchaser's liability for all such contributions shall commence as of the date of purchase.

#### **4.06 Other Associations**

Nothing contained herein shall be construed as restricting any member from membership in any other association of Patsy's Pizzeria licensees or franchisees.

#### **4.07 Suspension; Expulsion**

A member may be suspended for a period, or expelled, for cause, such as for a violation of any of the By-Laws or rules of the Corporation or failure promptly to pay when due duly authorized dues and/or assessments of the Corporation (as provided for in Section 12.01 of these By-Laws) or for conduct prejudicial to the best interests of the Corporation. Suspension or expulsion shall require the affirmative vote of two-thirds of the directors present and voting at a meeting of the Board. Except as set forth below, any suspension or expulsion of any member shall be referred by the Board to the membership for a vote on expulsion and any expulsion shall require the affirmative vote equal to or greater than 75% of the votes cast (in person or by proxy) at the membership meeting convened inter alia to consider such actions. No suspension shall be effective unless a statement of the charges shall have been mailed by registered mail to the member proposed to be suspended or expelled at his or her last known address at least fifteen days before the meeting of membership at which final action on the suspension or expulsion is to be taken. Such notice shall state the time and place where the meeting of the membership is to take place, and shall specify the grounds upon which such suspension or expulsion is sought. The member shall be given an opportunity at the meeting to present any information relevant to the question of suspension or expulsion. A member who is suspended or expelled shall have no recourse or claim against the Corporation or any director, officer, employee, agent or member of the Corporation by reason of such suspension or expulsion and shall remain liable for all contributions due and owing prior to the date on which the membership votes to suspend or expel the member. Notwithstanding anything to the contrary set forth above, if a member no longer has a license in good standing to operate a Patsy's Pizzeria Business in the ADI (as defined by Section 4.01 of these By-Laws), expulsion of such member shall be automatic and shall not require a meeting or vote of the Board or of the membership.

#### **4.08 Reinstatement**

A. Any former member may, by written request delivered to and filed with the Secretary of the Corporation, make application to the Board of Directors for reinstatement as a member of the Corporation.

B. The Board of Directors, by a vote of two-thirds of the entire membership of the Board, may reinstate such former member to membership at any time upon such terms as the Board of Directors, in its discretion, deems appropriate, subject to the conditions precedent in sub-section C, below.

C. As conditions precedent to the restoration of membership: (i) the former member must be eligible for membership as provided in Section 4.03 of these By-Laws, and (ii) the Board of Directors may provide for the payment of contributions which accrued during the intervening period between resignation, suspension or expulsion and reinstatement.

## **5. MEETINGS OF MEMBERS**

### **5.01 Place of Meeting**

Meetings of the membership of the Corporation shall be held at such place(s) within the ADI as may be fixed by the Board as the place(s) of meeting for any quarterly, special, or annual meeting.

### **5.02 Quarterly Meetings**

Meetings of the membership of the Corporation shall be held on the third Tuesday of each of the following months; September, December, March and June, at such times and places as shall be designated by the Board. If the scheduled date of any such meeting is a legal holiday, the meeting shall be held on the next succeeding business day not a legal holiday.

### **5.03 Annual Meeting**

The annual meeting of the membership, for the election of directors and the transaction of any other business which may be lawfully brought before the meeting, shall be held at nine o'clock A.M. on the third Tuesday in September of each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day not a legal holiday, unless the Board shall designate some other hour or date therefor. If for any reason such meeting is not held at the time fixed therefor, such election may be held at a subsequent meeting called for that purpose.

### **5.04 Special Meetings**

Special meetings of the membership may be called by a majority of the Board of Directors or by written demand of not less than one-fourth of the membership of the Corporation entitled to vote at such meeting.

### **5.05 Notice of Meetings; Waiver of Notice**

Written notice of each meeting of the membership of the Corporation shall be given to each member by the Secretary. Each notice of meeting shall be given, personally or by mail, not less than five nor more than thirty days before the meeting, and shall state the time and place of the meeting, and, unless it is the annual meeting or a quarterly meeting, shall state at whose direction the meeting is called and the purpose(s) for which it is called. If mailed, notice shall be considered given when mailed to a member at his or its last known address on the Corporation's records. Notice need not be given to any member who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting before the end of the meeting the lack of notice to him or it.

### **5.06 Organization**

At every meeting of the membership, the Chairman of the Board, or in his absence a Vice President, or in the absence of the Chairman and all of the Vice Presidents, a chairman chosen by the members, shall act as chairman; and the Secretary, or in his absence, a person appointed by the chairman, shall act as secretary.

### **5.07 Quorum**

The presence, in person or by written proxy, of members entitled to cast at least a majority of the votes which all members are entitled to cast shall constitute a quorum. A quorum once having been constituted for a meeting, whether monthly, annual, special, shall be deemed to continue until such meeting is adjourned. In the absence of a quorum, any officer entitled to preside at or to act as secretary of the meeting may adjourn the meeting until a quorum is present.

At any adjourned meeting at which a quorum is present, any action may be taken which might have been taken at the meeting as originally called.

### **5.08 Voting**

A. All matters voted upon by membership shall be decided by the vote of 75% of the votes cast by those members voting in person or by written proxy, except as otherwise provided by law, by the Certificate of Incorporation, or by these By-Laws. Any member may request that a roll call vote be taken with respect to the vote on any issue.

B. When electing directors, each member shall be entitled to cast the number of votes as shall equal the number of votes he or it is allocated under Section 5.03 of these By-Laws multiplied by the number of directors to be elected (for which such member's votes are eligible), and each member may cast all such votes for a single director or may distribute them among some or all of the number of directors to be elected, as said member sees fit.

C. The chairman at any meeting of the membership may, in his discretion, appoint one or more persons to act as inspectors or tellers, to receive, canvass and report the votes cast by the membership at such meeting provided, however, that no candidate for the office of director shall be appointed an inspector or teller at any meeting for the election of directors. The use of written ballots shall not be required for valid action to be taken at any meeting of the members.

D. At any meeting of the members (except those held pursuant to Section 5.05 of these By-Laws), any member may vote by written proxy. All proxies must be submitted to the Secretary of the Corporation, or, in his absence, any person appointed to act as secretary, at or before the meeting for which said proxies are given.

### **5.09 Participation in Meetings**

One or more members may participate in a meeting of the membership by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. The membership may designate one member to act as Sergeant of Arms at any meeting of members, and the individual so designated shall have the right to expel disorderly members and refuse admittance to non-members.

### **5.10 Action by Members Without Formal Meeting**

Any action required to be taken at a meeting of the members of the Corporation (except for the election of Directors), or any other action which may or might be taken at a meeting of members, may be taken without a meeting if a written consent setting forth, with specificity, the action to be taken is signed by members who, in the aggregate, possess 75% percent of total membership votes, as calculated in Section 5.08 above.

