

FRANCHISE DISCLOSURE DOCUMENT



THE ORIGINAL HUGE SLICE PIZZERIA

Perri Franchising, Inc.

1844 Penfield Road, Penfield, New York 14526

Phone: 585 957-6252

E-Mail: mikeperri@perrispizza.com

Website: Perrispizza.com

Perri Franchising, Inc. offers franchises for the operation of a Perri's Pizzeria business that is the establishment, development and operation of facilities offering catering, pizza, submarine sandwiches, chicken wings, pasta and related food products in conformity with our food preparation procedures and business methods. The total investment necessary to begin operation of your Perri's Pizzeria franchise ranges from **\$137,600 to \$511,300**. This includes an initial Franchise Fee in the amount of \$20,000.00 that must be paid to us.

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 the franchisor at 1844 Penfield Road, Penfield, New York 14526 or by phone at (585) 957-6252.

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 (the “FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 28, 2022

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. The Franchise Agreement states that all disagreements (with limited exceptions) be resolved by mediation first, and if not resolved through mediation, they are to be resolved or settled by arbitration in New York State. Out of State arbitration may force you to accept a less favorable settlement. It may also cost you more to arbitrate with us in the State of New York than in your home state.
2. You must make minimum advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. There may be other risks concerning the franchise.

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.

TABLE OF CONTENTS

ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	5
ITEM 2	BUSINESS EXPERIENCE.....	6
ITEM 3	LITIGATION.....	6
ITEM 4	BANKRUPTCY.....	7
ITEM 5	INITIAL FEES.....	7
ITEM 6	OTHER FEES.....	8
ITEM 7	ESTIMATED INITIAL INVESTMENT.....	13
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	16
ITEM 9	FRANCHISEE’S OBLIGATIONS.....	20
ITEM 10	FINANCING.....	20
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	21
ITEM 12	TERRITORY.....	28
ITEM 13	TRADEMARKS.....	29
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	31
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	33
ITEM 16	RESTRICTIONS ON WHAT FRANCHISEE MAY SELL.....	33
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	35
ITEM 18	PUBLIC FIGURES.....	38
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS.....	38
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION.....	39
ITEM 21	FINANCIAL STATEMENTS.....	41
ITEM 22	CONTRACTS.....	42
ITEM 23	ACKNOWLEDGMENT OF RECEIPT.....	42

EXHIBIT “A”	State Agencies and Administrators
EXHIBIT “B”	Franchisor’s Agent for Service of Process
EXHIBIT “C”	Franchise Agreement
EXHIBIT “D”	Table of Contents to Manual
EXHIBIT “E”	List of Franchisees
EXHIBIT “F”	Financial Statements
EXHIBIT “G”	State Addendum
EXHIBIT “H”	Franchisee Organizations
EXHIBIT “I”	Request for Consideration
EXHIBIT “J”	State Effective Dates
EXHIBIT “K”	Receipts

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

To simplify the language in this Disclosure Document, “we”, “us” and “the Company” mean Perri Franchising, Inc. the franchisor. “You” means the person who buys a Perri's Pizzeria FRANCHISE - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company. Your “Location” means the location that you will operate if we grant you a Perri's Pizzeria franchise.

Corporate Information - Franchisor

Perri Franchising, Inc. is a New York corporation formed on November 16, 2010. We maintain our principal place of business at 1844 Penfield Road, Penfield, New York 14526. We do not do business under any name other than “Perri Franchising, Inc.” and our trade name, “Perri's Pizzeria”. Our agent for service of process is disclosed in Exhibit “B” to this Disclosure Document. If you purchase a Perri's Pizzeria franchise, you will execute a franchise agreement with us (the “Franchise Agreement”), the form of which is attached to this Disclosure Document as Exhibit “C.”

Business History

We began offering Perri's Pizzeria franchises in June of 2011. We are not engaged in any business other than the offering of Perri's Pizzeria franchises, except for operating company stores for same. We have never offered franchises in any other line of business.

Our Parents, Affiliates and Predecessors

We do not have any parent companies, affiliates or predecessors other than the following:

- (1) PERRI'S PIZZERIA DEVELOPMENT, LLC. Perri's Pizzeria Development, LLC is a New York limited liability company wholly owned by Michael Perri (Our sole shareholder) and is used as a Perri's Pizzeria restaurant development company. It currently operates a Perri's Pizzeria location in Spencerport New York.
- (2) PERRICITYGATE, INC. PerriCityGate, Inc. is a New York corporation wholly owned by Michael Perri (Our sole shareholder) and currently operates a Perri's Pizzeria location in Gates, New York.
- (3) PERRI PENFIELD, INC. Perri Penfield, Inc. is a New York corporation wholly owned by Mihcael Perri (our sole shareholder) and currently operates a Perri's Pizzeria location in Penfield, New York.

Description of Franchised Business

We grant franchises to operate pizzerias under the “Perri's Pizzeria” name (the “System”). We offer franchises to franchisees that operate preexisting pizzeria businesses as well as franchisees that have no prior experience in operating a pizzeria business. We will show you how to operate a pizzeria that provides a variety of goods, such as pizza, submarine sandwiches, chicken wings and related food products for use in the Location and at catered events utilizing the System (your “Franchised Business”). Some of this information will be provided by us during the initial training program. We will grant you a sublicense to use certain trademarks, service marks, logos and trade names, including the Perri's Pizzeria name (collectively, the “Marks”) in connection with the operation of your Franchised Business. The operational aspects of a Perri's Pizzeria franchise are contained within the confidential Operating Manual

(the “Manual”). You will operate your Perri's Pizzeria franchise as an independent business using the Marks, the System, the Perri's Pizzeria name, as well as the support, perrince and other methods and materials provided or developed by us. You will offer and provide Perri's Pizzeria goods/services to the general public under the terms and conditions Perri's Pizzeria contained within the Franchise Agreement and the Manual. You may offer no other goods or services in conjunction with the System or the Marks without our prior written approval.

Market and Competition

The market for pizza, submarine sandwiches, chicken wings and related food products currently exists. If you operate a Perri's Pizzeria franchise, your competition will primarily consist of other local and national brand food service facilities that offer the same or similar goods and services, including pizzerias that are affiliated with other national franchise systems. You will also compete with independent pizzerias and individuals that operate pizzerias on their own behalf.

Laws and Regulations

You must comply with all federal, state and local laws and regulations relating to the operation of your Franchised Business. Most states have a regulatory agency that regulates the activities of restaurants, and you must comply with any rules or regulations issued by such regulatory agencies. There may be other federal, state and/or local laws or regulations pertaining to your Franchised Business, including, but not limited to food safety laws, with which you must comply. You may wish to investigate these laws before buying a Perri's Pizzeria franchise.

ITEM 2. BUSINESS EXPERIENCE

Franchisor – Perri Franchising, Inc.

Michael Perri: President and Chief Executive Officer and Director

Mr. Perri has been the President and sole shareholder in MPerri Corp. since October, 2005. Mr. Perri has been the President and sole shareholder in PerriStone Corp. since October, 2009. Mr. Perri has been the President and sole shareholder in Perri Franchising, Inc. since November, 2010. Mr. Perri has been the President and sole member in Perri's Pizzeria Development, LLC since January, 2012; President and sole shareholder of PerriCityGate, Inc. since December, 2016; and President and sole shareholder of Perri Penfield, Inc. since August, 2020.

ITEM 3. LITIGATION

Litigation - Franchisor

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4. BANKRUPTCYBankruptcy - Franchisor

No person previously identified in Items 1 or 2 of this Disclosure Document (who is associated with us) has been involved as a debtor in proceedings under the U. S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Franchise Fee. Under the Franchise Agreement, you will pay a nonrefundable Initial Franchise Fee to Perri Franchising, Inc. of \$20,000.00 for your first Perri's Pizzeria Location. The Initial Franchise Fee is payable in a lump sum when the Franchise Agreement is signed. The Initial Franchise Fee shall be used by us for general operating expenses. The Initial Franchise Fee is uniform for all Franchisees purchasing a Franchise through this Franchise Disclosure Document. We have no intention, now or in the future, of reducing the Initial Franchise Fee for any prospective Franchisee, although we reserve the right to do so in our sole discretion on a case-by-case basis. We reserve the right to reduce the Initial Franchise Fee for our affiliates. Except as provided for below, the Initial Franchise Fee is not refundable under any circumstances.

We did not sell any Franchises prior to the effective date of this Disclosure Document.

Estimated Initial Inventory Amount. Pursuant to Section 8.3 of the Franchise Agreement, you are required to maintain a certain minimum level of inventory at your Location. We estimate that you will spend between \$1,500.00- \$7,500.00 on initial supplies of forms, corporate identification materials, and uniforms that you will purchase from Perri Franchising, Inc. or other approved sources.

We also estimate that you will spend between \$7,500.00- \$20,000.00 to cover the opening inventory needs for the first month of operation. Opening inventory reflects the cost of consumable inventory items such as food products, paper goods, etc... necessary on opening day. At the time your Franchised Business opens, you must stock and display where applicable the initial inventory of products, accessories, equipment, and supplies required by us in the Operations Manual(s) or otherwise in writing. You must then stock and maintain all types of products in quantities sufficient to meet reasonably anticipated customer demand.

ITEM 6. OTHER FEES

The table below describes fees and payments that are payable to us, or imposed by us on behalf of a third party, relating to the operation of your business, after you pay the initial franchise fee:

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Royalty Fees	Franchisee's post tax per slice price of 8 cheese pizza slices per day over a thirty (30) day period, as sold by the slice, multiplied by 1.25. Payable on a monthly basis.	Due on the 10 th of the month by Electronic Funds Transfer for the preceding month.	See Franchise Agreement for complete definition of Royalty Fee.

TYPE OF FEE (Note 1)	AMOUNT	DUE DATE	REMARKS
Local Advertising and Advertising Fund Fee	Local: A minimum of 1% of gross sales per year. Advertising Fund: minimum of \$400 per month (subject to increase to percentage of Gross Sales up to 2% at Our sole discretion)	As incurred Advertising Fund: Due on the 10 th of the month by Electronic Funds Transfer for the preceding month.	You are required to make local advertising expenditures as required by Article 13.3 of the Franchise Agreement. You determine the form and media, subject to our prior approval. You are required to pay a contribution required by Article 6.3 of the Franchise Agreement.

(1) All royalties and fees are due by the 10th of the month following the close of the month.

(2) All fees are imposed by and are payable to Perri Franchising, Inc. All fees are non-refundable.

[THIS SPACE IS INTENTIONALLY LEFT BLANK]

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Advertising Deficiency	Amount of Local Advertising Deficiency	Immediately upon demand	If you fail to make local advertising expenditures, we may spend the minimum required amount on your behalf and you will reimburse us for those expenditures.
Payments for supplies or inventory	Varies depending upon need	As and when due. Paid to us or approved third party approved suppliers.	All payments to us are made by EFT.
Renewal Fee	\$10,000.00	Prior to renewal	Payable when, and if, you renew your Franchise Agreement. There other conditions to renew (see item 17(c) of this Disclosure Document).
Transfer/ Assignment Fee	\$5,000.00	Prior to consummation of the transfer or sale	Payable when, and if, you transfer or sell your Franchise. There other conditions to transfer (see item 17(l)-17(n) of this Disclosure Document).
Late Payment Fees	Up to the highest rate permitted by law but no more than 26.82% per annum plus \$50 per occurrence	Immediately on demand	Payable if any of your payments to us are late.
Insufficient Funds Fee	\$100 per occurrence	Immediately on demand	Payable if any of your payments to us are not honored by your financial institution.
Late Report Fee	\$100 per occurrence	Immediately on demand	We may require you to pay us \$100 each time you fail to submit to us any required reports or information.
Audit Expenses	Will vary with circumstances. Payable only if our audit shows an understatement of at least 5% of Gross Sales.	Immediately on demand	If you understate Gross Sales by 5% or more, you must reimburse us for our actual costs incurred in conducting the audit, including, without limitation, attorney's fees, accountant's fees, travel expenses, and compensation for our employees.
Training Fees for additional employees, managers and general managers	Reasonable Training Fee and expenses	As and when due. Paid to us or approved third party approved suppliers.	You are responsible for all travel, room and board, and salary expense.
Optional on-going training for self or other employees	Reasonable Training Fee and expenses	As and when due. Paid to us or approved third party approved suppliers.	You are responsible for all travel, room and board, and salary expense.
Annual Conference or Conferences (if any)	Cost of the conferences	A minimum of thirty days prior to the annual conference.	You are responsible for all travel, room and board, and salary expense. If we require you to attend a conference or other meeting, you may have to pay a fee.

Annual Inspection fee	\$450-\$1,000	Once per year as invoiced	See Note 3
Additional Training and inspections due to Failure to Maintain Standards	Will vary depending on the circumstances	As incurred	See Note 3
Counseling and Advisory Services	Will vary depending on the circumstances	As incurred	See Note 4
Indemnification and Defense	Will vary under the circumstances	As incurred	You must reimburse us if we are held liable for damages or other relief related to the operation of your business
Replacement of Operations Manual(s)	\$5,000.00 plus shipping costs	Within 15 days of invoice.	Franchisee must pay Franchisor a fee of \$5,000.00 plus all shipping expenses, or such lesser amount as Franchisor may charge in Franchisor's sole and absolute discretion. If the loss, in Franchisor's reasonable opinion, is attributable to the Franchisee's breach of the Franchise Agreement, Franchisor may also elect to terminate the Franchise Agreement.
Payments for supplies, menu management updates, inventory or product purchases	Will vary under the circumstances	As incurred	All payments to us are made by EFT.

The following notes, accompany the Item 6 Disclosures

Except as we indicate in the item six chart, you make all payments to us, and payments are not refundable.

NOTE 1. Unless this Franchise Disclosure Document specifically provides otherwise, all fees are imposed by and payable to us and are non-refundable. See Item 8 of this Franchise Disclosure Document for information concerning your obligation to purchase products from our affiliates, or us or under our specifications or standards. See Item 9 of this Franchise Disclosure Document for information concerning your principal obligations under the Franchise Agreement.

NOTE 2. "Gross Sales" for any period means the entire amount of sales or revenue whether for cash, credit, charge, barter, time basis or otherwise, with respect to the operation of the Franchised Business and all other receipts whatsoever from all business conducted upon or originating from within or outside the

Territory. The performance of services or the sale of goods is considered “revenue” when services have been completed or goods provided to entitle the Franchisee to payment for those services or goods. Gross Sales will not include:

- i) any government tax, provided the amount of the tax is added to the selling price, the amount is expressly charged to the customer, a specific record is made at the time of each sale of the amount of the tax, and the tax is paid over to the appropriate taxing authority;
- ii) receipts which arise from the disposition of damaged, obsolete or otherwise unusable fixed assets;
- iii) the amount of refunds, allowances or discounts to customers (including coupon sales) up to 5% of the Gross Sales, provided the related sales have previously been included in Gross Sales; and
- iv) uncollectible or uncollected receivables.

NOTE 3. We have a right to inspect your store for compliance, and if we notify you in writing that you have failed to maintain standards at the store and fail to cure the failure within 10 days, we have the right to assign trainers to your store, and you have to reimburse us for the trainer’s salaries, travel, living expenses, and other related expenses. You will pay an annual inspection fee, and a reasonable fee for any additional inspections required as a result of your failure to comply to standards at the original inspection.

NOTE 4. Normally, there is no fee for these services, which are provided by telephone or at our offices, unless you require unusual, extensive, or extraordinary assistance. If so, we have the right to charge you a reasonable fee.

NOTE 5. Other Charges and Service Fees. The Perri's Pizzeria System is developing and there may be other charges and service fees that may be assessed to you by either us or vendors in connection with the existing components of the Perri's Pizzeria System or the addition of modified or new components to the Perri's Pizzeria system. You must pay all other charges and service fees in a timely manner.

NOTE 6. Insurance Policies. We define the types and minimum insurance coverage that you must carry. We make no representation that the coverage will be sufficient for your business or purposes. You need to evaluate if your business requires greater coverage or other types of insurance. Our minimum, mandatory insurance requirements are:

- a. employer's liability and workers' compensation insurance as designated by law;
- b. comprehensive general liability insurance covering the operation of the Franchised Business in an amount not less than \$1,000,000.00;
- c. property coverage to the amount of the full insurable value of all of the Franchisee's property of every kind on an "all risks" basis, including coverage for conventional loss due an insured peril;
- d. errors and omissions insurance;
- e. business interruption insurance;

- f. liability insurance covering malicious acts of the Franchisee and the agents and employees of the Franchisee, including acts of sexual harassment or assault, and other forms of abusive or improper conduct;
- g. owned and non-owned motor vehicle coverage;
- h. personal injury coverage in an amount not less than \$3,000,000.
- i. Workers' compensation insurance, or a similar policy if the Franchisees business is located in a non-subscriber state, covering all of its employees as is required by law; and
- j. Comprehensive crime and blanket employee dishonesty insurance in an amount of not less than \$25,000.

In the event that the Franchisor has arranged for the provision of any such insurance through a carrier common to franchisees of the System, then the Franchisee will procure all required coverage from that carrier or like insurance coverage from an insurance company with an A or better rating from A.M. Best.

Franchisee agrees that Franchisor shall be named as an additional insured under each of the foregoing insurance policies. Prior to the opening of the retail store location and, thereafter, at least 30 days prior to the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice in the event of material alteration to termination, non-renewal, or cancellation of, the coverage's evidenced by such certificates.

Franchisee is to give Franchisor notice of any claim filed under such policy within 30 days after the filing of such claim where it may reasonably in the best interest of the Franchisor to be aware of such claim.

We may periodically modify, all minimum amounts to reflect inflation, general industry standards or our future experience with claims. For additional conditions applicable to mandatory insurance, see Article 14 of the Franchise Agreement.

ITEM 7. ESTIMATED INITIAL INVESTMENT

Item Description	Estimated Cost	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (see Note 1)	\$20,000	Lump Sum	Upon signing the Franchise Agreement	Us
Real Estate Rent – 1 ST Month	\$2,100 - \$9,800 (See Note 2)	As arranged	As arranged	Landlord
Security Deposit(s) (See Note 4)	\$0 - \$15,000	As arranged	As arranged	Landlord, utilities, govt. agencies
Real Estate site Improvements (See Note 3)	\$12,000- \$161,000	As Arranged	Prior to Opening	Landlord, Contractors
Furnishings, Fixtures, and	\$20,000- \$50,000	As Arranged	Prior to Opening	Us, Suppliers or Contractors

Decorating (See Note 5)				
Signage (See Note 6)	\$2,500- \$10,000	As Arranged	Prior to Opening	Us or Suppliers
Training (See Note 7)	\$2,000 - \$10,000	As arranged	As Arranges	Hotel, Restaurant Airlines (Service Providers)
Equipment and supplies acquired locally (See Note 8)	\$37,000- \$106,000	As arranged with supplier	As per terms of purchase	Approved Supplier
Initial Inventory, supplies, packaging, uniforms and corporate identity materials (See Note 9)	\$1,500- \$7,500	Lump Sum	As per terms of invoice	Us and/or Approved Supplier
Initial inventory of products for resale (see Note 10)	\$7,500- \$20,000	Lump sum	As per terms of invoice	Us and/or Approved Supplier
SBA fees and other financing costs (See note 11)	\$0 - \$10,000	Lump sum	As per terms of Agreement	Bank or financing source
Additional Operating funds – 3 months (See Note 13)	\$25,000 - \$70,000	Lump sums	As needed	Various
Professional Fees	\$2,000 - \$10,000	As Arranged	Prior to Opening and Ongoing	Your Accountants, Lawyers, Real Estate Broker, Architect
Insurance (See Note 12)	\$6,000 - \$12,000	As Arranged	As Incurred	Insurance Providers
Total Estimated Initial Investment (See Notes)	\$137,600– \$511,300			

The following Notes Accompany Item 7 Disclosures

All payments in Item 7 are non-refundable, except as we note below or if you arrange otherwise with a third party in writing.

NOTE 1. Initial Franchise Fee. The initial franchise fee includes the loan of our Operations Manual(s) and initial training for you and one additional individual having responsibility for the day-to-day operations of your Franchised Business. See Item 5 of this Disclosure Document for additional information about the Initial Training Program. Except as otherwise expressly stated, the Initial Franchise Fee is not refundable under any circumstances.

Other Initial Fees. Under the Franchise Agreement, we will provide you with assistance in opening the stores and training your employees. Although we do not intend to charge for this assistance, we reserve the right to charge you for extraordinary travel and living expenses incurred by our employees providing this assistance. In the event you request additional opening assistance or training, and we agree to provide you with such assistance, you may be required to reimburse us for all costs and expenses we incur in connection with providing you this additional assistance, including, without limitation, wages, overhead

and travel and living expenses of our employees providing the assistance. Any charges you incur in these circumstances will be in addition to the Initial Franchise Fee and development fee.

NOTE 2. Real Estate Rent. These figures presume that you will be leasing the store premises and only represent rent for one month. We are unable to estimate the total cost purchasing suitable premises for your store or the amount of any down payment that would be required. Rent will vary depending upon the size, the premises, the site condition, its location, demand for the site, build-out requirements and construction or other allowances from the landlord, and the requirements of individual landlords. These figures are based upon our experience in Rochester, New York. These figures may vary considerably in other parts of the United States. Regardless of whether you lease or purchase a store premises, a typical Perri's Pizzeria facility occupies approximately 1,400 to 2,800 square feet of space. A Perri's Pizzeria store may be either a freestanding building or an in-line retail plaza space, but in any event, the store requires ample parking, good visibility, and availability of prominent signage. Improvements include electrical, carpentry, floor covering, painting, and contractors' fees. We estimate rental rates to vary from \$1.50 per square foot per month (\$18 per square foot per year) to \$3.50 per square foot per month (\$42 per square foot per year), depending on different regions of the country. If a landlord is 'paying' for some of the site improvements to the lease space, they may be amortizing that expense in the form of additional rent. Payments will be made directly to the landlord pursuant to the terms of the lease. The retail site is subject to our approval, we do not charge for our expenses associated with providing that approval. You should consult with your own attorney regarding the lease and related matters.

NOTE 3. Leasehold Improvements. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent, and the quality of improvements desired by you over and above our minimum requirements, landlord's cash contribution to the cost of the improvements, and the like.

NOTE 4. Security Deposit(s). Your lessor may require a security deposit before you take possession of the premises. This deposit may or may not be refundable. These items also include utility deposits and payments, equipment rental deposits, sales tax deposits and telephone company deposits, electric and other energy company deposits for 4 months before opening; cleaning and maintenance including the cost of janitorial services and a general maintenance contract for regular maintenance or repairs to plumbing; heating, ventilating and air-conditioning equipment; appliances; and garbage removal.

NOTE 5. Furnishings. A complete listing will be provided together with a list of approved suppliers.

NOTE 6. Signage. This includes external and internal signage for your Location. The cost of your exterior sign will vary depending upon the size, color and backlit channel letters of the sign and other specifications as may be required by us, the Operations Manual(s), the property owner, or any local ordinances. All signage is subject to our approval.

NOTE 7. Training. We provide initial training at no charge for 2 individuals, but you must arrange and pay for all food, lodging, and salary expenses for your people attending the Initial Training Program. Costs vary depending the distance traveled and the type of lodging. The amount shown does not include the cost of transportation. See item 11 of this Disclosure Document for description of the Initial Training Program. All people attending a training program must sign a confidentiality agreement.

NOTE 8. Equipment and Supplies Acquired Locally. The equipment and supplies include, by way of example and not limitation, point of sale system, office supplies, cabinets, refrigerator, oven, mixer, cooler, etc. We will provide you a list of items to obtain locally.

NOTE 9. Initial Inventory, Supplies, Packaging, Uniforms, and Corporate Identification Materials.

This item includes initial supplies of forms, corporate identification materials, and uniforms. You will need these items to get you started, and based on demand you will need to replenish from Perri's Pizzeria or other approved sources.

NOTE 10. Initial inventory of products for resale. We estimate that this amount will be sufficient to cover inventory needs for the first week of operation. Opening inventory reflects the cost of consumable inventory items such as food products, paper goods, etc... necessary on opening day. These items must be replenished as consumed. At the time your Franchised Business opens, you must stock and display where applicable the initial inventory of products, accessories, equipment, and supplies required by us in the Operations Manual(s) or otherwise in writing. You must then stock and maintain all types of products in quantities sufficient to meet reasonably anticipated customer demand.

NOTE 11. SBA Fees & Other Financing Costs. We provide no assistance with any of these items, other than under certain circumstances where we may provide introductions to SBA or other approved sources. You should check with your legal and business advisers if you need any of the services.

NOTE 12. Insurance Costs. This figure is an estimate of the annual cost of maintaining the minimum insurance required by the Franchise Agreement. Your costs may be higher or lower depending on location, your personal history, and other variable factors.

NOTE 13. Additional Operating Funds. Franchise disclosure laws require us to include an estimate of all costs and expenses to operate the Franchise Business during the "initial phase" of your business, which is defined as the period of three months following the opening of the Franchised Business, or a longer period if reasonable. We are not aware of any established longer reasonable period for the food service business so our disclosures cover the period through the end of 3 months after opening your Perri's Pizzeria Franchise Business.

The additional funds that we estimate you will need may vary considerably among our Franchisees based on a variety of factors, including the number of employees you choose to hire and the salaries and other benefits you choose to pay (excluding any salary paid to you), the extent that you will be actively involved in your business operations, other miscellaneous expenses and working capital. These figures are estimates based on our past business experience. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how closely you follow our methods and procedures, your management skill, experience, business knowledge, business acumen, credit rating, local competition, local economic conditions including rent, the local market for our product, prevailing wage rate, and the actual sales levels that you reach during the initial three month period. All of these expenses are paid to third parties.

The additional funds category is not the only source of cash, but is in addition to the cash flow from operations. You should allow for all of these fees and expenses when you make your own calculations of the additional funds that you will need as working capital.

The additional funds category does not include any allowance for payments made to a bank or financing company on any loan that you may obtain to finance the cost of purchasing the Franchise or other developmental related costs. As we disclose in Item 10, we do not offer direct or indirect financing for initial investment expenses.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the Perri's Pizzeria System, you must purchase all products, supplies, services, equipment, furnishings, merchandise, employee uniforms, goods, fixtures, inventory, food and beverage products, packaging, and other items used, sold, displayed, or distributed in your stores or events or used in your Franchised Business in compliance with our standards and specifications contained in the Operations Manual or otherwise communicated to you by us in writing. We estimate that over 90% of your total purchases and leases (in relation to all purchases and leases to be made by the franchisee) for both (a) establishing the business and (b) operating the business, shall be required to be made from an approved supplier. Currently our approved suppliers are as follows: EZ Express, Johnston Paper, Pepsi, Sysco, Wilshire Catering, I Point POS, General Supply Co. and Martusillo Bakery. No franchisor officer owns an interest in any supplier. You must also adhere to our standards and specifications for the construction and design of the Location.

Uniformity among the Perri's Pizzeria Franchises ensures consistency in the quality of the products and services that you provide to customers and strengthens customer confidence in the Perri's Pizzeria system, name, and brand. We explain all of these specifications in the Operations Manual(s). We may, at any time, change, delete, add to, modify, or revise any of our standards and specifications, at our discretion, as frequently as we believe necessary through written supplements to the operations manual. These changes, deletions, additions, or modifications, which will be uniform for all Franchisees, may require additional expenditures by you. The Operations Manual or other guidelines issued by us also contain specifications for insurance, fixtures, furnishings, equipment, and supplies and exterior and interior signs. In some cases, we specify the items that you must use, sell or obtain by brand name or model number. You must purchase and install these fixtures furnishings, equipment, decor, and signs as we direct at your own expense.

Appearance and Operations. Your Perri's Pizzeria Location must meet our physical criteria and conform to our design and image requirements. These specifications are in the operations manual and promote visual uniformity of your Franchise business, which strengthens brand-name awareness among consumers. You must ensure that your Franchise business conforms to our store appearance and operating specifications at all times.

Advertising. Any advertising or marketing materials not prepared or previously approved by us must be submitted to us for approval at least one month prior to any publication or run date. All advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the Perri's Pizzeria Franchise System. We may grant or withhold our approval of any advertising, marketing public relations or any promotional materials, in our sole discretion. We will provide you with written notification of our approval or disapproval within a reasonable time. If we do not notify you of our approval or disapproval within 14 days of our receipt of the materials, the materials will be deemed not approved. We may decide to change or discontinue advertising, marketing, public relations or promotional materials previously approved, at any time and at our sole discretion. You must discontinue your use of any approved (or previously approved) advertising, marketing, public relations, or promotional materials within five days of your receipt of such request if asked to do so.

Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. The types of insurance includes comprehensive general liability insurance with coverage for products liability, contractual liability, personal and advertising injury, fire damage, medical expenses, workers' compensation insurance, comprehensive crime and employee dishonesty insurance, business interruption insurance, personal property insurance. We specify the minimum amount of insurance coverage in the

Franchise Agreement; however, you may desire to or be required to obtain greater coverage by credit lending institutions or your landlord. The cost of your insurance will vary depending on the insurance carriers' charges, the terms of payment, and your insurance history.

For all insurance, you must include Perri Franchising, Inc. as an additional named insured and loss payee (if applicable) as well as furnish us with proof of such coverage every twelve (12) months. Insurance fees are paid to an insurance agency, person, or entity chosen by you. See ITEM 6.

Purchasing Arrangements. You must purchase all fixtures, furnishings, signs, equipment, inventory, uniforms, advertising materials, services and other supplies, products and materials required for the operation of the Franchise business (collectively the "Supplies") solely from suppliers that:

- (i) Demonstrate, to our continuing satisfaction, the ability to meet our standards, specifications and requirements for these items regarding quality, variety, service, safety and support;
- (ii) Possess acceptable quality controls and capacity to supply your needs promptly and reliably;
- (iii) Have a sound financial condition and business reputation;
- (iv) Supply these items to a sufficient number of Franchisees to enable us gain economies of scale that will allow us to offer economic value and potential savings to the Perri's Pizzeria Franchise network.
- (v) Monitor compliance by the supplier within our standards, specifications and requirements;
- (vi) Have been approved by us in writing for the sale of these items and not disapproved later.

We will notify you of the names of recommended suppliers through supplements to the Operations Manual(s) or otherwise in writing. We or an affiliated company may be the only recommended vendor for Supplies including our turnkey services and opening inventory and supplies. Franchisor and/or an affiliate may profit from your purchase of Supplies from either us or a supplier to you by:

- (i) Selling these items to you at a markup over our or an affiliate's cost of acquiring these items;
- (ii) Receiving rebates, commissions, marketing allowances or other payments from suppliers that supply us and/or you.

Request for Supplier Approval. If you wish to purchase any item from a supplier (manufacturer or distributor) we have not previously approved or an item that does not comply with our standards and specifications, you must first submit a written request for approval. We will establish a procedure for submitting such requests. We will require the proposed supplier to provide us with certain financial and operational information and other information regarding the supplier and the items to be approved. In addition, the proposed supplier must permit our representatives to inspect their facilities (i.e. business offices and/or manufacturing facilities, as applicable). Before we approve a supplier, we will evaluate the economic terms of a possible relationship and ensure that the proposed supplier meets our requirements. We reserve the right, at our option, and at the proposed supplier's expense, to inspect or re-inspect the facilities, and materials of any supplier, at any time.

The proposed supplier or you must pay, in advance, a fee not to exceed the reasonable cost of evaluation, testing, and inspections we undertake. We will, within thirty (30) business days after we receive the completed request and after we complete any evaluation and inspection or testing, notify you in writing of our approval or disapproval of the proposed supplier or item. You must not offer for sale or sell any of the proposed supplier's products or any other product that does not meet our standards or specifications until you receive our written approval of the proposed supplier or item. Our failure to send you written

notice by the end of the supplier evaluation signifies that we disapprove the proposed item and or supplier.

We may revoke our approval of particular goods or services, or of the supplier that supplies them, if we determine, in our sole discretion, that they no longer meet our standards or specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products after depletion of your current inventory and/or stop purchasing from the disapproved supplier. Any changes or additions to purchasing standards or procedures are made in writing through supplements to the Operations Manual(s) or other written guidelines. We may modify our specifications, recommended suppliers and purchasing procedures at our discretion and you must promptly conform to all changes at your sole expense. We may terminate your Franchise if you purchase or use unapproved products, or purchase approved Supplies, inventory and/or services from unapproved suppliers.