### **5.11 Discussion by Members**

At any meeting, no member shall speak longer than five minutes at any one time, except with the approval of a majority vote of the members present.

### **5.12 Order of Patsy's Pizzeria Business**

The order of business at meetings of members shall be as follows:

1. Attendance Record.
2. Proof of Notice of Meeting or Waiver of Notice.
3. Reading of Minutes of Preceding Meeting.
4. Report of Board.
5. Election of Board (where appropriate).
6. Old Patsy's Pizzeria Business.
7. New Patsy's Pizzeria Business.

8. Adjournment.

## **6. BOARD OF DIRECTORS**

### **6.01 General Powers**

The property and affairs of the Corporation shall be managed by the Board of Directors subject, however, to the understanding that all major issues, questions and policy determinations shall, if feasible or appropriate, first be submitted to and voted upon by members at any quarterly, annual, or special meeting. The powers of the Board shall include, but shall not be limited to:

- (a) appointment of subordinate officers and employees of the Corporation;
- (b) development, with the assistance of such committees as the Board shall deem advisable, of policies and programs designed to promote the purposes for which the Corporation was formed;
- (c) establishment and preparation of budgets, including an annual budget, to be proposed to and voted upon by the membership to effectuate those programs, activities and functions of the Corporation;
- (d) expenditure of up to Ten Thousand Dollars (\$10,000.00), without membership approval, where action to the advantage of the Corporation must be undertaken expeditiously and, in the given circumstances, time is of the essence and procuring membership approval is not feasible; and,
- (e) establishment of the Corporation's office and preparation of its administrative budget.

### **6.02 Number, Qualification, Election and Term of Directors**

The Board shall consist of nine directors, each of whom shall be at least 21 years old. Each such director shall himself be a member, and shall be elected by members. At the initial election of directors, the term of three directors shall be for one year; the term of three directors shall be for two years; and the term of three directors shall be for three years. At each succeeding annual election, the members shall elect one director to succeed to the offices of each director whose term has expired. Subsequent to the initial terms of directors provided for herein, directors shall hold office for a term of three years and until the election of their respective successors.

### **6.03 Quorum and Manner of Acting**

A majority of the entire Board shall constitute a quorum for the transaction of business at any meeting. A quorum once having been constituted for a meeting shall be deemed to continue until such meeting is adjourned. Action by the Board shall be authorized by the affirmative vote of at least two-thirds of the directors present entitled to vote, even if such vote constitutes less than a majority of the votes which all directors would be entitled to cast. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is present.

### **6.04 Place of Meetings**

Meetings of the Board shall be held within the ADI.

### **6.05 Annual and Quarterly Meetings**

Annual meetings of the Board shall be held either: (a) without notice immediately after the annual meeting of the membership, and at the same place, or (b) as soon as practicable after the annual meeting of the membership, on notice as provided above in Section 6.07 of these By-Laws. Quarterly meetings of the Board shall be held without formal notice immediately after the quarterly meeting of members, and at the same place, or at such times and places as the Board determines

by prior written notice. If the day fixed for a regular meeting is a legal holiday, the meeting shall be held on the next succeeding business day not a legal holiday.

#### **6.06 Special Meetings**

Special meetings of the Board may be called by the Chairman of the Board or by any two (2) of the directors. Only business related to the purposes set forth in the notice of the meeting may be transacted at such a special meeting.

#### **6.07 Notice of Meetings; Waiver of Notice**

Notice of the time and place of each special meeting of the Board, and of each annual or quarterly meeting not held immediately after the respective meetings of the membership and at the same place, shall be given to each director at least 10 days before the meeting or, with regard to special meetings only, by delivering or telephoning or telegraphing notice to him at least two (2) hours before the meeting. Notice need not be given to any director who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting before the end of the meeting the lack of notice to him.

#### **6.08 Action Without a Meeting.**

Unless specifically prohibited by statute, the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent to such action is signed by all members of the Board. Such written consent or consents shall be filed with the minutes or proceedings of the Board or committee.

#### **6.09 Telephone Meeting.**

Any or all of the Directors may participate in a meeting of the Board by means of a telephone conference or any other means of communication by which all persons participating in the meeting are able to hear and speak with each other.

#### **6.10 Resignation and Removal of Directors**

Any director may resign at any time. Any or all of the directors may be removed at any time by a vote of two-thirds of all of the members of that director's geographic region; provided, however, in the event that the membership of a director has been terminated, has expired or does not otherwise subsist, such director shall, for all purposes be deemed removed from the Board effective simultaneously with the effective date of expulsion or suspension of such director's membership.

#### **6.11 Vacancies**

Any vacancy in the Board, including one created by an increase in the number of directors, may be filled for the unexpired term by a majority vote of the members present and voting at a meeting of members.

#### **6.12 Annual Report of Directors**

The Board of Directors shall present at each annual meeting of members its report, which shall set forth the statements and shall be verified or certified in the manner prescribed by Section 519 of the Not-for-Profit-Corporation Law of the State of New York. Such report shall be filed with the records of the corporation and either a copy or an abstract of such annual report shall be distributed or available for distribution at each annual meeting of members.

### **7. COMMITTEES**

#### **7.01 Committees**

The Board, by resolution adopted by a majority of the entire Board, may designate such committees composed of directors, members who are not directors, or a combination of both, to

serve at the Board's pleasure, with such powers and duties and for such purposes as the Board determines.

## **8. OFFICERS**

### **8.01 Number**

The officers of the Corporation shall be the President, one or more Vice Presidents, a Secretary, and a Treasurer. Not more than one (1) office may be held by the same person or entity. A director may serve as an officer of the Corporation.

### **8.02 Appointment; Term of Office**

The officers of the Corporation shall be appointed annually by the Board and shall hold office for one (1) year and until the next annual meeting of the membership and the appointment and qualification of his or her successor. Immediately after election of the Board, the directors shall appoint a Chairman of the Board, who shall thereafter be appointed by the Board to serve as President of the Corporation throughout his or her term. Immediately thereafter all other officers shall also be appointed by the Board of Directors.

### **8.03 Resignation and Removal of Officers**

Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary of the Corporation. Any officer appointed by the Board may be removed either with or without cause by a vote of two-thirds of the members of the Board present and voting at any meeting of the Board.

### **8.04 Vacancies**

A vacancy in any office may be filled for the unexpired term in the manner prescribed in these By-Laws for appointment to that office.

### **8.05 The President**

The president, who shall be a director, shall be the chief executive officer of the Corporation and shall preside at all meetings of the Board and of the membership. Subject to the control of the Board, he shall have general supervision over the business of the Corporation and shall have such other powers and duties as presidents of corporations usually have or as the Board assigns to him.

### **8.06 Vice President**

Each Vice President shall have such powers and duties as the Board or the President assigns to him.