We may, but are not required to, negotiate purchase arrangements with suppliers (including price terms) for your benefit.

During the fiscal year 2021, we received \$316,369 in total revenue. We received \$201,070 in revenue from Franchisee purchases from designated or approved suppliers, which is 63.6% of our total revenue in 2021. Our affiliates derived no revenue from franchisee required purchases or leases in 2021. Except as otherwise disclosed in this Item 8, you do not receive any material benefits for using designated, approved or recommended suppliers. There are no purchasing cooperatives although we reserve the right to establish one or more purchasing cooperatives in the future.

[THIS SPACE IS INTENTIONALLY LEFT BLANK]

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	ARTICLE IN AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Sections 5.1-5.2 Schedule 2	Items 8 & 11
b. Pre-opening purchases/leases	Sections 5.3-5.5, 8.3, 9.3 Schedule 2	Items 8 & 11
c. Site development and other pre opening requirements	Section 5.3	Items 8 & 11
d. Initial and ongoing training	Sections 7.2, 9.4-9.6	Items 8 & 11
e. Opening	Sections 5.6	Item 11
f. Fees	Sections 6.1-6.5	Items 5 & 6
g. Compliance with standards and policies/Operating Manuals	Sections 11.1-11.4, 16.1-16.2	Item 8
h. Trademarks and proprietary information	Sections 1.2, 10.1-10.4	Item 13
i. Restrictions on products/services offered	Section 8.2	Item 8
j. Client service requirements	Sections 8.4-8.5	Item 8
k. Territorial development	Section 8.11	Item 12
l. Ongoing product/service purchases	Section 8.2	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 8.1, 8.6, 9.20	Item 8
n. Insurance	Sections 14.1-14.4	Items 7 & 8
o. Advertising	Sections 9.11, 9.14, 13.1-13.8	Items 8 & 11
p. Indemnification	Section 19.2	Item 14
q. Owner's participation/management/staffing	Sections 8.8-8.9	Item 15
r. Records/reports	Sections 12.1-12.7	Item 11
s. Inspections/audits	Sections 7.4, 9.12, 12.7	Item 16
t. Transfer	Sections 9.19, 15.1-15.9	Item 17
u. Renewal	Section 4.2	Item 17
v. Post-termination obligations	Section 18.1	Item 17
w. Non-competition covenants	Section 9.17 Schedule 4	Items 14 & 17
x. Dispute resolution	Section 19.14	Item 17
y. Personal Guaranty	Sections 20.1-20.7 Schedule 3	Items 15 & 17
z. Confidential Information	Section 9.16 Schedule 4	Items 14 & 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or other obligations. We are unable to estimate whether you will be able to obtain financing for any or all of your investment or the terms of any financing. We reserve the right to offer financing or assist Franchisees in obtaining financing in the future.

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

Except as listed below, we are not required to provide you with any assistance under the Franchise Agreement, or any other agreement. All citations of Article numbers under this Item 11 are references to the Franchise Agreement unless otherwise noted.

Before you open your Franchised Business:

1. We will license you the Marks necessary to commence your Franchised Business (See Franchise Agreement, Article 3.1.)
2. We do not choose the site, but may give you support and perrince and must approve the Location. (See Franchise Agreement, Article 5.1)
3. We will provide you with written specifications for certain of the goods and services you must purchase to establish your Franchised Business, as well as a written list of approved, designated and/or recommended suppliers for purposes of acquiring these goods and services (Franchise Agreement, Article 8.2). See Item 8 of this Disclosure Document for additional information regarding your purchase of these goods and services.
4. We may provide you with a set of specifications for a prototype Perri's Pizzeria location (to be modified to fit your Location), together with standard décor and interior layout and mandatory equipment lists. We must approve the site and construction plans and specifications. (See Franchise Agreement, Article 5.3)
5. We may provide you with a list of approved designers or architects from whom you must obtain the architectural design layout for the Location at your expense. (See Franchise Agreement, Article 5.3)
6. We will provide you with general advice regarding construction matters in response to your specific questions during the build-out of your Perri's Pizzeria Location. (See Franchise Agreement, Article 5.3)

7. We will loan you one (1) copy of the Operations Manual(s) for the duration of the term of your Franchise Agreement (Franchise Agreement, Article 7.1). The Operations Manual will contain, among other things, mandatory and suggested specifications, standards, and procedures pertaining to the goods and services you will provide in connection with your Franchised Business (Franchise Agreement, Article 11.1). The Operations Manual(s) are confidential and remains our property and you must return it to us upon the termination, expiration or transfer of your Franchise Agreement (Franchise Agreement, See Franchise Agreement, Articles 11.2 and 11.3).
8. We may modify the Operations Manual at any time but the modification(s) will not alter your status and rights under the Franchise Agreement (Franchise Agreement, Article 16). We may provide updates or modifications to the Operations Manual in electronic format. Attached to this Disclosure Document as Exhibit "D" is a copy of the Table of Contents of the Manual.
9. We will assist you in identifying appropriate print and electronic media for listing the Franchised Business. (See Franchise Agreement, Article 13.8)
10. We will provide you with grand opening assistance from our personnel.
11. After you sign the Franchise Agreement, but prior to your commencement of business operations, we will schedule training at Perri's Pizzeria headquarters or at another location chosen by us. All management or people responsible for day-to-day store operations must successfully complete training before store operations can commence. (See Franchise Agreement, Articles 9.4 & 9.5) For additional information, see Section below entitled "Training Program".
12. We may send a representative to train you and/or your designated general managers for one additional week before, or including, the opening date of your Franchised Business. This part of training may include instruction in operating your Location, use of equipment, working with customers, opening and closing procedures and other administrative and operating details. (See Franchise Agreement, Article 9.4)

During the operation of your Business:

1. We will give you periodic consultation in response to your inquiries about specific administrative and operating questions you may have or (as we deem necessary) about (i) the methods and procedures to be utilized in the Franchised Business; (ii) advertising and promotion; (iii) specifications; (iv) bookkeeping and accounting; (v) purchasing and inventory control; (vi) inspections; and (vii) new developments and improvements to the Perri's Pizzeria Franchise system. At our discretion, we will decide how best to communicate our consultation and advice, whether by telephone, in writing, electronically or in person. The method we choose in your case may be different than methods we use for another Franchisee.
2. We will notify you of changes to, or the creation of, standards and specifications and approved or designated suppliers, or the termination of existing approved or designated suppliers. (See Franchise Agreement, Article 8.2)
3. We will make goods and services available to you either directly or through approved suppliers. (See Franchise Agreement, Article 8.2)

4. We will provide you access to advertising and promotional materials we develop through administering the Advertising and Promotion Fund. (See Franchise Agreement, Article 13)
5. We will maintain the Perri's Pizzeria website www.PerrisPizza.com. (See Franchise Agreement, Article 9.14)
6. Also, we may conduct an annual convention of our Franchisees to address subjects relevant to the Franchise System, which may, but not necessarily will, include; proprietary products, customer relations, personnel administration, advertising programs, inventory control practices, and cash control systems. If held, we may use the annual convention to offer continuing or advanced level training instruction. If we conduct an annual convention, we will determine its length and place and the persons who should attend in addition to you. If we conduct an annual convention, we currently expect to hold it at or near our headquarters in Rochester, New York, although we may choose to hold it elsewhere. We will charge you a registration fee to attend the annual meeting, and you must pay the travel expenses (transportation, hotel, meals, etc.) unless these expenses are part of a package deal that we are able to put together. You will also be responsible for salary for yourself and your staff who attend the meeting with you. (See Franchise Agreement, Article 9.6)
7. In addition to our initial training program that we periodically repeat, we will occasionally offer advanced and refresher training at our headquarters or another location designated by us. For these additional training programs, we charge a reasonable per-person training fee. We may increase or decrease our training fees at any time. (See Franchise Agreement, Article 9.5)
8. We will review your requests to use or sell non-proprietary goods and/or services not already approved as long as the request procedure is followed. (See Franchise Agreement, Article 8.2)
9. We or our designee will periodically visit your Franchised Business to inspect your operations, observe and interview your employees and review your books and records (including data stored on your computer systems) in order to verify your compliance with the Franchise Agreement and Operations Manual. (See Franchise Agreement, Article 9.13)
10. We will administer and supervise various customer loyalty, gift certificate, and other customer maintenance programs. (See Franchise Agreement, Article 8.4(n))

Computer hardware and software. You will be required to purchase and install a computerized cash collection and data processing system with a cash register required point-of-sale software and internet access through a reputable internet service provider. The backbone of our system will be computer network with your computer needs being as follows:

1. Apple iPad Pro (64GB, Wi-Fi, Space Gray) 12.9in Tablet w/ Heartland 13" Stand.
2. Apple iPad 10.2 w/ Customer Facing Enclosure
3. Epson TM-T20II POS Thermal Receipt Printer- Ethernet.

4. Epson TM-U220B Impact Kitchen Printer – Ethernet
5. APG Cash Drawer
6. Epson TM_L90 Label Printer
7. Whozz Calling Caller ID- 4 Line
8. NETGEAR Orbi Pro Tri-Band WiFi System for Business
9. PAX S300 EMV Device for Heartland Restaurant
10. Monthly HR POS Software with Online Ordering Agreement.

The maintenance, repair or upgrade requirements and the annual cost, which is estimated to be between \$250 and \$450 per month, of any optional or required maintenance, support, upgrades or updates, hardware, computer network maintenance and other software upgrades are your responsibility and must be done in a timely manner.

We will publish the specifications (including the necessary components) into our Operations Manual(s). You will be expected to purchase and install the system as specified. We envision that we or a designated service provider will provide technical support for the system and we reserve the right to charge a fee for this support. You will be required to use the system, among other things, to post all product and service sales, keep inventory control, post sales tax, refunds, and credits, and maintain customer information. You will be required to maintain the system in good working order at all times, and to upgrade or update the system during the term of the Franchise Agreement as we may reasonably require in order to meet then current standards and specifications. There are no limitations on the frequency and cost of this obligation. If we require the system to be accessible by us via modem or otherwise, we will have the right at any time to poll your system to retrieve and compile information concerning your Franchised Business. In other words, we will have independent access to your sales information and data produced by your system.

Site Selection. You may not enter into a lease, sublease, or purchase agreement for the premises for a location until we have accepted and approved the site and the lease, sublease or purchase agreement. In addition, you must submit site and construction plans, specifications, and any modifications to our specifications for approval by us. The Construction of the premises must be completed according to our specifications. If you lease the premises, you and the landlord must enter into a lease addendum and sign a Power of Attorney for the Lease in the form attached as Schedule "2" to the Franchise Agreement, which includes, among other things, a provision that permits you to assign your interest in the site to us when your Franchise Agreement expires or terminates.

Your Location may either be leased or owned by you. Our approval of a Location will be based on the information you give us to review including a site plan. The information we will need should include:

- (i) square footage
- (ii) traffic patterns, flow, and total count
- (iii) density and income level of the surrounding population;
- (iv) land and building costs;
- (v) zoning patterns
- (vi) surrounding educational and recreational facilities
- (vii) terms of the lease, if any;

- (viii) the distance from competing businesses, including other Perri's Pizzeria facilities;
- (ix) other factors having a substantial bearing on the proposed site.

If we do not approve the site, you must propose a new site. Approval of the Location does not imply or guarantee the success or profitability of the site. While there is no contractual limit on the time it takes us to approve or disapprove your proposed site and the lease, once we have all of the necessary documentation for review, we will typically take 30 to 60 days to approve or disapprove a proposed site and or lease. In the event you fail to find a site that meets our approval, your franchise agreement will be terminated and your initial franchise fee forfeited.

Start-up time. We expect that you will open your Franchised Business within three to six months after you sign the Franchise Agreement. The factors that affect this timing are financing, building permits, zoning, local ordinance issues, and the delayed installation of equipment, fixtures, and signs. If you do not commence operation of the Franchised Business within six months after the effective date of the Franchise Agreement we may terminate the Franchise Agreement.

Conventions and Meetings. Although we are not obligated under the Franchise Agreement, we may hold periodic conferences, management meetings, or refresher courses to discuss sales techniques, personal training, bookkeeping, accounting, inventory control, and the like. These conventions will be held at our Rochester, New York headquarters location or such other place we may designate. We may charge you a fee to attend these conventions or meetings. You will be required to pay your own travel and accommodation expenses. (See Franchise Agreement, Article 9.6)

Electronic Fund Transfer. We may require you to pay all fees under the Franchise Agreement by automatic bank draft or other reasonable means necessary to ensure we receive payment of the fees. You will be required to comply with any of our payment instructions, including executing any forms that grant us the right to debit your account on a monthly basis for payment of royalty and advertising fees and other fees to be paid to us under the Franchise Agreement. (See Franchise Agreement, Article 6.5)

Training Program

Prior to the opening of your Perri's Pizzeria business to the public, you are required to successfully complete an Initial Training Program. It will be of such duration and at such time and place and with whatever curriculum and such manner of instruction as we designate. Currently the initial training to be at least two weeks. It is understood that, if we are requested to train additional employees after the Initial Training Program, the Franchisee may be required to pay reasonable compensation for any services performed by the Franchisor in the course of such training. Compensation for these additional services will be determined by the Franchisor in its sole discretion. It is understood that the Franchisor will pay no compensation for services performed by the Franchisee and any trainees in the course of training. The Franchisee will pay all expenses incurred by the Franchisee and its Trainees in connection with and during such training including but not limited to transportation and lodging.

In addition to any other training provided for in this Agreement, we will, from time to time, furnish you with information, instructions, techniques, data, instructional materials, forms and other products and services related thereto, that may be developed in connection with the operation of a Perri's Pizzeria™ Franchise. We reserve the right to incorporate such information, techniques, instructions, systems, materials, and advice into our Manual(s), and upon your being advised, you are required to conduct the operations of the Franchised Business in accordance with such systems and techniques specified by the Franchisor.

After the Franchisee has opened the Franchised Business to the public, and at a time to be determined by us at our sole discretion, we will visit your Franchised Business for rendering advice, consultation, and additional training with respect to the Franchised Business, its operation and performance in compliance with the Manual(s). You may reasonably request additional on-site visits from us for the purposes of rendering of additional advice, consultation or training and you agree to reimburse us for the actual time expended and the actual expenses incurred by us for these additional visits.

Below is a description of our Initial Training Program as of the date of this Disclosure Document. Training programs are subject to change. Our procedures and processes may change as well. We will train the Franchisee and up to two individuals having responsibility for the day-to-day operations of the Franchised Business. Training will occur at our facility in Rochester, New York or at another facility that we will designate. See item seven of this Franchise Disclosure Document for discussion of costs and expenses associated with the initial training program. (See Franchise Agreement, Article 9.4)

Initial Training Program

Course	Instructional Materials	Classroom Hours	On-the –Job Hours	Instructor
Products (overview)	Training and Operations Manual(s)	8	8	Our Staff
Sales & Marketing	Training and Operations Manual(s)	8	8	Our Staff
Management & Leadership	Training and Operations Manual(s)	8	8	Our Staff
Operations & General Business	Training and Operations Manual(s)	8	8	Our Staff
Food Procedures	Training and Operations Manual(s)	8	8	Our Staff

Michael Perri, who is disclosed in Item 2 of this Disclosure Document, oversees the entire franchise training program and will serve as your primary training representative.

The training materials will consist of the Manual. You will not be charged an additional fee for any of the training materials. The Initial Trainees must complete the initial training program before your Location and Franchised Business is opened for business (Franchise Agreement, Article 9.4). Your office must be opened for business within 6 months after signing the Franchise Agreement. If you fail to open your business and complete the initial training program within this period of time, we have the right to terminate your Franchise Agreement (Franchise Agreement, Article 5.6).

The training programs will be conducted every month.

We provide initial training at no charge for 2 individuals, but you must arrange and pay for all food, lodging, and salary expenses for your people attending the Initial Training Program. Costs vary depending the distance traveled and the type of lodging.

We intend to periodically offer advanced and refresher training programs and may require personnel that we designate to attend specific training programs. As the need develops, we may offer special training if we introduce new or proprietary goods and services, or programs, or to address particular aspects of the

Perri's Pizzeria System. We may require that you and other personnel that we designate attend specific additional training programs. See Item 6 regarding training fees for additional training classes.