### **8.07 The Treasurer**

The Treasurer shall be the chief financial officer of the Corporation and shall be in charge of the Corporation's books and accounts. Subject to the control of the Board, he shall have such other powers and duties as the Board or the President assigns to him or her.

### **8.08 The Secretary**

The Secretary shall be the secretary of, and keep the minutes of, all meetings of the Board and of the members; shall be responsible for giving notice of all meetings of the membership and of the Board; and, shall keep the Corporation's seal and, when authorized by the Board, shall apply it to any instrument requiring it. Subject to the control of the Board, he or she shall have such other powers and duties as the Board or the President assigns to him or her. The Board may, in its discretion, appoint an Assistant Secretary who shall possess and discharge such powers and duties as the Board may prescribe. In the absence of the Secretary from any meeting, the minutes shall be kept by the person appointed for that purpose by the chairman of the Board.

## **9. CORPORATE FUNDS**

### **9.01 General Use of Funds**

Funds in any Regional Advertising cooperative shall be expended for any and all or a combination of the following purposes: (i) development of advertising ideas and concepts; (ii) development of market research and merchandising programs; (iii) preparation of advertising campaigns; (iv) development of promotional ideas and strategies; (v) preparation of collateral creative materials; (vi) preparation of advertisements (including writing, filming, editing, etc.); (vii) planning, negotiation, contracting and trafficking all media programs; (viii) technical and professional advice in connection with the above; (ix) other public relations; and, (x) administration of the Cooperative, including legal and accounting services.

It shall be required that all, or as great a percentage as practicable, of the funds received in any given fiscal year by the Corporation from its members be expended for the above purposes during that fiscal year.

### **9.02 Contracts**

The Board of Directors, after having first secured the approval of the membership (when feasible and appropriate) may, from time to time, authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these By-Laws, and singly or jointly or in any other manner, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

### **9.03 Checks, Drafts, Etc.**

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, of the Corporation and in such manner as shall, from time to time, be determined by resolution of the Board of Directors.

### **9.04 Deposits**

All funds of the Corporation shall be promptly deposited, from time to time, to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select.

### **9.05 Gifts**

The Board may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or for any special purpose of the Corporation.

## **10. MEMBERSHIP CERTIFICATES**

### **10.01 Membership Certificates**

The Board may provide for the issuance of membership certificates evidencing status as a member in the Corporation, which certificates shall be in such form as determined by the Board; shall be non-transferable; and, shall bear on the face thereof, a conspicuous notation that the Corporation is a not-for-profit corporation and that the membership certificate is non-transferable. Such certificates shall be signed by the President or a Vice-President and by the Secretary or any Assistant Secretary and shall be sealed with the seal of the Corporation. The name, address and location of the Patsy's Pizzeria Business of each member and the date of issuance of the certificate shall be entered on the records of the Corporation. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefor, upon such terms and conditions as the Board may determine.

## **11. BOOKS AND RECORDS**

### **11.01 Books and Records**

The Corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its membership, its Board of Directors and any committees having any of the authority of the board, and shall also keep a record bearing the names and addresses of Corporation members. All books and records of the Corporation shall be kept at the registered office or principal office of the Corporation and shall not be removed from such place except as necessary for purposes of auditing such books and records. All books and records of the Corporation may be inspected by any member or anyone authorized by law or contract for any proper purpose at any reasonable time, upon the giving of prior written notice to the President, Treasurer or Secretary or such other officer or person as the Board may determine.

### **11.02 Audits**

Immediately following the close of each fiscal year, the Corporation shall authorize an audit of its books and records to be made either by an Audit Committee or by an outside auditor chosen by the Board; provided, however, that no officer or director of the Corporation, acting as such during the audited period, shall be chosen as a member of the Audit Committee. Such reports of audits shall be presented to the Board as soon as practicable, which will, in turn, present such reports to the members of the Corporation at the next regular meeting, or at a special meeting if deemed necessary by the Board.

## **12. PAYMENTS BY MEMBERS**

### **12.01 Amount and Payment of Dues and Assessments**

Each member shall pay to the Corporation annual dues of One Hundred (\$100) Dollars per Patsy's Pizzeria Business operated by such member, payable simultaneously with delivery of such member's membership pledge agreement; provided, however, the amount of the annual dues shall be subject to modification by the Board from time-to-time as the Board, in its sole discretion, deems appropriate. In addition, each member shall be required to pay a monthly assessment which shall be computed based on a percentage of the prior month's "Gross Revenues", as such term is defined in the Franchise Agreement. Such percentage shall be not less than one (1%) percent and shall not exceed two (2%) percent unless authorized by a vote of at least seventy-five (75%) percent of the members. Unless otherwise prescribed by the Board, all monthly assessments shall be due and payable the fifteenth (15th) day of each month for the preceding month.

### **12.02 Fines and Penalties**

The Board shall have the power to impose such fines and/or penalties upon any member, as the Board, in its sole discretion, deems appropriate as a result of a member's violation of any of the By-Laws or rules of the Corporation or failure promptly to pay when due duly authorized dues and/or special assessments of the Corporation, or for conduct prejudicial to the Corporation. Any such fines and/or penalties shall be due and payable on such terms as are fixed by the Board.

### **12.03 Default and Termination of Membership**

When any member shall be in default in the payment of any fees, dues, assessments, fines or penalties for a period of sixty (60) days from the beginning of the period for which such amounts become payable, his or its membership may thereupon be terminated in the manner provided in Section 4.07 of these By-Laws. In addition, such default may result in termination of the member's rights under his/its Franchise Agreement.

### **12.04 Payments Non-Refundable**

Except upon the affirmative vote of seventy-five (75%) percent of the members present and voting (in person or by proxy) at any meeting of members, no member shall be entitled to a refund

of any part of the dues, assessments, fines and/or penalties paid by such member to the Corporation.

### **13. INDEMNIFICATION OF DIRECTORS, OFFICERS, AND COMMITTEE MEMBERS**

#### **13.01 Right to Indemnification**

The Corporation shall indemnify any person who is or was a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, or member of a committee of the Corporation as follows:

- A. If the action, suit or proceeding is not by or in the right of the Corporation:
  - (1) against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith to the extent that he has been successful on the merits or otherwise in defense of such action, suit or proceeding, or of any claim, issue or matter therein, and
  - (2) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection therewith if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.
- B. If the action, suit or proceeding is by or in the right of the Corporation:
  - (1) against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith to the extent that he has been successful on the merits or otherwise in defense of such action, suit or proceeding, of any claim, issue or matter therein, and
  - (2) against expenses (including attorneys' fees), judgments and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement thereof if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have adjudged to be liable to the Corporation for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that a court of record of the county in which the registered office of the Corporation is located or the court in which such action, suit, or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity.