Advertising and Promotion Fund. We provide advertising materials and services to you through an advertising fund we have established and control (the "Fund"). You are required to participate in the Fund by contributing at least four hundred dollars (\$400) per month to the Fund, which we have a right to increase to a percentage of Gross Sales up to 2% upon notice to You. With the percentage model, your contribution will be determined using the previous 12 months' Gross Sales; and will remain static for a 12-month period. For example, if Franchisee's Gross Sales were \$800,000 for the previous 12 months, and the advertising fund contribution was 2%, then its monthly advertising contribution for the next 12 months would be \$1,333.33 ($\$800,000 \times 0.02/12 \text{ months} = \$1,333.33 \text{ per month}$). The fee may be increased with the agreement of the majority of the Franchisees. All payments by you to the Fund will be maintained in an account separate from any other monies of the Franchisor. There is no fiduciary or trust relationship created by our administering the Fund. We may defer or reduce a Franchisee's contribution. Although the Fund is intended to be of perpetual duration, the Franchisor reserves the right to terminate or change the Fund. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising and/or promotional purposes. The advertising fund is audited once per year, and franchisees have the right to review the financial statements of the fund, at our office, upon request.

We will use the proceeds of the Fund for the creation of local franchise advertising, and local public relations, promotion campaigns, advertising media purchases, and promotions in order to foster and promote goodwill, public recognition, and loyalty to the System and to the Franchised Business. It is understood and agreed that we will allocate advertising funds as we consider appropriate. Any advertising program or campaign we develop may include dissemination of advertising through print, radio, television, point-of-purchase materials, or other media. This coverage may be local in scope. We may employ an advertising agency or other agency to assist in the development, production, and dissemination of advertising materials, or we may hire personnel to perform these functions. We undertake no obligation in administering the Fund to ensure that you will benefit directly or pro rata from the Fund and the advertising and marketing derived from it. (See Franchise Agreement, Article 13.4).

No part of the Fund will be used by us to defray any of our general operating expenses. We may charge all costs of the formulation, development, and placement of advertising and promotional materials to the Fund. These costs will include the proportionate share of our employees who devote time and render services for advertising and promotion or the administration of the Fund and its programs. In any fiscal year, we may spend more or less than the aggregate of contributions to the advertising Fund in that year. The Advertising fund may borrow from third party lenders to cover deficits, and any lenders will receive interest on the borrowed funds. Any amounts that remain in the Fund at the end of the fiscal year will be applied toward the next year's expenses. We assume no liability or obligations to you or any Franchisee for collecting amounts due to the Fund or to administering or maintaining the Fund. If we prepare financial statements for the Fund, we will make them available to you. We will not use funds from the Fund for advertising that is principally a solicitation for the sale of Franchises. (See Franchise Agreement, Article 13.4)

Although the Fund is intended to be of perpetual duration, the Franchisor reserves the right to terminate or change the Fund participation amount. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising and/or promotional purposes or returned to the contributors in proportion to their respective contributions during a pre-determined period.

We can establish a cooperative in your marketing area and require you to participate. As of the date of this circular, there are currently no advertising cooperatives.

You must participate in any promotional and advertising programs that we establish.

No advertising or promotion may be conducted by you over the internet, without our express prior written consent, which we can withhold for any or no reason. (See Franchise Agreement, Article 13.2)

We will direct and have complete control and discretion over all advertising programs, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs (Franchise Agreement, Articles 9.11 and 13.2). All such advertising programs and materials developed by the Advertising Fund remain our sole property. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Advertising Fund. An unaudited financial statement of the operations of the Advertising Fund will be prepared periodically and made available to you upon request (Franchise Agreement, Article 13.4). We will also prepare on a periodic basis a statement of the then current number of franchisees and Franchisees in the system and a statement of your share of the costs and expenses of the Advertising Fund. You may obtain a copy of this information at any time by sending us a written request. The amounts spent in connection with administering the Advertising Fund for the fiscal year 2021 are described below.

Advertising Fund - Use of Funds		
Use	Amount	Percentage
Production	\$6,739.36	38.0%
Media Placement	\$8,568.94	48.4%
Administrative Expenses	\$2,400.00	13.6%
Other (Tradeshows; Public Relations; Technology)	\$ 0	0.00%
Total	\$17,708.30	100%

Operations Manual(s). Exhibit D to this Disclosure Document is a table of contents of our operations manual.

Opening Requirements

You may not begin operating your Franchised Business until the Initial Trainees have completed the initial training program, you have located and secured at least one open Location and you have complied with your other pre-opening obligations (Franchise Agreement, Articles 7.2 & 5.1). We anticipate that a typical Perri's Pizzeria Franchisee will open his or her office within 6 months after execution of the Franchise Agreement. Some of the factors that may affect this time are identification of a suitable location, financing, the extent to which an existing location must be upgraded or remodeled, whether you are converting an existing business or starting a new business, delayed installation of equipment and fixtures, completion of training, obtaining insurance, and complying with local laws and regulations. Unless we agree to the contrary, your Franchised Business must be opened within 6 months after you sign the Franchise Agreement (Franchise Agreement, Article 5.6). Your failure to open within the 6 month period constitutes an event of default under your Franchise Agreement (Franchise Agreement, Article 5.6).

ITEM 12. TERRITORY

Franchise Agreement: You will receive the right to operate a Perri's Pizzeria Franchised Business at a Location we approve. Your Territory will be negotiated by you and us prior to your execution of the Franchise Agreement and specifically described in the Franchise Agreement, but in no event shall the Territory be less than a radius of two (2) miles around the Franchised Business. In negotiating the Territory, we may examine population, traffic flow, presence of businesses, location of competitors (including other Perri's Pizzeria Franchisees), demographics, and other market conditions. The radius of your exclusive Territory is not dependent upon achievement of a certain sales volume, market penetration, or any other contingency. As long as you are in compliance with the Franchise Agreement, we agree not to open company-owned locations or other channel of distribution within your Territory, and we will not authorize anyone else to do so. You will operate your Perri's Pizzeria Franchised Business only from the Location, and you must receive our permission before you relocate. We have not yet established a set of conditions or criteria under which we evaluate or approved relocation requests, but reserve the right to do so at our sole discretion.

The Franchisor (on behalf of itself and its affiliates) reserves the right in its absolute discretion to operate and to grant others the right to operate, within the Territory and elsewhere: i) facilities offering services and products under trade names and trademarks other than the Marks if such facilities are directly or indirectly acquired by the Franchisor or its affiliates or if the Franchisor or its affiliates have acquired directly or indirectly the rights and obligations of the Franchisor of such facilities. Such facilities may employ substantial portions of the System in their operations; and ii) operate a Perri's Pizzeria franchised business at any Institution, grant a third party the right to operate a franchised business, and/or enter into a license or other agreement with the Institution granting the Institution, or its agents, the right to operate a franchised business or otherwise utilize the System and/or the Marks. "Institution" means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation, shopping centers, office complexes, universities, colleges, bus stations, subway stations, casinos, hospitals and other health care facilities, airports, military installations, sports complexes, museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator.

Currently, neither we, nor any affiliate of ours, grants any franchises that are authorized to use the Marks other than in the Perri's Pizzeria franchise system, although we reserve the right to establish another franchise system in the future. Similarly, neither we, nor any affiliate of ours, currently operates another franchise system or other channel of distribution that involves the sale of products or services

similar to the products or services offered at a Perri's Pizzeria location. If we create another franchise system that involves the sale of pizza and related products and services under the Marks, we will comply with the territorial protections granted to any existing Perri's Pizzeria Franchisees.

We currently may operate one or more Perri's Pizzeria location using the System and the Marks and we reserve the right to operate one or more such pizzerias in the future so long as we comply with the territorial protections granted to the existing Perri's Pizzeria franchisees and Franchisees. We may license other affiliates to operate additional pizzerias in the future. You do not receive any options, rights of first refusal or similar rights to acquire additional franchises outside your radius of protection.

ITEM 13. TRADEMARKS

You are obligated to provide pizzeria service consistent with our high standards of ethics and conduct. You are required to use the service mark "Perri's Pizzeria" to identify your locations and services. The Franchisor grants the Franchisee a license in common with others to use the Marks in connection with the operation of its Franchised Business at the Location and within the Territory. All required filings and affidavits have been and will continue to be filed to keep the Marks valid.

We have received registration with the New York State Department of State for registration of the following Mark(s)

MARK	REGISTRATION NUMBER	REGISTRATION DATE	DATE OF NEXT RENEWAL
Perri's Pizzeria	S21257	02/16/2010	02/16/2030
Sliceamania	88591663	08/17/2021	8/17/2031

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. You will have no rights to compensation if you are required to modify or discontinue using the trademark.

We have received registration with the United States Patent and Trademark Office for federal registration of the following Mark(s):

MARK	REGISTRATION NUMBER	REGISTRATION DATE	DATE FOR NEXT RENEWAL
Sliceamania	6456399	08/17/2021	8/17/2031

We are not aware of any:

- Currently effective material determinations of the patent and trademark office, the trademark trial and appeal Board, the trademark administrator of the state or any court;
- pending infringement, opposition or cancellation proceedings; or
- pending material litigation, involving any of the Marks.

There are no infringing or prior superior uses that we know of that could materially affect your use of the Marks in this state.

In connection with its business of licensing and regulating Perri's Pizzeria Franchisees, the Franchisor has developed, used and continues to use and control the use of certain proprietary interests, logos, emblems, insignia, signage, instructional material, training courses, trademarks, service marks and trade names, including, but not limited to Perri's Pizzeria which is a trademark with the United States Trademarks offices, to identify the source of goods and services marketed under that trademark to the public and to represent to the public high and uniform standards of quality and service (collectively the "Marks").

With respect to the Franchisee's use of the Marks pursuant to the license granted under the Franchise Agreement, the Franchisee agrees to comply with all of the conditions of use set out below.

- a. The Franchisee will use only the Marks designated by the Franchisor and will use them only in the manner required or authorized and permitted by the Franchisor.
- b. The Franchisee will use the Marks only in connection with the license to operate the Franchised Business granted under the Franchise Agreement.
- c. During the term and any renewal of this Agreement, the Franchisee will identify itself as a licensee and not the owner of the Marks and will make any necessary filings under federal, state, or provincial law and execute any documents considered necessary by the Franchisor for protection of the Marks to reflect such status. In addition, the Franchisee will identify as a licensee of the Marks on all invoices, checks, order forms, receipts, business stationery and contracts, as well as the display of a notice in such form and content and at such conspicuous locations at the premises of the Franchised Business as the Franchisor may designate in writing. For example, the notice may read: "123456, Inc., operating as Perri's Pizzeria. Perri's Pizzeria is a trademark of Perri Franchising, Inc."
- d. The Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement or in the Manual(s). Any unauthorized use of the Marks will constitute an infringement of the Franchisor's rights and is grounds for termination of the Franchise Agreement.
- e. The Franchisee will not use the Marks to incur or secure any obligation or indebtedness.
- f. The Franchisee will not use the Marks or any part of them as part of its corporate or other legal name.

The Franchisee will notify the Franchisor promptly of any claims or charges or any infringement or threatened infringement or piracy of any of the Marks, of any actual or intended common law passing off by reason of imitation or otherwise, as well as any other information that the Franchisee may have of any suspected infringement of the Marks. The Franchisee will take no action with regard to such matters without the prior written approval of the Franchisor, but will cooperate fully with the Franchisor in any such action. All decisions regarding action involving the protection and defense of the Marks will be solely in the discretion of the Franchisor.

The Franchisee expressly understands and acknowledges each of the matters set out below.

- a. The Franchisor is the owner of the Marks and all goodwill associated with and symbolized by them.

- b. The Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System.
- c. The Franchisee will not directly or indirectly contest the validity or the ownership of the Marks.
- d. The Franchisee's use of the Marks pursuant to this Agreement does not give the Franchisee any ownership interest or other interest in or to the Marks.
- e. The Franchisee will only use the Marks designated by Franchisor, and only in the manner authorized and permitted by Franchisor. Franchisee's right to use the Marks is limited to such uses as are authorized under the Franchise Agreement.
- f. Any and all goodwill arising from the Franchisee's use of the Marks will accrue solely and exclusively to the Franchisor's benefit, provided that the Franchisee will enjoy and be entitled to the benefit of all other goodwill associated with the Franchised Business.
- g. The license to use the Marks granted under the Franchise Agreement to the Franchisee is in common with others and the Franchisor may:
 - i) itself use, and grant licenses to others to use, the Marks and the System;
 - ii) establish, develop and franchise other systems, different from the System licensed to the Franchisee in the Franchise Agreement, provided that the Franchisor will offer a thirty (30) day first right of refusal from first notification to purchase any such other system entirely from within the Territory; and
 - iii) Modify or change, in whole or in part, any aspect of the Marks or the System so long as the Franchisee's rights are not materially harmed by such modification or change.
- h. The Franchisor reserves the right to substitute different names and Marks for use in identifying the System, the Franchised Business and other Franchised Businesses operating under the System and the Marks. If Franchisor decides to change, add or discontinue use of any Mark, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. Franchisor shall have no liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.
- i. The Franchisor will have no liability to the Franchisee for any senior users that may claim rights to the Marks. The Franchisor is not presently aware of any such senior user, or any other claim that the Marks infringe the intellectual property rights of any other person.
- j. The Franchisee will not register or attempt to register the Marks in the Franchisee's name or that of any other person, firm, entity, or corporation. The prohibition in this section will not inhibit the Franchisee from complying with any legislation requiring registration any business, trade, or fictitious name of the Franchisee or the Franchised Business.

Franchisee shall promptly inform Franchisor in writing of any infringement or limitations of any Marks, the Perri's Pizzeria System, or any act of unfair competition against Franchisor or Franchisee as to which Franchisee has knowledge. Franchisee shall not make any demand or serve notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such infringement or unfair competition without first obtaining Franchisor's written consent. Franchisor shall have the exclusive right to institute, negotiate, compromise, settle, dismiss, appeal or otherwise handle any such action and take steps as it may deem advisable to prevent any such action to which Franchisor may be party and to which Franchisee is or would be a necessary proper party, but nothing herein shall be construed to obligate Franchisor to seek recovery of costs or damages of any kind in any such litigation, the assertion or waiver of such claims being within the sole discretion of Franchisor. The costs of any such action shall be paid by Franchisor and any recovery obtained from such infringers shall be paid to Franchisor. (See Franchise Agreement, Article 10).

The Franchisor may, in its sole discretion, but is under no duty to protect the Franchisee's use of the Marks or to protect the Franchisee against claims of infringement or unfair competition arising out of the Franchisee's use of them.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or registered copyrights that are material to your Franchise.

We claim common law rights and copyright protection in a number of items you will use in the operation of your Franchised Business, including our operations manual(s), Franchise Agreement, specifications, architectural drawings, store designs, marketing techniques, supplier lists, expansion plans, licensed copyrighted materials we sublicense to you, and all present or future marketing, advertising or promotional materials that we create, all of which we collectively call the "Copyrighted Materials." We have not registered any of these Copyrighted Materials with the United States registrar of copyrights, although we may do so.

All materials or information of any kind that are designated confidential orally or in writing or which, under the circumstances surrounding disclosure, ought to be treated as confidential, are deemed confidential and all are loaned to you only under and during the term of the Franchise Agreement. All confidential materials in the information contained in them must be treated by you as confidential and you must use your best efforts to keep them confidential during the terms of the Franchise Agreement and thereafter as provided in the Agreement. This means you cannot make copies in any medium of any confidential information or use any confidential information outside the scope of the Franchise Agreement or disclose any confidential information to any third party or persons identify by us as not such that not having authorizations received disclosure of confidential information. You may disclose confidential information contained in the operations manual(s) only to your employees who have the business need to have access to the confidential information, but only if you first secure from them an agreement to maintain the confidentiality of the confidential information disclosed.

All copyrighted materials and confidential information are owned exclusively by us. Your right to use copyrighted materials and confidential information is derived solely from the Franchise Agreement and is limited to conduct of the business under any clients with the Franchise Agreement and all applicable specifications, standards, and operating procedures be prescribe during the term of the Franchise Agreement. Any unauthorized use of our operated materials or any unauthorized use or disclosure of confidential information will constitute an infringement of our rights and into the Copyrighted Materials and confidential information.