#### **13.02 Procedure to be Followed**

Any indemnification under paragraph (a)(2) or (b)(2) of Section 13.01 above (unless ordered by a court or made pursuant to a determination by a court as hereinafter provided) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, committee member or any other person who qualifies for

indemnification under this Article 13 is proper under the circumstances because he has satisfied the requirements for indemnification as set forth in paragraphs A.(2) or B.(2) of Section 13.01 of these By-Laws, as the case may be. This determination shall be made (a) by independent legal counsel not in the employ of the Corporation in a written opinion, or (b) by the membership. In the absence of a determination that indemnification is proper as aforesaid, the director, officer, committee member, or other qualifying person may make application to a court of the county in which the registered office of the Corporation is located or the court in which the action, suit or proceeding was brought, which shall determine whether the trustee, officer, committee member or other qualifying person has met the applicable requirements for indemnification. If the court shall determine that indemnification is proper, indemnification shall be made under such paragraphs A.(2) or B.(2) of Section 13.01 of these By-Laws, as the case may be.

### **13.03 Payment of Expenses in Advance**

Expenses incurred in defending an action, suit or proceeding referred to in Section 13.01 of these By-Laws may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the membership or by a court, in the manner provided in Section 13.02 of these By-Laws, upon receipt of an undertaking by or on behalf of the director, officer, committee member or other qualifying person (regardless of his financial responsibility) to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article 13.

### **13.04 Other Rights**

The indemnification provided by these By-Laws shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any agreement, vote of members, or otherwise both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or committee member and shall inure to the benefit of the heirs, executors and administrators of such a person.

### **13.05 Insurance**

The Corporation shall have the power to purchase and maintain on behalf of any person who is or was a director, officer, committee member, employee or agent of the Corporation insurance against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these By-Laws.

## **14. NOTICE**

### **14.01 Notice**

Any notice required to be given to any member, director, or officer under the provisions of these By-Laws, or otherwise, shall be in writing and shall (subject to the provisions of law, these By-Laws, and the Certificate of Incorporation of the Corporation) be deemed to be sufficiently given if such notice is delivered to such member, director or officer in person (and receipted on a copy of such notice) or mailed, faxed or telegraphed to such member, director or officer at his or its address, as the same appears on the books of the Corporation.

### **14.02 Waiver of Notice**

Any notice required to be given under the provisions of these By-Laws, or otherwise, may (subject to the provisions of law and the Certificate of Incorporation of this Corporation), be waived by the member, director, or officer to whom such notice is required to be given.

## **15. AMENDMENT OF BY-LAWS**

### **15.01 Amendment**

Any or all of the provisions of these By-Laws, whether contractual in nature or merely regulatory of the internal affairs of the Corporation, may be amended or repealed by vote of the members entitled to cast at least seventy-five (75%) percent of the votes which all members are entitled to cast thereon, at any regular or special meeting duly convened after notice of such purpose to the members.

**EXHIBIT H**  
**GUARANTEE OF**  
**PATSY'S PIZZERIA FRANCHISE CORP. FRANCHISE AGREEMENT**

**GUARANTEE OF  
PATSY'S PIZZERIA FRANCHISE CORP. FRANCHISE AGREEMENT**

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between Patsy's Pizzeria Franchise Corp. ("Franchisor") and \_\_\_\_\_ ("Franchisee") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the State of NEW YORK without recourse to NEW YORK(or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of NEW YORK, and if the business franchised under the Franchise Agreement is located outside of NEW YORK and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of NEW YORK or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in a court of competent jurisdiction in NEW YORK, NEW YORK. The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated in NEW YORK, NEW YORK. The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

Attest:

By: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

By: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

By: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

**EXHIBIT I**

**GENERAL RELEASE – REFUND UPON TERMINATION**

## GENERAL RELEASE

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation organized under the laws of the State of \_\_\_\_\_][an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the partial refund to RELEASOR by PATSY'S PIZZERIA FRANCHISE CORP. ("PATSY'S PIZZERIA") of the Initial Franchise Fee previously paid by RELEASOR in connection with the termination of the franchise between RELEASOR and PATSY'S PIZZERIA (the "Franchise Agreement"), and other good and valuable consideration, hereby releases and discharges PATSY'S PIZZERIA as RELEASEE; RELEASEE'S corporate parents, subsidiaries or affiliates; and, the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing (in their corporate and individual capacities), along with RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE arising out of or related to the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; and provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

**IN WITNESS WHEREOF**, the RELEASOR (if an individual) *has executed this RELEASE*, and (if a corporation) *has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on* \_\_\_\_\_, \_\_\_\_\_.

RELEASOR

[SEAL]

By \_\_\_\_\_

*ACKNOWLEDGMENT FOR CORPORATE RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_,  
personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that  
deponent resides at \_\_\_\_\_, that deponent  
is the \_\_\_\_\_ of \_\_\_\_\_, the corporation described in the foregoing RELEASE, and  
which executed said RELEASE, that deponent knows the seal of the corporation, that the seal affixed to  
the RELEASE is the corporate seal, that it was affixed by order of the board of directors of the  
corporation; and that deponent signed deponent's name by like order.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned  
(Name of Notary)  
officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the  
same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof  
for the uses and purposes therein set forth.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

**EXHIBIT J**

**GENERAL RELEASE - RENEWAL**

## GENERAL RELEASE

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation organized under the laws of the State of \_\_\_\_\_][an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the execution by PATSY'S PIZZERIA FRANCHISE CORP. ("PATSY'S PIZZERIA") of a Renewal Agreement renewing the franchise between RELEASOR and PATSY'S PIZZERIA (the "Franchise Agreement"), and other good and valuable consideration, hereby releases and discharges PATSY'S PIZZERIA as RELEASEE; RELEASEE'S corporate parents, subsidiaries or affiliates; and, the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing (in their corporate and individual capacities), along with RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE arising out of or related to the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; and provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

**IN WITNESS WHEREOF**, the RELEASOR (if an individual) *has executed this RELEASE*, and (if a corporation) *has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on* \_\_\_\_\_, \_\_\_\_\_.

RELEASOR

[SEAL]

By \_\_\_\_\_

*ACKNOWLEDGMENT FOR CORPORATE RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_,  
personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that  
deponent resides at \_\_\_\_\_, that deponent  
is the \_\_\_\_\_ of \_\_\_\_\_, the corporation described in the foregoing RELEASE, and  
which executed said RELEASE, that deponent knows the seal of the corporation, that the seal affixed to  
the RELEASE is the corporate seal, that it was affixed by order of the board of directors of the  
corporation; and that deponent signed deponent's name by like order.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned  
(Name of Notary)  
officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the  
same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof  
for the uses and purposes therein set forth.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

**EXHIBIT K**

**GENERAL RELEASE - ASSIGNMENT**

## GENERAL RELEASE

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation organized under the laws of the State of \_\_\_\_\_] [an individual domiciled in the State of \_\_\_\_\_] as RELEASOR, in consideration of the consent of PATSY'S PIZZERIA FRANCHISE CORP. ("PATSY'S PIZZERIA") to the Assignment of the Franchise Agreement between RELEASOR and PATSY'S PIZZERIA (the "Franchise Agreement") to \_\_\_\_\_, and other good and valuable consideration, hereby releases and discharges PATSY'S PIZZERIA as RELEASEE, RELEASEE'S corporate parents, subsidiaries or affiliates and the respective officers, directors, shareholders, agents, attorneys, contractors and employees of each of the foregoing entities (in their corporate and individual capacities), and RELEASEE'S heirs, executors, administrators, successors and assigns, from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the RELEASEE, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that nothing contained in this release is intended to disclaim or require RELEASOR to waive reliance on any representation that RELEASEE made in the Franchise Disclosure Document that RELEASEE provided to RELEASOR; provided further that all liabilities arising under Indiana Code Sec. 23-2-2.7 and/or the Maryland Franchise Registration and Disclosure Law are excluded from this release, and that all rights enjoyed by RELEASOR under said Franchise Agreement and any causes of action arising in his, her or its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

**IN WITNESS WHEREOF**, the RELEASOR (if an individual) *has executed this RELEASE*, and (if a corporation) *has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on* \_\_\_\_\_, \_\_\_\_\_.

RELEASOR

[SEAL]

By \_\_\_\_\_

*ACKNOWLEDGMENT FOR CORPORATE RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On \_\_\_\_\_, \_\_\_\_\_ before me \_\_\_\_\_,  
personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and say that  
deponent resides at \_\_\_\_\_, that deponent  
is the \_\_\_\_\_ of \_\_\_\_\_, the corporation described in the foregoing RELEASE, and  
which executed said RELEASE, that deponent knows the seal of the corporation, that the seal affixed to  
the RELEASE is the corporate seal, that it was affixed by order of the board of directors of the  
corporation; and that deponent signed deponent's name by like order.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

*ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR*

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, the undersigned  
(Name of Notary)  
officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the  
same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof  
for the uses and purposes therein set forth.

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

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)

**EXHIBIT B**

**FINANCIAL STATEMENTS**

**PATSY'S FRANCHISE PIZZERIA CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

# Silverstein, Cottone & Mulshine LLP

## Certified Public Accountants

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3 Hatfield Lane, Suite 3B TEL (845)-294-1040  
Goshen, NY 10924 FAX (845)-294-1002

To the Board of Directors and Stockholders  
Of Patsy's Pizzeria Franchise Corp.

We have audited the accompanying financial statements of Patsy's Pizzeria Franchise Corp. (a New York corporation) which comprise the balance sheet as of December 31, 2020, and the related statements of income, accumulated earnings, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Patsy's Pizzeria Franchise Corp. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Silverstein, Cottone & Mulshine LLP, CPA's*

3 Hatfield Lane, Suite 3B  
Goshen, New York

April 15, 2021

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**BALANCE SHEET**  
**AT INCEPTION AND AT DECEMBER 31, 2020**

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**ASSETS**

|                | <b><u>Inception</u></b> | <b><u>2020</u></b> |
|----------------|-------------------------|--------------------|
| Current Assets |                         |                    |
| Cash           | \$ 50,000               | \$ 331,619         |
| Investment     | <u>-</u>                | <u>230,025</u>     |
| Total Assets   | <u>\$ 50,000</u>        | <u>\$ 561,644</u>  |

**LIABILITIES AND  
STOCKHOLDER'S EQUITY**

|                                            |                  |                   |
|--------------------------------------------|------------------|-------------------|
| Current Liabilities                        |                  |                   |
| Accrued Expenses                           | \$ -             | \$ 352,530        |
| Taxes Payable                              | <u>-</u>         | <u>354</u>        |
| Total Current Liabilities                  | -                | 352,884           |
| Stockholder's Equity                       |                  |                   |
| Common Stock                               | 50,000           | 50,000            |
| Accumulated Earnings                       | <u>-</u>         | <u>158,760</u>    |
| Total Stockholder's Equity                 | <u>50,000</u>    | <u>208,760</u>    |
| Total Liabilities and Stockholder's Equity | <u>\$ 50,000</u> | <u>\$ 561,644</u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENTS OF INCOME AND ACCUMULATED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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|                                  |                          |
|----------------------------------|--------------------------|
| Revenue                          |                          |
| Franchise Fees                   | \$ 236,216               |
| Interest Income                  | <u>178</u>               |
| Total Revenue                    | 236,394                  |
| Expenses                         |                          |
| Distributions                    | 11,000                   |
| Legal & Professional Fees        | 186,769                  |
| Insurance                        | -                        |
| Supplies                         | 5,586                    |
| Miscellaneous                    | -                        |
| Advertising                      | -                        |
| Auto and Travel                  | <u>4,573</u>             |
| Total Expenses                   | <u>207,928</u>           |
| Net Income before income taxes   | 28,466                   |
| Provision for Income Taxes       | <u>354</u>               |
| Net Income                       | 28,112                   |
| Accumulated Earnings - beginning | <u>130,648</u>           |
| Accumulated Earnings - ending    | <u><u>\$ 158,760</u></u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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|                                                  |                              |
|--------------------------------------------------|------------------------------|
| Cash flows from operating activities             |                              |
| Net Income                                       | \$ 28,112                    |
| Change in items affecting operations             |                              |
| Accrued Expenses                                 | -                            |
| Taxes payable                                    | <u>(12,214)</u>              |
| Net cash provided (used) by operating activities | <u>(12,214)</u>              |
| <br>Net decrease in cash and cash equivalents    | <br>15,898                   |
| <br>Cash and cash equivalents - beginning        | <br><u>315,721</u>           |
| <br>Cash and cash equivalents - ending           | <br><u><u>\$ 331,619</u></u> |

See notes to financial statements and Independent Auditor's Report

**Patsy's Pizzeria Franchise Corp.**  
**Notes to Financial Statements**

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**1. Nature of Business**

Patsy's Pizzeria Franchise Corp. (the "Company") was formed on June 6, 2014 under the laws of the State of New York. The sole shareholder (Isa Brija) contributed \$50,000 to fund the Company. The Company is the franchisor of Patsy's Pizzeria franchises, the concept of which was developed by Isa Brija.

**2. Summary of Significant Accounting Policies**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

**Cash**

The Company maintains its cash balances with one financial institution in the United States. The balances may from time to time exceed Federal Deposit Insurance Corporation limits.

**Income Taxes**

The Company is taxed as a "C" Corporation, and accordingly includes a provision for Federal, state, and local income taxes. The taxable income or loss of the Company will be included in the income tax return of the Company for the year ended December 31, 2020.