We may claim copyright protection in certain techniques we create, and many patents and /or processes and equipment we develop. If we do, we will notify you and, if the copyrights and patents are material to your obligations under the Franchise Agreement, we will authorize you to use them at no additional charge. Any modifications or improvements that you make to the Perri's Pizzeria Franchise System will be deemed as works made for hire which shall be owned exclusively by us. We do not have to compensate you for your modifications or improvements.

You must promptly notify us of any unauthorized use of our Copyrighted Materials or any unauthorized use or disclosure of confidential information, including by your employees. You must notify us of any challenge to the right to use the ownership of any Copyrighted Materials and confidential information. We are not required to protect and defend our copyrights, although we intend to do so when such defense is in the best interest of the Perri's Pizzeria Franchise System. We have the exclusive right to control the copyright litigation. We have the right to keep all sums obtained in settlement or as damages award in any proceeding or litigation without any obligation to share any portion of the settlement sums or damages award with you. And while we are not required to participate in your defense or to indemnify you for damages or expenses you incur if you are party to any administrative or judicial proceeding involving our confidential information or other information in which we claim common law rights and copyright protection, we may reimburse you for your liability and reasonable cost in connection with defending our confidential information and other information in which we claim common law rights and copyright protection.

We will have the right at any time, on notice to you, to make additions to, deletions from, and changes in any item in which we claim common law copyright or registered copyright protection including the owner's manual. You must adopt and use all additions, deletions, and changes as we direct, at your expense.

Your spouse, and if you are not an individual, your shareholders, members, partners and managers, as applicable, and their spouses, must execute the personal covenants attached to the Franchise Agreement as Schedule 4 requiring them to comply with the confidentiality provisions of the Franchise Agreement, refrain from engaging in competing businesses, and refrain from soliciting our employees and employees of other Perri's Pizzeria Franchisees.

We have the right to require your other employees who have access to our confidential information to execute a non-competition, non-solicitation and/or nondisclosure agreement and the form(s) prescribed by us from time to time. We have the right to take legal action against you if there has been an unauthorized use of our confidential information or trade secrets by you or one of your employees.

There is currently no litigation pending involving the Copyrighted Materials or confidential information. We do not know of any effective material determinations of the US copyright office or any court regarding any of the Copyrighted Materials or confidential information. There are no agreements in effect that significantly limit our right to use or license the Copyrighted Materials or confidential information.

We do not know of any superior rights or infringing uses that could materially affect your use of our confidential information or Copyrighted Materials.

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

Except in the case of special circumstances to be determined in the sole discretion of the Franchisor, the Franchisee will devote his, her, or its or a designated employee-manager's entire time, labor, skill, efforts, and attention to the honest, diligent, and faithful operation of the Franchised Business. Notwithstanding the foregoing, Franchisee or one of its owners shall work in the Franchised Business an aggregate of not less than thirty-five (35) hours per week.

Management of Location

At all times, the Franchised Business and the Location will be under the direct, on-premises supervision of the Franchisee (or, if the Franchisee is a business entity, an equity holder in that entity holding at least a 10% equity interest in the entity) or under the direct, on-premises supervision of a fully-trained employee-manager who has been approved in writing by the Franchisor.

Subject to applicable laws, the Franchisee will keep the Location open for business and staffed with trained employees during such hours as required by the lease for the Location and such additional hours of business as the Franchisor may require.

The Franchisee will at all times actively promote the products and services offered by the Franchised Business, and will use its best efforts to develop, cultivate, and expand the market for these products and services within the Territory.

We may require each of your owners holding at least a 10% equity interest in you or your Franchise business to personally guarantee your obligations to us under the Franchise Agreement. The guarantees will be in the form of the guarantee agreement attached as Schedule 3 to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct the business operated at your Location as required by the Operations Manual and the Franchise Agreement. We require that you sell and display at the Location only those types, brands and styles of products and services, and all such products and services as may be specified by the Franchisor. Without limiting the generality of this requirement, you will be required to purchase from us or from our designated vendors, at prevailing market rates, all equipment, supplies, materials, advertising and marketing and other Perri's Pizzeria products. All products and services to be sold from or displayed at the Location will be purchased from us or our designated suppliers. You will comply with our requirements concerning the introduction of any new or different products or service for sale. We will have the right without notice to enter your Location and remove and dispose of any product or service which does not meet our standards and specifications, or which was obtained from any source other than designated suppliers, without liability or accountability for such entry or disposal to you of any nature or kind.

[THIS SPACE IS INTENTIONALLY LEFT BLANK]

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

FRANCHISE RELATIONSHIP		
Provision	Article in Franchise Agreement	Summary
a. Length of the franchise term	Article 4.1	The Term is ten (10) years (the “Initial Term”) commencing on the day on which this Agreement is signed by us and you. In the event that we and you desire to add additional Locations within the Area, we may require, as a condition of consent to granting such additional Location or Locations, that you enter into our then-current form of Franchise Agreement, the term of which shall coincide with the term of this Franchise Agreement.
b. Renewal or extension of the term	Article 4.2	Two five (5) year renewal, subject to specific conditions (see below), all of which must be met prior to renewal.
c. Requirements for you to renew or extend	Article 4.2	Written notice not less than twelve (12) months prior to the end of the initial term or renewal term of this Agreement; bring the Location up to then current image and standards; not be in default under the lease, sublease, Franchise Agreement or any other agreement with the Franchisor or its affiliates; have the right to remain in possession of the Location for the renewal term; have paid all amounts owed to Franchisor; sign then current franchise agreement; deliver release of Franchisor and its affiliates, officers and directors; complete any required retraining; pay the required fee
d. Termination by you	None	None
e. Termination by us without cause	None	None
f. Termination by us with cause	Article 17	Franchisor can terminate only if you default as defined
g. “Cause” defined - curable defaults	Article 17.3	You have 30 days to cure: termination of any employee, agent or contractor in violation of the Franchise Agreement; violation of any law, ordinance, rule, or regulation of a governmental agency; misuse of the Marks or using similar marks; failure to comply with the Operations Manual; transfer not completed with the required time frame; failure to submit required reports; failure to complete any mandatory training; failure to keep Location and equipment in good working order

FRANCHISE RELATIONSHIP		
Provision	Article in Franchise Agreement	Summary
h. “Cause” defined - non-curable defaults	Article 17.2	Non-Curable Defaults: failure to enter into a lease or operate the Location within the required time period; failure to complete the pre-opening training; failure to cure curable defaults with the 30 days; you are convicted of a criminal offence; disclosure of trade secrets or confidential information; your dissolution, liquidation, bankruptcy or other procedures effecting creditors; sale of assets without consent; breach of lease or sublease; abandonment of the Location; transfer without consent; submit false statements; deceptive or unlawful acts; termination of any other agreement between you and the Franchisor; understatement of Gross Sales by more than 5%; non-submission of reports on time on 3 or more occasions; Location is a health or safety hazard; any three defaults within 24 months even if timely cured; non-payment of required funds within 5 days of receiving written notice
i. Your obligations on termination/ non-renewal	Article 18	Obligations include: cease operations and use of names, Marks, and confidential information; de-identification and other modifications to the Location; pay all sums owed; return Operations Manual and all other Confidential Information; assign telephone number to Franchisor; cooperate with the sale of assets if required; execute all required documents for the termination
j. Assignment of contract by us	Article 15.1	No restriction on our right to assign.
k. “Transfer” by you – definition	Article 15.2	Includes: the sale or other transfer, sharing, or encumbrance of assets; the sale or other transfer, pledge, mortgage, or hypothecation of equity interests, including a change of control
l. Our approval of transfer by you	Article 15.3	Franchisor has the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for our approval of transfer	Article 15.3	Receipt of all corporate documents; all monetary obligations paid to Franchisor, affiliates and suppliers; execution of a general release of Franchisor, its officers, directors, shareholders, and employees; not be in default and discharge of all obligations under the Franchise Agreement and all other agreements between you and the Franchisor; you provide a criminal record statement for all principals and employees of the transferee; transferee to meet all required standards; transferees execution of the then current Franchise Agreement; transferees successful completion of all required training; personal guarantee of transferees principals; transferees payment of all required fees; transferee obtaining landlord consent (if necessary); compliance with bulk sales provisions; all Locations must be transferred together
n. Our right of first refusal to acquire your business	Article 15.5	Franchisor has the right to match any offer for the Franchised Business

FRANCHISE RELATIONSHIP		
Provision	Article in Franchise Agreement	Summary
o. Our option to purchase your business	Article 19.5	In certain circumstances, Franchisor has the right to purchase your inventory, fixtures, equipment, or other assets at a certain price, a calculation of which is set out in the Franchise Agreement
p. Your death or disability	Article 15.6	Franchise may be transferred to your spouse, adult children, partner (if Franchisee is a partnership), shareholder (if the Franchisee is a corporation), or member (if the Franchisee is a company) if they meet the qualifications. If not, we may choose to purchase your assets and/or terminate your franchise
q. Non-competition covenants during the term of the franchise	Article 9.18	No involvement in a competing or similar business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Article 9.18	No competing for 2 years within the Territory or 30 miles of the Radius of the Location or any other Franchised Business Operated under the System
s. Modification of the agreement	Article 16.1 & Article 16.2	None, except products, services, Operations Manual, Marks, and System are subject to change; may modify the Franchise Agreement if in a writing signed by the Franchisor, Franchisee, and the Guarantors
t. Integration/merger clause	Article 22.10	Only the terms of the Franchise Agreement and associated Documents are binding (subject to state laws). Other promises may not be enforceable
u. Dispute resolution by arbitration	Article 19.14	Disputes are to be arbitrated by under the auspices of JAMS in New York, New York
v. Choice of forum	Article 22.8	State of New York
w. Choice of Law	Article 22.8	State of New York law applies

NOTES:

(1) These states have statutes which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your Franchise: ARKANSAS [Stat. Section 4-72-201 to 7-72-210, 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Tit. 6, Ch. 25, Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44, 705/19 and 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MARYLAND [Stat. Sections 14-201 to 14-233], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51 to 75-24-61], MISSOURI [Stat. Section 407.400 to 407.410 and 407.420], NEBRASKA [Rev. Stat. Section 87-401 to 87-410], NEW JERSEY [Stat. Section 56:10-1 to 56:10-12], RHODE ISLAND [Section 19-28.1-14], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557 to 13.1-574], WASHINGTON [Code Sections 19.100.180, 19.100.190], WISCONSIN [Stat. Section 135.01 to 135.07]. These and other states may have court decisions that may supersede the provisions of the Franchise Agreement in your relationship with us including the areas of termination, a limitation on the post termination non-competition covenant and renewal of your Franchise. Provisions of your Franchise Agreement giving Perri's Pizzeria® the right to terminate in the event of your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101, et seq.).

(2) Some states have statutes and court decisions that supersede the provisions of the Franchise Agreement in your relationship with us including a limitation on the post termination non-competition covenant.

(3) The Franchise Agreement requires mediation and if necessary, binding arbitration. The arbitration will occur at the JAMS offices in New York, New York with the cost of the arbitration borne equally by the parties. Further, the Franchise Agreement requires application of the laws of the state of New York. This provision may not be enforceable under the laws of some states.

ITEM 18. PUBLIC FIGURES

We do not use any public figures to promote our franchise at this time but reserve the right to do so.

ITEM 19. EARNINGS CLAIMS

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 Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting Michael Perri, 1844 Penfield Road, Penfield, New York 14526, (585) 957-6252.

[THIS SPACE IS INTENTIONALLY LEFT BLANK]

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**A. Information Regarding All Franchises**

Listed below are the status summaries for our franchise outlets.

TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2019 TO 2021¹				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	6	6	0
	2020	6	6	0
	2021	6	6	0
Company-Owned ²	2019	2	2	0
	2020	2	3	1
	2021	3	3	0
Total Outlets	2019	8	8	0
	2020	8	9	1
	2021	9	9	0

1 Our fiscal year ends on December 31. All references to years in these tables refers to December 31st of that year.

2 Our affiliates Perri Pizzeria Development LLC, PerriCityGate Inc., and Perri Penfield, Inc. each operate a “company owned” outlet. All references to company owned outlets in these tables refers to Perri Franchising, Inc. as well as any affiliates with common ownership with Perri Franchising, Inc.

[THIS SPACE IS INTENTIONALLY LEFT BLANK]

TABLE 2: TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)**FOR YEARS 2019 TO 2021**

State	Year	Number of Transfers
New York	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

The transfers listed in this table only refer to outlets that were transferred after opening. In addition to these transfers, 0 franchisees transferred their franchise agreements for unopened franchises in 2019, 0 franchisees transferred their franchise agreements for unopened franchises in 2020, and 0 franchisees transferred their franchise agreements for unopened franchises in 2021.

TABLE 3: STATUS OF FRANCHISED OUTLETS
FOR YEARS 2019 TO 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
NY	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Totals	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6

The transactions listed in this table only refer to franchisees that left the system after opening. In addition to these transactions, we terminated 0 franchise agreements for unopened franchises during the 2019 fiscal year, 0 franchise agreements for unopened franchises during the 2020 fiscal year and 0 franchise agreements for unopened franchises during the 2021 fiscal year.

TABLE 4: STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2019 TO 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
NY	2019	2	0	0	0	0	2
	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3

Totals	2019	2	0	0	0	0	2
	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3

TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
New York	0	0	0
Total	0	0	0

Listings of franchisees and Franchisees can be found in Exhibit “E”. A list of all current Perri's Pizzeria® franchisees is attached to this Disclosure Document as Exhibit “E”, including their names and the addresses and telephone numbers of their outlets as of December 31, 2021. In addition, Exhibit “E” lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the 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 franchisees and Franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees and Franchisees, but be aware that not all of them will be able to communicate with you.

Exhibit “H” to this Disclosure Document lists, to the extent known, the names, addresses, telephone numbers, e-mail address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered that we have created, sponsored or endorsed. Exhibit “H” to this Disclosure Document lists the independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

The following financial statements of Perri Franchising, Inc., for the periods stated, are included as a part of this Disclosure Document as Exhibit “F”: Audited Financial Statements and report of independent Certified Public Accountants, the years ended December 31, 2021, December 31, 2020 and December 31, 2019, and unaudited Financial Statements of interim periods, if applicable.

ITEM 22. CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

Exhibit “C” Franchise Agreement

Attachments to Franchise Agreement

Schedule 1: Irrevocable Power of Attorney - Telephone
Schedule 2: Irrevocable Power of Attorney - Lease
Schedule 3: Form of Guarantee Agreement
Schedule 4: Non-Disclosure Agreement

ITEM 23. ACKNOWLEDGMENT OF RECEIPT

Exhibit “J” to this Disclosure Document are detachable receipts. You are to sign both, and keep one copy and return the other copy to us.

EXHIBIT “A”
TO
FRANCHISE DISCLOSURE DOCUMENT

State Agencies and Administrators

[See Attached]

<u>CALIFORNIA</u> Commissioner of Corporations Department of Corporations 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677 <u>HAWAII</u> (agent for service of process) Commissioner of Securities Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (state administrator) Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 <u>INDIANA</u> (for service of process) Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531 (state agency) Secretary of State Securities division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	<u>MARYLAND</u> (for service of process) Securities Commissioner Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 (state agency) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360 <u>MICHIGAN</u> Franchise Administrator Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117 <u>MINNESOTA</u> Department of Commerce Director of Registration 85 Seventh Place East, #500 St. Paul, MN 55101-3165 (651) 296-4026 <u>NEW YORK</u> (for service of process) Secretary of State New York State Department of Corporations One Commerce Plaza 99 Washington Street Albany, New York 12231 (518) 474-4750 (State Administrator) NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 <u>NORTH DAKOTA</u> Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505 (701) 328-4712	<u>RHODE ISLAND</u> Department of Business Regulation 233 Richmond Street, #232 Providence, Rhode Island 02903 (401) 222-3048 <u>SOUTH DAKOTA</u> Department of Revenue and Regulation 445 East Capitol Pierre, South Dakota 57501-3185 (605) 773-4013 <u>VIRGINIA</u> (for service of process) Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9672 (for other matters) State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051 <u>WASHINGTON</u> (for service of process) Director Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 (for other matters) Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 345 West Washington Avenue 4th Floor Madison, WI 53703 (608) 266-3364
--	---	---

EXHIBIT "B"

TO

FRANCHISE DISCLOSURE DOCUMENT

Agent for Service of Process - Perri Franchising, Inc.