**Recently Adopted Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

The Company adopted the new revenue recognition guidance as of January 1, 2020 using the modified retrospective method of transition for all contracts that were not completed as of that date.

**Patsy's Pizzeria Franchise Corp.**  
**Notes to Financial Statements**

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The Company's revenue for reporting periods ended after December 31, 2019 are presented under the new revenue recognition accounting guidance while financial results for prior year periods is reported in accordance with prior revenue recognition accounting guidance and the Company's historical accounting policy. The Company did not experience significant changes to the pattern of revenue recognition for its revenue streams, the identification of contracts and performance obligations or the measurement of variable consideration as a result of the adoption of ASC 606. In summary, the adoption of ASC 606 did not have a material impact on the overall revenue streams of Patsy's Pizzeria Franchise Corp. as the methods of revenue recognition are the same as in previous financial reporting periods.

**Subsequent Events**

The Company has evaluated subsequent events through April 15, 2021 the date the balance sheet(s) was available for issuance. All subsequent events requiring recognition as of April 15, 2021 have been incorporated in the financial statements herein.

**PATSY'S FRANCHISE PIZZERIA CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

# Silverstein, Cottone & Mulshine LLP

## Certified Public Accountants

3 Hatfield Lane, Suite 3B TEL (845)-294-1040

Goshen, NY 10924 FAX (845)-294-1002

To the Board of Directors and Stockholders  
Of Patsy's Pizzeria Franchise Corp.

We have audited the accompanying financial statements of Patsy's Pizzeria Franchise Corp. (a New York corporation) which comprise the balance sheet as of December 31, 2019, and the related statements of income, accumulated earnings, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Patsy's Pizzeria Franchise Corp. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Silverstein, Cottone & Mulshine LLP, CPA's*

3 Hatfield Lane, Suite 3B  
Goshen, New York

February 16, 2020

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**BALANCE SHEET**  
**AT INCEPTION AND AT DECEMBER 31, 2019**

---

**ASSETS**

|                | <b><u>Inception</u></b> | <b><u>2019</u></b> |
|----------------|-------------------------|--------------------|
| Current Assets |                         |                    |
| Cash           | \$ 50,000               | \$ 315,721         |
| Investment     | <u>-</u>                | <u>230,025</u>     |
| Total Assets   | <u>\$ 50,000</u>        | <u>\$ 545,746</u>  |

**LIABILITIES AND  
STOCKHOLDER'S EQUITY**

|                                            |                  |                   |
|--------------------------------------------|------------------|-------------------|
| Current Liabilities                        |                  |                   |
| Accrued Expenses                           | \$ -             | \$ 352,530        |
| Taxes Payable                              | <u>-</u>         | <u>12,568</u>     |
| Total Current Liabilities                  | -                | 365,098           |
| Stockholder's Equity                       |                  |                   |
| Common Stock                               | 50,000           | 50,000            |
| Accumulated Earnings                       | <u>-</u>         | <u>130,648</u>    |
| Total Stockholder's Equity                 | <u>50,000</u>    | <u>180,648</u>    |
| Total Liabilities and Stockholder's Equity | <u>\$ 50,000</u> | <u>\$ 545,746</u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENTS OF INCOME AND ACCUMULATED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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|                                  |                          |
|----------------------------------|--------------------------|
| Revenue                          |                          |
| Franchise Fees                   | \$ 164,817               |
| Interest Income                  | <u>283</u>               |
| Total Revenue                    | 165,100                  |
| Expenses                         |                          |
| Distributions                    | 8,000                    |
| Legal & Professional Fees        | 3,000                    |
| Insurance                        | 3,230                    |
| Supplies                         | 11,440                   |
| Miscellaneous                    | 2,710                    |
| Advertising                      | 1,038                    |
| Auto and Travel                  | <u>3,176</u>             |
| Total Expenses                   | <u>32,594</u>            |
| Net Income before income taxes   | 132,506                  |
| Provision for Income Taxes       | <u>12,568</u>            |
| Net Income                       | 119,938                  |
| Accumulated Earnings - beginning | <u>10,710</u>            |
| Accumulated Earnings - ending    | <u><u>\$ 130,648</u></u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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|                                                  |                          |
|--------------------------------------------------|--------------------------|
| Cash flows from operating activities             |                          |
| Net Income                                       | \$ 119,938               |
| Change in items affecting operations             |                          |
| Accrued Expenses                                 | (90,100)                 |
| Taxes payable                                    | <u>8,372</u>             |
| Net cash provided (used) by operating activities | <u>(81,728)</u>          |
| <br>Cash flows used by Investing activities      |                          |
| Investment                                       | <u>(230,025)</u>         |
| Net cash used by investing activities            | <u>(230,025)</u>         |
| <br>Net decrease in cash and cash equivalents    | (191,815)                |
| <br>Cash and cash equivalents - beginning        | <u>507,536</u>           |
| <br>Cash and cash equivalents - ending           | <u><u>\$ 315,721</u></u> |

See notes to financial statements and Independent Auditor's Report

**Patsy's Pizzeria Franchise Corp.**  
**Notes to Financial Statements**

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**1. Nature of Business**

Patsy's Pizzeria Franchise Corp. (the "Company") was formed on June 6, 2014 under the laws of the State of New York. The sole shareholder (Isa Brija) contributed \$50,000 to fund the Company. The Company is the franchisor of Patsy's Pizzeria franchises, the concept of which was developed by Isa Brija.

**2. Summary of Significant Accounting Policies**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates

**Cash**

The Company maintains its cash balances with one financial institution in the United States. The balances may from time to time exceed Federal Deposit Insurance Corporation limits.

**Income Taxes**

The Company is taxed as a "C" Corporation, and accordingly includes a provision for Federal, state, and local income taxes. The taxable income or loss of the Company will be included in the income tax return of the Company for the year ended December 31, 2019.

**Subsequent Events**

The Company has evaluated subsequent events through February 16, 2020 the date the balance sheet(s) was available for issuance. All subsequent events requiring recognition as of February 16, 2020 have been incorporated in the financial statements herein.