The registered agent of the Franchisor authorized to receive service of process in the State of New York is the Secretary of State New York State Department of Corporations, One Commerce Plaza, 99 Washington Avenue, Albany, New York 12231.

EXHIBIT “C”
TO
FRANCHISE DISCLOSURE DOCUMENT

Franchise Agreement

[See Attached]

FRANCHISE AGREEMENT



THE ORIGINAL
HUGE SLICE PIZZERIA

Effective Date: _____, 20__

Table of Contents

ARTICLE 1. - BACKGROUND

- 1.1 System
- 1.2 Marks
- 1.3 Distinguishing Characteristics
- 1.4 Desire to Obtain License
- 1.5 Franchisee's Independent Investigation
- 1.6 Need for Strict Conformity
- 1.7 Reliance by Franchisor

ARTICLE 2. - INTERPRETATION

- 2.1 Principles of Interpretation
- 2.2 Good Faith
- 2.3 Incorporation of Recitals
- 2.4 Definitions
- 2.5 Severability
- 2.6 Headings
- 2.7 References
- 2.8 Deadlines
- 2.9 Benefit of Agreement
- 2.10 Schedules

ARTICLE 3. - GRANT OF FRANCHISE

- 3.1 Grant of Franchise
- 3.2 Location
- 3.3 Exclusivity
- 3.4 Rights Reserved by Franchisor

ARTICLE 4. - TERM AND RENEWAL

- 4.1 Initial Term
- 4.2 Renewal

ARTICLE 5. - DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS

- 5.1 Selection and Lease of Location
- 5.2 Lease of Premises
- 5.3 Development of Location
- 5.4 Franchisee's Assistance
- 5.5 Equipment, Fixtures, Accessories and Signs
- 5.6 Opening for Business

ARTICLE 6. - FEES

- 6.1 Franchise Fee
- 6.2 Royalty Fee
- 6.3 Advertising and Promotion Fund
- 6.4 Payment Due Date
- 6.5 Automatic Payment Procedure

ARTICLE 7. - ROLE OF THE FRANCHISOR

- 7.1 Loan of Manual
- 7.2 Training

- 7.3 Additional Information
- 7.4 On-site Visits
- 7.5 Bookkeeping Specifications
- 7.6 Suggested Prices
- 7.7 Excusal of Performance

ARTICLE 8. - IMAGE AND OPERATING STANDARDS

- 8.1 Condition and Appearance of the Location
- 8.2 Authorized Products and Services
- 8.3 Minimum Inventory
- 8.4 Standards of Service
- 8.5 Reputation
- 8.6 Interim Remodeling
- 8.7 Suggested Prices to be Charged by the Franchisee
- 8.8 Full-Time and Attention
- 8.9 Management of Location
- 8.10 Hours of Operation
- 8.11 Development of Market

ARTICLE 9. - GENERAL OBLIGATIONS OF THE FRANCHISEE

- 9.1 Need for Conformity
- 9.2 Responsibility for Service
- 9.3 Pre-Opening Requirements
- 9.4 Initial Training
- 9.5 Ongoing Training
- 9.6 Hiring and Training of Employees by the Franchisee
- 9.7 Payment of Taxes and Indebtedness
- 9.8 Dispute Regarding Taxes or Indebtedness
- 9.9 Compliance with Laws
- 9.10 Duty to Notify
- 9.11 Materials
- 9.12 Inspection of Premises
- 9.13 Communications Equipment
- 9.14 Internet Home Page
- 9.15 Maintenance of Equipment
- 9.16 Confidential Information
- 9.17 Non-Solicitation and Non-Competition
- 9.18 Organizational Documents
- 9.19 Transfer and Issuance of Securities
- 9.20 Cleanliness
- 9.21 Use of Name, etc.
- 9.22 Other Obligations

ARTICLE 10. - TRADE MARKS, TRADE NAMES AND/OR SERVICE MARKS

- 10.1 Grant of License
- 10.2 Conditions for Use
- 10.3 Notice of Litigation
- 10.4 Acknowledgement

ARTICLE 11. - MANUAL

- 11.1 Compliance with Manual
- 11.2 Confidentiality of Manual
- 11.3 Franchisor's Property
- 11.4 Revisions

ARTICLE 12. - ACCOUNTING AND REPORTING

- 12.1 Use of Designated Accounting System
- 12.2 On-Line Access
- 12.3 Maintenance of Records
- 12.4 Reports and Financial Information
- 12.5 Additional Information
- 12.6 Enquiry by the Franchisor
- 12.7 Inspection

ARTICLE 13. - ADVERTISING

- 13.1 Advertising
- 13.2 Submission and Approval of Advertising
- 13.3 Advertising Directed by the Franchisee

ARTICLE 14. - INSURANCE

- 14.1 Policies to be Obtained
- 14.2 Scope of Coverage
- 14.3 Franchisor's Option to Obtain Insurance
- 14.4 Franchisee to Report Claims

ARTICLE 15. - TRANSFER OF INTEREST

- 15.1 Transfer by the Franchisor
- 15.2 Transfer by the Franchisee
- 15.3 Pre-Conditions to Transfer
- 15.4 Transfer to Holding Corporation, etc.
- 15.5 Franchisor's Right of First Refusal
- 15.6 Transfer Upon Death or Incapacity
- 15.7 Non-Waiver of Claims
- 15.8 Reasonableness
- 15.9 Operation of the Franchised Business by the Franchisor

ARTICLE 16. - CHANGES AND MODIFICATIONS

- 16.1 Franchisor's Right to Modify System, etc.
- 16.2 Scope of Change or Modification

ARTICLE 17. - DEFAULT AND TERMINATION

- 17.1 Early Termination
- 17.2 Default with No Opportunity to Cure
- 17.3 Default With Thirty (30) Day Opportunity to Cure

ARTICLE 18. - FRANCHISEE'S OBLIGATIONS UPON TERMINATION

- 18.1 Franchisee's Obligations Upon Termination

ARTICLE 19. - ADDITIONAL REMEDIES

- 19.1 Remedies

- 19.2 Indemnification of the Franchisor
- 19.3 Joint and Several Liability
- 19.4 Franchisor May Cure Default
- 19.5 Franchisor's Option to Purchase
- 19.6 Right of Entry
- 19.7 Injunctive Relief
- 19.8 Setoff by the Franchisor
- 19.9 No Setoff by Franchisee
- 19.10 Power of Attorney
- 19.11 Charges for Late and N.S.F. Payments
- 19.12 Security to the Franchisor
- 19.13 Legal Fees
- 19.14 Arbitration

ARTICLE 20. - GUARANTEE

- 20.1 Guarantee and Indemnity
- 20.2 Waiver of Rights to Proceed
- 20.3 Any Dealings Binding on Guarantor(s)
- 20.4 Settlement Binding on Guarantor(s)
- 20.5 Bankruptcy of the Franchisee
- 20.6 Guarantor's Covenants Binding
- 20.7 Guarantor(s) to be Bound

ARTICLE 21. - STATUS OF PARTIES

- 21.1 Independent Contractor
- 21.2 Holding Out to Public
- 21.3 No Liability
- 21.4 Identification

ARTICLE 22. - GENERAL PROVISIONS

- 22.1 Amendments
- 22.2 Further Assurances
- 22.3 Notice
- 22.4 Written Consent
- 22.5 No Waiver
- 22.6 Uncontrollable Circumstances
- 22.7 Governing Law
- 22.8 Jurisdiction and Venue
- 22.9 Counterparts
- 22.10 Entire Agreement
- 22.11 Disclaimer
- 22.12 Investigation and Voluntary Agreement
- 22.13 Language Clause
- 22.14 Date of Execution

- Schedule 1: Irrevocable Power of Attorney - Telephone
- Schedule 2: Irrevocable Power of Attorney - Lease
- Schedule 3: Form of Guarantee Agreement
- Schedule 4: Non-Disclosure Agreement

Perri Franchising, Inc.
(the "Franchisor")

- and -

(the "Franchisee")

- and -

- and -

(collectively, the "Guarantors")

THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 20__ (the "Effective Date"), by and between Perri Franchising, Inc., a New York corporation with its principal office at 1844 Penfield Road, Penfield, New York 14526 ("Franchisor"), and _____, a _____ with (its principal office) (his/her residence) at _____ ("Franchisee").

ARTICLE 1 - BACKGROUND

1.1 System

As the result of a significant expenditure of time, skill, effort and money, the Franchisor has developed and owns a unique and proprietary system relating to the establishment, development and operation of facilities offering catering, pizza, submarine sandwiches, chicken wings and related food products in conformity with Franchisor's food preparation procedures and business methods (the "System"). The distinguishing features of the System include, but are not limited to, the Perri's Pizzeria fresh preparation methods, huge slice and brick oven cooking.

1.2 Marks

In connection with its business of licensing and regulating Perri Franchising, Inc. franchisees, the Franchisor has developed, used and continues to use and control the use of certain proprietary interests, trademarks, service marks and trade names, including but not limited to Perri's Pizzeria which is a trademark applied for and registered with New York State, to identify the source of goods and services marketed under that trademark to the public and to represent to the public high and uniform standards of quality and service.

1.3 Distinguishing Characteristics

The distinguishing characteristics of the System include, without limitation, unique methods, technical assistance and training in the operation, management and promotion of the Franchised Business, sales and marketing systems, inventory control methods, financial management tools, specialized reporting, bookkeeping and accounting methods, advertising and promotional programs and the use of copyrighted materials written and produced by the Franchisor, all of which may be changed, improved and further developed by the Franchisor.

1.4 Desire to Obtain License

The Franchisee desires to obtain a license to use the Marks and System in connection with the operation of a Perri's Pizzeria franchise in accordance with the terms of this Agreement and the Manual and at the Location and within the Radius of Protection specified in this Agreement.

1.5 Franchisee's Independent Investigation

The Franchisee expressly acknowledges that it is entering into this Agreement after having made an independent investigation of the Franchisor's operations and the Franchised Business and is not relying upon any representation as to the profits and/or sales volumes that the Franchisee might be expected to realize, nor upon any other statement, promise or representation whatsoever which is not contained in this Agreement. The Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by a lawyer or professional advisor of its own choosing.

1.6 Need for Strict Conformity

The Franchisee understands and acknowledges the importance of the Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchised Business in strict conformity with the Franchisor's standards and specifications.

1.7 Reliance by Franchisor

The Franchisor has agreed to enter into this Agreement with the Franchisee on the basis of the information provided to the Franchisor by the Franchisee, and in reliance upon the Franchisee's representation that he, she or it will fully and faithfully honor and perform all of the obligations of the Franchisee contained in this Agreement for the entire Term of this Agreement.

ARTICLE 2 - INTERPRETATION

2.1 Principles of Interpretation

The Franchisee acknowledges that the nature of franchising is such the Franchisor has responsibilities not only to the Franchisee but also to all other Perri's Pizzeria franchisees and to the Franchisor's corporate stores, customers, employees and shareholders. The Franchisee understands that those responsibilities may sometimes conflict or be inconsistent. The Franchisee also acknowledges that the Franchisor has the right to act in its own best interest which may sometimes conflict or be inconsistent with the Franchisee's best interests.

2.2 Good Faith

Where any provision of this Agreement permits the Franchisor to do any act or not to do any act on the basis of its discretion, opinion or judgment, the Franchisor agrees to deal fairly and in good faith with the Franchisee in deciding to do or not to do any such act.

2.3 Incorporation of Recitals

The recitals of fact and representations set out in Article 1 are true and are incorporated in the body of this Agreement by reference.

2.4 Definitions

In this Agreement, the following words will have the meaning set out beside them.

a. "Agreement" means this agreement and any amendments made to it by the parties in accordance with the terms of this agreement.

b. "Effective Date" means, for purposes of the commencement date of this Agreement, the earlier of:

i) the first day of the month in which this Agreement is signed by the Franchisor and the Franchisee;

ii) the first day of the month of training of the Franchisee pursuant to this Agreement; or

iii) the first day of the month of the operation of the Franchised Business.

c. "Franchised Business" means the Perri's Pizzeria franchise operation of the Franchisee carried on by the Franchisee at the Location and within the Radius of Protection pursuant to this Agreement.

d. "Franchisee" means _____ and any successor individual(s), partnership(s) or corporation(s) which _____ may result from a reorganization, amalgamation or continuance of the Franchisee and any assignee to which an approved assignment of this Agreement is made.

e. "Gross Sales" for any period means the entire amount of revenue whether for cash, credit or otherwise, in respect of the operation of the Franchised Business and all other receipts whatsoever from all business conducted upon or originating from within the Radius of Protection. The performance of services or the sale of goods is considered "revenue" when services have been completed or goods provided so as to entitle the Franchisee to payment for those services or goods, whether or not payment occurs. Gross Sales will not include:

i) any government tax, provided the amount of the tax is added to the selling price, the amount is expressly charged to the customer, a specific record is made at the time of each sale of the amount of the tax, and the tax is paid over to the appropriate taxing authority; and

ii) receipts which arise from the disposition of damaged, obsolete or otherwise unusable fixed assets.

f. "Incapacity" means that the person to whom such term is applied is unable to perform his normal duties within the Franchised Business for forty-five (45) days in any ninety (90) day period during the term of this Agreement.

g. "Interest Rate" means 2% per month (26.82% per year), or the highest rate allowed by law (whichever is lower).

h. "Location" means the business premises described in Section 5.1 or any alternate location established in accordance with Section 3.2.

i. "Manual" means any rules of operation, operations manuals, policy manuals, video tapes, software, pamphlets, memoranda, directives, instructions and other materials prepared by or on behalf of the Franchisor (whether in written, machine readable or any other form) as such materials may be added to, deleted or otherwise modified by the Franchisor from time to time.

j. "Marks" means all trademarks, trade names, design marks and other commercial symbols that the Franchisor may designate from time to time for use in the System, whether or not registered, including but not limited to Perri's Pizzeria.

k. "Radius of Protection" means a distance of two (2) miles from the Location.

l. "Royalty Fee" has the meaning set out in Section 6.2.

2.5 Severability

Except as expressly provided to the contrary in this Agreement, each section, part, term and/or provision of this Agreement will be considered severable and fully-enforceable. If for any reason, any part of this Agreement is determined to be invalid, contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, it

will not impair the operation of, or have any other effect upon, any other part of this Agreement as may remain otherwise intelligible, and that part will continue to be given full force and effect and bind the parties. The court may modify or amend an otherwise unenforceable or invalid provision of this Agreement to render it enforceable to the maximum extent permitted by law, but if not practicable, then the invalid part or parts will not be considered to be a part of this Agreement.

2.6 Headings

All headings in this Agreement are intended solely for the convenience of the parties, and no heading will be considered to affect the meaning or interpretation of any part of this Agreement.

2.7 References

All references in this Agreement to the masculine, neuter or singular will be interpreted to include the masculine, feminine, neuter or plural, where applicable.

2.8 Deadlines

The parties agree that the deadlines set out in this Agreement will be strictly enforced.

2.9 Benefit of Agreement

Nothing in this Agreement is intended, nor will be considered, to confer upon any person or legal entity other than the parties and those persons expressly indicated to be entitled to rights or remedies under this Agreement. This Agreement is available for the benefit of, and is binding upon, the heirs, successors, personal legal representatives and permitted assigns of the parties. The Franchisor will be considered a third-party beneficiary of any agreement entered into between the Franchisee and its employees, agents, suppliers and independent contractors.

2.10 Schedules

The following schedule is attached to and incorporated in this Agreement by reference and is considered to be a part of this Agreement. Even though this schedule is considered a part of this Agreement, the schedule has been signed by the parties and is an independent and binding agreement in accordance with its terms.

- Schedule 1: Irrevocable Power of Attorney - Telephone
- Schedule 2: Irrevocable Power of Attorney - Lease
- Schedule 3: Form of Guarantee Agreement
- Schedule 4: Non-Disclosure Agreement

ARTICLE 3 - GRANT OF FRANCHISE

3.1 Grant of Franchise

Subject to all the terms and conditions of this Agreement, the Franchisor grants to the Franchisee, and the Franchisee accepts, a license to use the Marks and the System in the operation by the Franchisee of one Franchised Business at the Location.

3.2 Location

The Franchisee will operate the Franchised Business only at the Location. During the term and any renewal of this Agreement, the Location is to be used exclusively by the Franchisee and solely for the purpose permitted by this Agreement. Prior to the termination or expiration of the license granted under this Agreement, if the Franchisee's lease for the Location should terminate without fault of the Franchisee, or if the Location should be destroyed, condemned or otherwise rendered unusable for the purposes of this Agreement, or if the Location should be expropriated or the Franchisee otherwise loses possession of the Location without fault on its part, or, if in the judgment of the Franchisor, there is a change in the character or attributes of the Location sufficiently detrimental to warrant its relocation, the Franchisee will be entitled to relocate the Franchised Business to another location within the Radius of Protection acceptable to the Franchisor, provided that:

- a. the Franchisor has first given its written consent to such relocation and to the new location;
- b. the new location will be developed by the Franchisee in the manner described in this Agreement or otherwise agreed by the Franchisor and the Franchisee, solely at the Franchisee's cost;
- c. the Franchisee is not in default of the terms of this Agreement or any other agreement between the Franchisor and the Franchisee;
- d. the Franchisee pays to the Franchisor its full costs (including legal fees) of such relocation;
- e. the new location would not materially negatively impact the revenues of any adjoining Perri's Pizzeria location; and
- f. the Franchisee has obtained a release from the landlord of the former Location and such other persons as it may reasonably require.

3.3 Exclusivity

Subject to Section 3.4 below, for so long as the Franchisee is not in default under this Agreement, the Franchisor agrees not to operate or license any other person to operate a Perri's Pizzeria franchise location within the Radius of Protection. The Franchisee acknowledges and agrees that Perri's Pizzeria franchisees may be permitted to relocate, under certain circumstances and with the Franchisor's prior written consent, to another location within their Radius of Protection. The Franchisee's original Location will be the point from which the Radius of Protection is measured at all times during the term or any renewal of this Agreement, notwithstanding any permitted relocation(s) by the Franchisee.

3.4 Rights Reserved by Franchisor

The Franchisor (on behalf of itself and its affiliates) reserves the right in its absolute discretion to operate and to grant others the right to operate, within the Radius of Protection and elsewhere: i) facilities offering food services and products under trade names and trademarks other than the Marks if such facilities are directly or indirectly acquired by the Franchisor or its affiliates or if the Franchisor or its affiliates have acquired directly or indirectly the rights and obligations of the franchisor of such facilities. Such facilities may employ substantial portions of the System in their operations; and ii) operate a Perri's Pizzeria franchised business at any Institution, grant a third party the right to operate a franchised business, and/or enter into a license or other agreement with the Institution granting the Institution, or its agents, the right to operate a franchised business or otherwise utilize the System and/or the Marks. For the purpose of this Agreement, "Institution" means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation, shopping centers, office complexes, universities, colleges, bus stations, subway stations, casinos, hospitals and other health care facilities, airports, military installations, sports complexes, ports, ferry terminals, museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator. In the event that the Franchisor intends to open a franchised business in an Institution pursuant to this Section 3.4 (b)(ii), Franchisee shall have a right of first refusal to open said franchised business if Franchisee delivers written notice of its intention to do so within thirty (30) days of Franchisee's receipt of written notice that Franchisor intends to open a franchised business in the Institution.

ARTICLE 4 - TERM AND RENEWAL

4.1 Initial Term

The term of this Agreement is ten (10) years commencing on the day on which this Agreement is signed by the Franchisor and the Franchisee.

4.2 Renewal

The Franchisee may renew the license granted under this Agreement for two (2) additional five (5) year periods (each a "Renewal Term"), subject to the following conditions, all of which must be met prior to renewal.

a. The Franchisee will give to the Franchisor written notice of its election to renew this Agreement not less than twelve (12) months prior to the end of the initial (or any subsequent) term of this Agreement.

b. At least six (6) months prior to the expiration of the initial (or any subsequent) term of this Agreement, the Franchisor review all aspects of the Franchised Business and give notice of all required modifications and/or renovations to the Location and to the Franchised Business necessary to comply with the then-current standards and image for franchisees of the System operating within the Franchisee's market area. If the Franchisee elects to renew this Agreement, the Franchisee will complete, at the Franchisee's own expense and to the Franchisor's satisfaction, but not to exceed Fifty Thousand Dollars (\$50,000.00), all required modifications, renovations, alterations, refurbishment, remodeling and redecoration as well as and implement any new methods, programs, modifications and techniques required by the

Franchisor's notice no later than three (3) months prior to expiration of the initial (or any subsequent) term of this Agreement.

c. The Franchisee will not be in default of any provision of this Agreement or any other agreement between the Franchisee and the Franchisor and will have substantially complied with all of the terms and conditions of such agreements.

d. The Franchisee (and, if the Franchisee is a corporation, its shareholders, directors and officers and, if the Franchisee is a partnership, all of its partners) will have satisfied all monetary obligations owed by the Franchisee to the Franchisor on a timely basis throughout the term of this Agreement.

e. At the option of the Franchisor, the Franchisee will execute a new franchise agreement in the form being used by the Franchisor with new franchisees of the System or with other renewing franchisees, which shall not contain terms and conditions substantially different than contained in this and such other documents and agreements as are then customarily used by the Franchisor in the granting of franchises. If the Franchisor elects not to execute a new franchise agreement with the Franchisee, all of the provisions contained in this Agreement in effect immediately prior to the commencement of the Renewal Term will remain in force during the Renewal Term (except for any further right of renewal).

f. The Franchisee (and, if the Franchisee is a corporation, its shareholders, directors and officers, if the Franchisee is a partnership all of its partners) will execute a general release in a form designated by the Franchisor, of any and all claims against the Franchisor and its subsidiaries and their respective officers, directors, agents and employees.

g. The Franchisee will provide the Franchisor with a copy of the lease for the Location and such other documents and evidence reasonably requested by the Franchisor to confirm that the Franchisee is not in default of any provision of the lease for the Location and has the right to use and remain in possession of the Location to the end of the renewal term.

h. The Franchisee will pay a training, administrative and transfer fee of Ten Thousand Dollars (\$10,000.00).

In the event that any of the above conditions for renewal have not been met, the Franchisor will have no obligation to renew this Agreement.

ARTICLE 5 - DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS

5.1 Selection and Lease of Location

Following execution of this Agreement by the parties, the Franchisee will notify the Franchisor in writing of a proposed Location for the Franchised Business. Upon receipt of the Franchisee's request and all other documentation necessary for the Franchisor to consider the suitability of the proposed Location and in reliance upon the Franchisee's research of the available locations, the Franchisor will notify the Franchisee in writing of its acceptance or rejection of the proposed Location. Upon receipt of the Franchisor's written approval of the Location, the Franchisee will enter into an agreement to lease or a lease of the Location from the landlord of the Location. The terms and conditions of any such agreement to lease or lease will require the prior approval of the Franchisor.

5.2 Lease of Premises

If the Franchisee leases the Premises, the lease will be subject to the Franchisor's prior approval and will have a term or options to renew which in total are equal to or greater than the term of this Agreement and will provide that:

- a. Franchisee may assign any and all right, title and interest in the lease to Franchisor without landlord's consent; and
- b. on termination of this Agreement, for any reason provided for in this Agreement, the Franchisor or its designee will have the option for 30 days to assume the Franchisee's remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment, or the Franchisor will have the right to execute a new lease for the remaining term on same terms and conditions;
- c. copies of all notices of default under the lease will be sent to the Franchisor;
- d. in the event of the Franchisee's default under the lease, the Franchisor or its designee will have an opportunity to cure such default and assume the Franchisee's remaining obligations under the , but will not have any obligation to do so; and
- e. all signs, advertising, logos or other forms or insignia pertaining to the System must be removed from the Premises demised under the lease in the event that neither the Franchisee nor the Franchisor or its designee is the tenant under the lease upon termination of this Agreement.

5.3 Development of Location

The Franchisor may provide to the Franchisee suggested layouts and specifications for the Franchised Business at the Location, including suggestions for dimensions, design, interior layout, building materials, equipment, signs and color scheme and will provide such advice as may be reasonably necessary in the circumstances. The Franchisee agrees to do or cause to be done the following at its sole cost and expense:

- a. prepare all plans and specifications necessary to construct the leasehold improvements to the Location in accordance with all applicable laws and lease requirements;
- b. obtain all required building, utility, sign, health, sanitation and business permits and licenses and other required permits and licenses;
- c. construct all leasehold improvements to the Location, all in accordance with the lease and the Franchisor's standards of design, color scheme, layout and materials;
- d. purchase or lease all fixtures, equipment and signs required for the Location as specified by the lease or the Franchisor.

5.4 Franchisee's Assistance

The Franchisee agrees to promptly execute and deliver to the Franchisor all instruments and documents necessary in the reasonable judgment of the Franchisor to facilitate development or purchase of the Location as provided in this Agreement, including without limitation, purchase orders, construction contracts, disbursement authorizations and powers of attorney.

5.5 Equipment, Fixtures, Accessories and Signs

The Franchisee agrees to use in the operation of the Location only those brands and models of equipment that the Franchisor has approved for Perri's Pizzeria locations as meeting its specifications and standards for design, function, performance, serviceability and warranty. The Franchisee further agrees, at its sole cost and expense, to place or display at the Location (interior and exterior) only such signs, emblems, lettering, logos, menu management station supplies, and display materials, and agrees to use in the operation of the Franchised Business only such supplies that are from time to time approved in writing by the Franchisor, as updated from time to time. The Franchisee will not replace any of the equipment at the Location or add to such equipment, unless such replacement or additional equipment complies with the Franchisor's standards and specifications and is purchased from the Franchisor or its designated suppliers.

5.6 Opening for Business

The Franchisee agrees to commence the Franchised Business within six (6) months of the date of execution of this Agreement. This Agreement may be terminated on forty-five (45) days prior written notice at the Franchisor's option for failure by the Franchisee to commence its business as provided by this Section.

ARTICLE 6 - FEES

6.1 Franchise Fee

The Franchisee will pay to the Franchisor a non-recurring and non-refundable license fee of Twenty Thousand dollars (\$20,000.00) together with all applicable taxes. The Franchisee acknowledges that the grant of the license to operate the Franchised Business constitutes the consideration for the payment of this franchise fee and that the franchise fee is fully-earned by the Franchisor upon signature of this Agreement.

6.2 Royalty Fee

In return for the ongoing rights and privileges granted to the Franchisee under this Agreement, the Franchisee agrees to pay a continuing monthly royalty fee to the Franchisor equal to Franchisee's post tax per slice price of eight (8) cheese pizza slices per day, as sold by the slice, multiplied by 1.25 (Example: If a cheese pizza slice is \$3.75 after taxes are added, then Franchisee's Royalty Fee for the month of April shall be $\$3.75 \times 8 \text{ slices} \times 30 \text{ days} \times 1.25 = \$1,125.00$). Royalty Fees are due by the 10th of every month. In the event the Royalty Fees are not received by the 10th of the month, a late payment fee will apply at the Interest Rate plus \$50 per occurrence.

6.3 Advertising and Promotion Fund

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, the Franchisee agrees that the Franchisor may maintain and administer a franchise advertising and promotion fund (the "Fund") in accordance with Article 13 for national, regional and other advertising programs. The Franchisee will pay a continuing monthly advertising and promotion contribution equal to Four Hundred Dollars (\$400.00) per calendar month, which may be changed to a percentage of Gross Sales up to a maximum of 2% Gross Sales, at any time by Franchisor upon notice to Franchisee, together with all applicable taxes. The Franchisee's monthly contribution under this section may be increased to such greater amount as from time to time may be agreed upon by a majority of the Perri's Pizzeria franchisees in the province or state in which the Location is situate.

6.4 Payment Due Date

All monthly payments required by this Agreement must be received by the Franchisor by computer transfer direct debit or such other manner as may be designated by the Franchisor on or before the 10th day of each month in respect of the preceding calendar month. Any payment not actually received by the Franchisor on or before the due date will be considered overdue.

6.5 Automatic Payment Procedure

At the request of the Franchisor and at the Franchisee's expense, the Franchisee will promptly install, implement and at all times maintain and participate in such pre-authorized payment plans, computerized point of sale systems, credit verification systems and automatic banking systems that has the functionality the Franchisor may from time to time require for franchisees of the System. The Franchisee will do all things necessary to remit payments to the Franchisor due under this Agreement by automatic bank transfer or any similar process or procedure which may be initiated by the Franchisor without further action or authorization on the part of the Franchisee.

ARTICLE 7 - ROLE OF THE FRANCHISOR

7.1 Loan of Manual

The Franchisor will lend and deliver to the Franchisee one (1) copy of the Manual during the Initial Term and any Renewal Term of this Agreement.

7.2 Training

Prior to the opening of the Franchised Business to the public, the Franchisor will offer and the Franchisee is required to successfully complete an initial training program. This program will provide instruction on the use of teaching materials and instructional methods, the supervision of teachers, basic informal assessment practices and procedures, the evaluation of assessments, and the development of programming from assessments. It will be of such duration and at such time and place and with whatever additional curriculum and with such manner of instruction as the Franchisor designates. It is understood that if the Franchisor is required to train additional Trainees after the initial training program, the Franchisee will be required to pay compensation for any services performed by the Franchisor in the course of such training. Compensation for these additional services will be determined by the Franchisor in its sole discretion. In all instances, the Franchisee's owner and general manager (if different) must attend

and successfully complete the initial training program. It is understood that the Franchisor will pay no compensation for services performed by the Franchisee and any Trainees in the course of training. The Franchisee will pay all expenses incurred by the Franchisee and its Trainees in connection with and during such training.

7.3 Additional Information

In addition to any other training provided for in this Agreement, the Franchisor will, from time to time, furnish the Franchisee with information, instructions, techniques, data, instructional materials, forms and other operational developments pertaining to the Perri's Pizzeria system of operation, and other products and services related thereto, as may be developed by the Franchisor in connection with the operation of a Perri's Pizzeria franchise. The Franchisor reserves the right to incorporate such information, techniques, instructions, systems, materials and advice into the Manual, and upon being advised, the Franchisee is required to conduct the operations of the Franchised Business in accordance with such systems and techniques specified by the Franchisor.

7.4 On-site Visits

After the Franchisee has opened the Franchised Business to the public, and at a time to be determined by the Franchisor in its absolute discretion, the Franchisor will visit the Franchised Business for the purpose of rendering advice, consultation and additional training with respect to the Franchised Business, its operation and performance in compliance with the Manual. The Franchisee may reasonably request additional on-site visits from the Franchisor for the purposes of rendering of additional advice, consultation or training and the Franchisee agrees to reimburse the Franchisor for the actual time expended and the actual expenses incurred by the Franchisor for these additional visits.

7.5 Bookkeeping Specifications

The Franchisor will furnish to the Franchisee, as part of the Manual, the standard bookkeeping specifications and reporting forms that are required to be used by the Franchisee.

7.6 Suggested Prices

The Franchisor will endeavor to ascertain those prices for products and services sold by the Franchisee which may optimize profits for the Franchisee, and the Franchisor will advise the Franchisee, from time to time, concerning such suggested prices. The Franchisor and the Franchisee agree that any list or schedule of prices furnished to the Franchisee by the Franchisor is a recommendation only and is not to be construed as mandatory upon the Franchisee. Nothing contained in this Agreement is deemed as a representation by the Franchisor that the use of the Franchisor's suggested prices will, in fact, optimize profits. The Franchisee is obligated to inform the Franchisor of all prices charged for services and products sold by the Franchisee if they vary from the Franchisor's suggested prices, and to promptly inform the Franchisor of any new prices established.

7.7 Excusal of Performance

Delays in the performance of any of the Franchisor's duties which are not within the reasonable control of the Franchisor, including but not limited to fire, flood, natural disasters, Acts of God, governmental acts or orders, or civil disorder, including strikes, do not cause a

default hereunder, and the Franchisee will extend the time of performance for the period of such delay or for such other reasonable period of time as may reasonably be required.