**PATSY'S FRANCHISE PIZZERIA CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**BALANCE SHEET**  
**AT INCEPTION AND AT DECEMBER 31, 2018**

---

**ASSETS**

|                | <u><b>Inception</b></u> | <u><b>2018</b></u> |
|----------------|-------------------------|--------------------|
| Current Assets |                         |                    |
| Cash           | \$ 50,000               | \$ 507,536         |
| Total Assets   | <u>\$ 50,000</u>        | <u>\$ 507,536</u>  |

**LIABILITIES AND  
STOCKHOLDER'S EQUITY**

|                                            |                  |                   |
|--------------------------------------------|------------------|-------------------|
| Current Liabilities                        |                  |                   |
| Accrued Expenses                           | \$ -             | \$ 442,630        |
| Taxes Payable                              | <u>-</u>         | <u>4,196</u>      |
| Total Current Liabilities                  | -                | 446,826           |
| Stockholder's Equity                       |                  |                   |
| Common Stock                               | 50,000           | 50,000            |
| Accumulated Earnings                       | <u>-</u>         | <u>10,710</u>     |
| Total Stockholder's Equity                 | <u>50,000</u>    | <u>60,710</u>     |
| Total Liabilities and Stockholder's Equity | <u>\$ 50,000</u> | <u>\$ 507,536</u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENTS OF INCOME AND ACCUMULATED DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

---

|                                  |                         |
|----------------------------------|-------------------------|
| Revenue                          |                         |
| Franchise Fees                   | \$ 315,351              |
| Interest Income                  | <u>64</u>               |
| Total Revenue                    | 315,415                 |
| Expenses                         |                         |
| Distributions                    | 294,906                 |
| Legal & Professional Fees        | 2,611                   |
| Insurance                        | 2,885                   |
| Miscellaneous                    | 200                     |
| Bank Fees                        | <u>119</u>              |
| Total Expenses                   | <u>300,721</u>          |
| Net Income before income taxes   | 14,694                  |
| Provision for Income Taxes       | <u>5,040</u>            |
| Net Income                       | 9,654                   |
| Accumulated Earnings - beginning | <u>1,056</u>            |
| Accumulated Earnings - ending    | <u><u>\$ 10,710</u></u> |

See notes to financial statements and Independent Auditor's Report

**PATSY'S PIZZERIA FRANCHISE CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

---

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Cash flows from operating activities             |                   |
| Net Income                                       | \$ 9,654          |
| Change in items affecting operations             |                   |
| Accrued Expenses                                 | 271,630           |
| Taxes payable                                    | <u>3,405</u>      |
| Net cash provided (used) by operating activities | <u>275,035</u>    |
| <br>Cash flows from financing activities         |                   |
| Issuance of common stock                         | <u>-</u>          |
| Net cash provided by financing activities        | <u>-</u>          |
| <br>Net increase in cash and cash equivalents    | 284,689           |
| <br>Cash and cash equivalents - beginning        | <u>222,847</u>    |
| <br>Cash and cash equivalents - ending           | <u>\$ 507,536</u> |

See notes to financial statements and Independent Auditor's Report

# Silverstein, Cottone & Mulshine LLP

## Certified Public Accountants

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3 Hatfield Lane, Suite 3B TEL (845)-294-1040  
Goshen, NY 10924 FAX (845)-294-1002

To the Board of Directors and Stockholders  
Of Patsy's Pizzeria Franchise Corp.

We have audited the accompanying financial statements of Patsy's Pizzeria Franchise Corp. (a New York corporation) which comprise of the balance sheet as of December 31, 2018, and the related statements of income, accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Patsy's Pizzeria Franchise Corp. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Silverstein, Cottone & Mulshine LLP, CPA's*

3 Hatfield Lane, Suite 3B  
Goshen, New York

April 10, 2019

**Patsy's Pizzeria Franchise Corp.**  
**Notes to Financial Statements**

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**1. Nature of Business**

Patsy's Pizzeria Franchise Corp. (the "Company") was formed on June 6, 2014 under the laws of the State of New York. The sole shareholder (Isa Brija) contributed \$50,000 to fund the Company. The Company is the franchisor of Patsy's Pizzeria franchises, the concept of which was developed by Isa Brija.

**2. Summary of Significant Accounting Policies**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates

**Cash**

The Company maintains its cash balances with one financial institution in the United States. The balances may from time to time exceed Federal Deposit Insurance Corporation limits.

**Income Taxes**

The Company is taxed as a "C" Corporation, and accordingly includes a provision for Federal, state, and local income taxes. The taxable income or loss of the Company will be included in the income tax return of the Company for the year ended December 31, 2018.

**Subsequent Events**

The Company has evaluated subsequent events through April 10, 2019 the date the balance sheet(s) was available for issuance. All subsequent events requiring recognition as of April 10, 2019 have been incorporated in the financial statements herein.

## **EXHIBIT C**

### **STATE FRANCHISE ADMINISTRATORS**

## EXHIBIT C

### STATE FRANCHISE ADMINISTRATORS

#### CALIFORNIA

California Commissioner of the Department of  
~~Business—Oversight~~ Financial Protection and  
Innovation  
320 West 4th Street  
Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500 or (866) 275-2677

#### FLORIDA

Department of Agriculture and Consumer  
Services  
Division of Consumer Services  
City Centre Building, Suite 7200  
227 N. Bronough Street  
Tallahassee, Florida 32301  
(850) 410-3754

#### HAWAII

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

#### ILLINOIS

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

#### INDIANA

Indiana Secretary of State  
Indiana Securities Division  
Franchise Section  
302 West Washington Street, Room E-1 11  
Indianapolis, Indiana 46204  
(317) 232-6681

#### MARYLAND

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

#### MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 West Ottawa Street  
Williams Building, 6th Floor  
Lansing, Michigan 48933  
(517) 373-7117

#### MINNESOTA

Minnesota Department of Commerce  
Securities-Franchise Registration  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

## NEBRASKA

Department of Banking and Finance  
Bureau of Securities/Financial Institutions  
Division  
Commerce Court  
1230 "O" Street, Suite 400  
Lincoln, Nebraska 68508  
(402) 471-2171

## NEW YORK

New York State Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> Fl.  
New York, New York 10005  
(212) 416-8236

## NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fifth Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

## OREGON

Department of Consumer and Business  
Services  
Division of Finance  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4387

## RHODE ISLAND

Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue  
John O. Pastore Complex 69-1  
Cranston, Rhode Island 02920-4407  
(401) 462-9500

## SOUTH DAKOTA

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

## TEXAS

Secretary of State  
Statutory Document Section  
P.O. Box 12887  
Austin, Texas 78711  
(512) 475-1769

## VIRGINIA

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

## WASHINGTON

Securities Administrator  
Department of Financial Institutions  
Securities Division 150 Israel Road  
Tumwater, Washington 98501  
(360) 902-8700

## WISCONSIN

Securities and Franchise Registration  
Wisconsin Securities Commission  
201 W. Washington Ave.,  
Madison, Wisconsin 53703  
(608) 266-2801

**EXHIBIT D**

**AGENTS FOR SERVICE OF PROCESS**

**EXHIBIT D**  
**AGENTS FOR SERVICE OF PROCESS**

If a state is not listed below, Patsy's Pizzeria Franchise Corp. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which Patsy's Pizzeria Franchise Corp. has appointed an agent for service of process.

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

**CALIFORNIA**

Office of the Commissioner

California Department ~~of Business Oversight~~ Financial Protection and Innovation

320 West 4<sup>th</sup> Street, Suite 750

Los Angeles, California 90013-2344

**NEW YORK**

Secretary of State of the State of New York

99 Washington Avenue

Albany, New York 12231

**EXHIBIT E**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF [FINANCIAL PROTECTION AND INNOVATIONBUSINESS OVERSIGHT](http://www.dfpjdb.ca.gov). ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF [FINANCIAL PROTECTION AND INNOVATIONBUSINESS OVERSIGHT](http://www.dfpjdb.ca.gov) AT [www.dfpjdb.ca.gov](http://www.dfpjdb.ca.gov).

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

### ITEM 6 OTHER FEES

1. The highest interest rate permitted under California law is 10%.

### ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).
3. The Franchise Agreement contains a provision requiring application of the laws of New York. This provision may not be enforceable under California law.
4. The Franchise Agreement requires venue to be limited to a court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located. This provision may not be enforceable under California law.
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of [Financial Protection and InnovationBusiness Oversight](http://www.dfpjdb.ca.gov) before we ask you to consider a material modification of your franchise agreement.
8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
9. Neither the franchisor nor any person or franchise broker disclosed in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
10. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

## **ITEM 19 — FINANCIAL PERFORMANCE REPRESENTATIONS**

- ~~1. The financial performance representations do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Patsy's Pizzeria Business. Franchisees or former franchisees, listed in the franchise disclosure document, may be one source of this information.~~

## **NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT**

Notwithstanding anything to the contrary set forth in the Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.**

**THE FRANCHISOR REPRESENTS THAT THE PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

### **ITEM 2. BUSINESS EXPERIENCE**

Item 2 of the Disclosure Document lists the directors, principal officers and other executives who will have management responsibility in connection with the operation of the Franchisor's business relating to the franchises offered by this disclosure document, with a statement for each regarding his principal occupations over the past five years.

### **ITEM 3. LITIGATION**

On October 27, 1977, Mr. Isa Brija (Patsy's Inc.'s President) was convicted of the felonies of armed robbery in the first degree and criminal possession of weapons in the third degree in Westchester County Court. He received a sentence of five to fifteen years imprisonment.

Neither the Franchisor, its affiliates, nor any person named in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to franchises in general or the franchise offered or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

### **ITEM 4. BANKRUPTCY**

Neither the Franchisor nor any predecessor, affiliate, officer or general partner of the Franchisor has, during the ten year period immediately preceding the date of this disclosure document, (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the Franchisor held this position in the company or partnership.

### **ITEM 5 INITIAL FEES**

We use the proceeds from Initial Franchise Fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (1) costs related to developing and improving our services; (2) expenses of preparing and registering this disclosure document; (3) legal fees; (4) accounting fees; (5) costs of obtaining and screening franchisees; and, (6) general administrative expenses.

### **ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

1. You may utilize whatever legal rights you may possess to suspend or discontinue operations due to a breach by the Franchisor and you may terminate the Agreement on any grounds available by law.
2. Sections 7.01, 8.02, 14.01 (H) and 15.04 (O) of the Franchise Agreement are each amended to include the following language immediately following the requirement that Franchisee execute a General Release:

"Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New

York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL, Section 687.4 and 687.5 be satisfied."

3. The requirements of Section 13.04 and Section 24.01 of the Franchise Agreement that you consent to the entry of an injunction are modified in the State of New York to provide only that you consent to the seeking of such an injunction.

4. The following sentence is added at the end of the section entitled "Modification" in Item 17 of the Disclosure Document:

"However, any new or different requirement set forth will not unreasonably increase your obligations or place an excessive economic burden on your operations."

5. The following language is added to Item 17 (w) ("Choice of law"):

"The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the state of New York."

**EXHIBIT F**

**STATE EFFECTIVE DATE PAGE**

### **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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   |                       |
| Hawaii       |                       |
| Illinois     |                       |
| Indiana      |                       |
| Maryland     |                       |
| Michigan     |                       |
| Minnesota    |                       |
| New York     |                       |
| North Dakota |                       |
| Rhode Island |                       |
| South Dakota |                       |
| Virginia     |                       |
| Washington   |                       |
| Wisconsin    |                       |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT G**

**RECEIPTS**

## EXHIBIT G 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 Patsy's Pizzeria Franchise Corp. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.**

If Patsy's Pizzeria Franchise Corp. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit C.

The franchisor is Patsy's Pizzeria Franchise Corp., located at 2287-91 First Avenue, New York, New York, 10035. Its telephone number is (212) 427-1812.

Issuance date: ~~February 16, 2020~~ April 15, 2021

The franchise seller for this offering is \_\_\_\_\_[name], \_\_\_\_\_[title], Patsy's Pizzeria Franchise Corp., 2287-91 First Avenue, New York, New York 10035, (212) 427-1812.

Patsy's Pizzeria Franchise Corp. authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I received a disclosure document dated ~~February 16, 2020~~ April 15, 2021 that included the following Exhibits:

- EXHIBIT A    FRANCHISE AGREEMENT AND RELATED MATERIALS
- EXHIBIT B    FINANCIAL STATEMENTS
- EXHIBIT C    STATE ADMINISTRATORS
- EXHIBIT D    AGENTS FOR SERVICE OF PROCESS
- EXHIBIT E    STATE ADDENDA TO DISCLOSURE DOCUMENT
- EXHIBIT F    STATE EFFECTIVE DATE PAGE
- EXHIBIT G    RECEIPTS

Dated: \_\_\_\_\_

If a corporation or other business entity

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

PROSPECTIVE FRANCHISEE:

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

You may return the signed receipt either by signing, dating, and mailing it to Patsy's Pizzeria Franchise Corp. at 2287-91 First Avenue, New York, New York 10035.

## EXHIBIT G 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 Patsy's Pizzeria Franchise Corp. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.**

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The franchisor is Patsy's Pizzeria Franchise Corp., located at 2287-91 First Avenue, New York, New York, 10035. Its telephone number is (212) 427-1812.

Issuance date: ~~February 16, 2020~~ April 15, 2021

The franchise seller for this offering is \_\_\_\_\_[name], \_\_\_\_\_[title], Patsy's Pizzeria Franchise Corp., 2287-91 First Avenue, New York, New York 10035, (212) 427-1812.

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I received a disclosure document dated ~~February 16, 2020~~ April 15, 2021 that included the following Exhibits:

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- EXHIBIT F    STATE EFFECTIVE DATE PAGE
- EXHIBIT G    RECEIPTS

Dated: \_\_\_\_\_

If a corporation or other business entity

\_\_\_\_\_  
(Name of Entity)

By: \_\_\_\_\_

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Print Name)

PROSPECTIVE FRANCHISEE:

If an individual:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

You may return the signed receipt either by signing, dating, and mailing it to Patsy's Pizzeria Franchise Corp. at 2287-91 First Avenue, New York, New York 10035.

**PLEASE KEEP THIS COPY FOR YOUR RECORDS.**