ARTICLE 8 - IMAGE AND OPERATING STANDARDS

8.1 Condition and Appearance of the Location

The Franchisee agrees to maintain the condition, cleanliness, design and appearance of the Location consistent with the standards and requirements of the Franchisor (as specified in the Manual or otherwise) for the appearance of all Perri's Pizzeria locations (the "Image"). The Franchisee agrees to effect such refurbishing and renovating of the Location as the Franchisor requires from time to time including, without limitation, replacement of worn out or obsolete equipment, and the repair or redecoration of the interior and exterior of the Location. If at any time in the Franchisor's opinion, the general state of repair, appearance or cleanliness of the Location, its equipment or decor do not meet the then applicable Image and standards, the Franchisor may so notify the Franchisee, specifying the action to be taken by the Franchisee to correct such deficiency. If the Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice or thereafter fails to diligently continue a good faith and continuous effort to complete any such required cleaning, maintenance, replacement, redecorating or repair, the Franchisor will have the right, but will not be obligated, to enter upon the Location and effect such cleaning, maintenance, replacement, redecoration or repair of the Location or decor on behalf of the Franchisee and the Franchisee will pay the entire costs of such work on demand.

8.2 Authorized Products and Services

The Franchisee will sell and display at the Location only those types, brands and styles of products and services, and all such products and services as may be specified by the Franchisor. The Franchisee will comply with the Franchisor's requirements concerning the introduction of any new or different products or service for sale by the Franchisee. The Franchisor will have the right without notice to enter the Location and remove and dispose of any product or service which does not meet the Franchisor's standards and specifications, without liability or accountability for such entry or disposal to the Franchisee of any nature or kind. Notwithstanding the foregoing, Franchisee can request the approval of an item, service or supplier by notifying Franchisor in writing and submitting such information and/or materials Franchisor requests. Franchisor can require Franchisee to pre-pay any reasonable charges connected with Franchisor's review and evaluation of any proposal. Franchisor will notify Franchisee of its decision within fifteen (15) business days of such request.

8.3 Minimum Inventory

At all times, the Franchisee will maintain at the Location a balanced inventory of all products and services described in the Manual in sufficient quantity to satisfy its customers' needs, but in any event the inventory will at all times be equal to, or greater than, the minimum inventory level as set forth in the Manual. In addition to this requirement, the Franchisee acknowledges that, from time to time, the Franchisor may require that it stock new and additional products or services in such minimum quantities as the Franchisor may determine to be desirable. The Franchisee agrees to comply with all requirements of the Franchisor concerning the purchase, storage, display, preparation, use and sale of all approved products and services. If at any time, in the Franchisor's opinion, the Location does not have sufficient

inventory and supplies, the Franchisor will have the right to order additional inventory and supplies on behalf of the Franchisee in sufficient quantities to satisfy the Franchisor's minimum inventory requirements and the Franchisee will pay the full cost of purchasing and delivering such inventory and supplies to the Location.

8.4 Standards of Service

The Franchisee shall ensure that all customers receive prompt, courteous, friendly and efficient service in the Franchised Business. In all dealings with all customers, suppliers and the public, the Franchisee and its employees will ensure adherence to the highest standards of honesty, integrity, good faith, fair dealing and ethical conduct. The Franchisee agrees that its Franchised Business will not deviate from the standards set by the Franchisor from time to time for the operation of the Location, including without limitation, any of the following:

- a. strict adherence to use of the products and services authorized from time to time by the Franchisor in accordance with Section 8.2;
- b. methods and procedures concerning the correct method of buying, displaying, storing and selling products;
- c. the safety, maintenance, cleanliness, function and appearance of the Location;
- d. clothes to be worn by, and general appearance of, the Franchisee's employees as necessary to maintain uniformity throughout the System;
- e. the use and display of all Marks;
- f. the hours during and the days on which the Location will be open for business to the public;
- g. the honoring of credit, debit or other card services which the Franchisor has approved;
- h. limiting the placement of personal property and other financial security interests in, or hypothecs or pledges of its assets without the prior written approval of the Franchisor;
- i. the use and illumination of signs, labels, posters, displays, standard formats and similar items;
- j. the identification of the Franchisee as an Perri's Pizzeria franchisee and the owner of the Franchised Business;
- k. the content, style and media of advertising conducted by the Franchisee;
- l. the sources, types and brands of all products and services sold or displayed at the Location;
- m. the minimum levels of inventory to be maintained by the Franchisee;

- n. the use and honoring of gift certificates, coupons and other such local and national promotional authorized by the Franchisor;
- o. attendance by the Franchisee at all seminars and meetings with other Franchisees; and

8.5 Reputation

The Franchisee agrees that the reputation and success of the Franchised Business is dependent upon the confidence of the consuming public in the Franchisor, its franchisees and their employees, the products and services offered and their ability to protect the consuming public from crime. In this regard, the Franchisee acknowledges and agrees that it is necessary that the Franchisor's its personnel standards be more stringent than those adopted by businesses generally and will uphold this high reputational standard through the Term of this Agreement.

8.6 Interim Remodeling

The Franchisee agrees to remodel and upgrade the Franchised Business to the extent and in accordance with the then current standards as required by the Franchisor, prior to the termination of each five (5) year period throughout the original term and any renewal of this Agreement. All costs incurred in connection with such remodeling and upgrading and the acquisition of any fixtures will be paid solely by the Franchisee and shall not exceed Twenty-Five Thousand Dollars (25,000.00) with respect to remodeling costs.

8.7 Suggested Prices to be Charged by the Franchisee

The Franchisor may, from time to time, advise the Franchisee concerning suggested minimum prices to be charged by the Franchisee that, in the Franchisor's judgment, would constitute good business practice for the Franchisee. The Franchisee is under no obligation to accept the Franchisor's suggestion as to minimum price and will in no way suffer in its business relations with the Franchisor or with any other person if the Franchisee fails to accept any such suggestion. The Franchisee acknowledges and agrees that the integrity and goodwill developed in its Franchised Business and all other Perri's Pizzeria locations may depend upon the sale of goods and services at competitive prices and that, therefore, the Franchisor may specify from time to time, a maximum price for the Franchisee's goods and services and the Franchisee agrees to comply with such directions from the Franchisor concerning maximum prices. Such advice or suggestions concerning minimum prices and directions concerning maximum prices may be contained in the order forms or packing slips which accompany goods purchased by the Franchisee from the Franchisor, in advertisements and promotional material prepared or arranged by the Franchisor, or in the Manual.

8.8 Full-Time and Attention

At all times, the Franchised Business will be under the direct supervision of the Franchisee or under the direct supervision of a fully-trained employee-manager of Franchisee. Notwithstanding the foregoing, the owner(s) (or majority member(s) or shareholder(s)) of the franchise shall work in the Franchised Business an aggregate of not less than 35 hours per week.

8.9 Management of Location

Subject to Section 8.8 above, at all times, the Franchised Business and the Location will be under the direct, on-premises supervision of the Franchisee or under the direct, on-premises supervision of a fully-trained employee-manager of Franchisee who has attended training and has been approved in writing by the Franchisor.

8.10 Hours of Operation

Subject to applicable laws, the Franchisee will keep the Location open for business and staffed with trained employees during such hours as required by the lease for the Location and such additional hours of business as the Franchisor may require.

8.11 Development of Market

The Franchisee will at all times actively promote the products and services offered by the Franchised Business, and will use its best efforts to develop, cultivate, and expand the market for these products and services within the Radius of Protection.

ARTICLE 9 - GENERAL OBLIGATIONS OF THE FRANCHISEE

9.1 Need for Conformity

The Franchisee acknowledges and agrees that every detail of the System is important to the Franchisee, the Franchisor and other franchisees in order to maintain the high and uniform operating standards, to increase the demand for the products and services offered to the public in connection with the System and the Marks, and to enhance the goodwill associated therewith, and the Franchisor's reputation and rights therein. As such, the Franchisee will at all times manage and operate the Franchised Business in strict compliance with the standards, procedures and policies as the Franchisor may from time to time establish as though all were specifically set forth in this Agreement, whether set forth in the Franchisor's Manual, bulletins, notices or elsewhere.

9.2 Responsibility for Service

The Franchisee will be solely responsible for the services and results of such services which are performed under this Agreement. This responsibility remains a continuing obligation beyond the termination of this Agreement, regardless of the cause of termination.

9.3 Pre-Opening Requirements

Before commencing operation of the Franchised Business, the Franchisee, will comply at its expense and to the Franchisor's satisfaction, with all of the requirements set out below.

a. The Franchisee will comply with the Franchisor's specifications and guidelines for the initial establishment of the Franchised Business which will include the execution of a lease in a location by the Franchisor. The lease entered into by the Franchisee must contain the provisions out in Section 5.2.

b. The Franchisee will obtain all federal, provincial and local business licenses, permits and certifications required for lawful operation of the Franchised Business on an ongoing

basis, including, without limitation, zoning, access, variances (if required) and will certify in writing to the Franchisor that all such licenses, permits and certifications have been obtained.

9.4 Initial Training

The Franchisee, where the Franchisee is an individual, or one of the principal shareholders or general partners of the Franchisee who is or will be actively involved in the business of the Franchisee, together with the Franchisee's employee-manager, if the manager is not the Franchisee, will attend and successfully complete the Franchisor's training program prior to the opening of the Franchised Business. The initial training program will be conducted at a location designated by the Franchisor and for such duration as the Franchisor, in its discretion, determines necessary. In most situations, the duration of the training program will be two (2) weeks, but may be longer. The Franchisor reserves the right to charge reasonable tuition and materials fees where more than 2 individuals attend or are required to attend training. The Franchisee and its employees will be responsible for all meal, travel, lodging or other expenses incurred in attending the Franchisor's training program. No compensation of any type will be payable to trainees. If, in the opinion of the Franchisor, the Franchisee cannot or does not satisfactorily complete such pre-opening training programs or, in the Franchisor's opinion, the Franchisee has failed to demonstrate the qualities and abilities which the Franchisor deems necessary for the successful operation of the Franchised Business, the Franchisor may at its option terminate this Agreement. In the event that the Franchisor exercises its right to terminate the Agreement pursuant to this Section, the Franchisor will refund to the Franchisee the Franchisee Fee, less the Franchisor's reasonable direct and indirect costs incurred to the date of termination. We may send a representative to train you and/or your designated general managers for one additional week before, or including, the opening date of your Franchised Business. This part of training may include instruction in operating your Location, use of equipment, working with customers, opening and closing procedures and other administrative and operating details.

9.5 Ongoing Training

The Franchisee will cause its employees to attend and successfully complete, to the its reasonable satisfaction, such additional continuing education and training programs as Franchisee deems appropriate to ensure its Franchised Business meets all operational standards set by Franchisor. The Franchisor reserves the right to charge reasonable tuition and materials fees for these periodic training or retraining programs. The Franchisee and/or its manager and employees will be responsible for all other expenses incurred in training, including, without limitation, the costs of meals, entertainment, lodging, travel, laundry and wages.

9.6 Hiring and Training of Employees by the Franchisee

The Franchisee will hire and train at its expense, all employees of its Franchised Business, and will be exclusively responsible for the terms of their employment and compensation. The Franchisee will ensure that its staff, attend all staff development programs presented by the Franchisor, which shall not be required more often than one (1) time per year nor more than two (2) times in any three (3) year period. The Franchisor will be entitled to charge its then-current training fee for conducting such staff development programs. The Franchisee will at all times maintain a sufficient number of trained employees to service the

Franchisee's customers and ensure that Franchisor's operational and quality standards are met at all times during the Term of this Agreement.

9.7 Payment of Taxes and Indebtedness

The Franchisee will pay when due all taxes and duties levied or assessed by any taxing authority, and all accounts and other indebtedness of every kind incurred by the Franchisee in the conduct of the Franchised Business.

9.8 Dispute Regarding Taxes or Indebtedness

In the event of any valid dispute as to liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. In no event will the Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, or seizure or execution, to occur against the premises or assets of the Franchised Business.

9.9 Compliance with Laws

The Franchisee will comply with all federal, provincial, and local laws, rules and regulations, and will obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business in a timely manner, including, without limitation, licenses to do business, business name registrations and sales tax permits.

9.10 Duty to Notify

The Franchisee will notify the Franchisor in writing within five (5) business days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental authority which affects or relates to the operation or financial condition of the Franchised Business. A copy of any such order, writ, injunction, award or decree or of any complaint, claim or defense filed in connection with such action, suit or proceeding will be forwarded to the Franchisor within three (3) days of the date of receipt to or forwarding by the Franchisee, as the case may be. Additionally, any and all customer-related complaints will be answered by the Franchisee within five (5) days after receipt of the complaint. A copy of the answer to any complaint will be forwarded to the Franchisor within three (3) days of the date that any answer is forwarded to the complaining customer.

9.11 Materials

The Franchisee will only use advertising materials, business stationery, printed materials and other marketing materials that have been pre-approved by the Franchisor.

9.12 Inspection of Premises

The Franchisee will permit the Franchisor or its agents or representatives to enter upon the premises of the Franchised Business, or any location at which the Franchisee is then

providing services, at any time during business hours and without notice for the purpose of inspecting the records of the Franchised Business, cash register tapes, bookkeeping and accounting records, invoices, payroll and employment records, time cards, check stubs, bank deposits, receipts, sales tax records and returns, inventory records, income tax records and returns, and other business records. The Franchisee will also permit the Franchisor to inspect the premises, take samples of goods, take photographs, interview employees and customers, and conduct any other reasonable review to ensure compliance with the Franchisor's standards and specifications. The Franchisee will cooperate fully with the Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request. Upon notice from the Franchisor or its agents or representatives, and without limiting the Franchisor's other rights under this Agreement, the Franchisee will take such steps as may be necessary to correct, within the period of time designated by the Franchisor in its notice, any deficiencies detected during such inspections, including, without limitation, immediately removing items that do not conform with applicable standards and specifications, and desisting from and preventing the further use of any methods, equipment, advertising materials, programs, supplies, products, services or other items that do not conform to the Franchisor's then-current specifications, standards or requirements. Franchisee shall pay an annual inspection fee, and a reasonable fee for any additional inspections required as a result of its failure to comply to Franchisor's standards at the original inspection, which shall be payable to Franchisor immediately upon notice.

9.13 Communications Equipment

The Franchisee acknowledges the importance to the success of the Franchised Business and to the System of maintaining timely communications with the Franchisor and all others who may wish to communicate with the Franchisee from time to time. For this purpose, the Franchisee agrees to obtain and maintain at its sole cost in proper working order at all times, including all necessary repairs, maintenance, replacement and upgrades (to current industry standards) all point of sale systems, registers, telephone, facsimile, video, internet and other telecommunications hardware, software, service and support with such functionality as may be stipulated from time to time by the Franchisor in the Manual or otherwise communicated to the Franchisee for use generally by franchisees of the System.

9.14 Internet Home Page

It is the intention of the Franchisor that it will maintain a central home page on the Internet. Franchisee's Franchised Location will only be listed on the homepage as long as Franchisee is not in default under this Agreement. The Franchisee agrees upon request to enter into an annual maintenance agreement for the ongoing maintenance, support, information, updating and any required upgrades in respect of the Franchisee's home-page as may be directed from time to time by the Franchisor. The Franchisee will pay any fees for annual maintenance of its own homepage.

9.15 Maintenance of Equipment

The Franchisee will keep and maintain the Location and all of its equipment in good working order and repair.

9.16 Confidential Information

Neither the Franchisee (whether the Franchisee is an individual, corporation or partnership), nor any of its officers, directors, shareholders, partners or agents, as the case may be, will, during or after the term of this Agreement, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to the Franchisee, or of which the Franchisee may have knowledge, by virtue of the Franchisee's operation under the terms of this Agreement (the "Confidential Information"). The Franchisee will divulge confidential information to its employees on a "need to know" basis only. Any and all information, knowledge and know-how, including, without limitation, drawings, materials, equipment, supplier lists and other data, which the Franchisor designates as confidential, will be considered confidential for purposes of this Agreement. Upon request by the Franchisor, the Franchisee will obtain from its employees and deliver to the Franchisor a Confidentiality agreement in the form provided by the Franchisor.

9.17 Non-Solicitation and Non-Competition

The Franchisee and each of the Guarantors, acknowledges that pursuant to this Agreement, the Franchisee will receive valuable specialized training and confidential and other information regarding the business, promotional, sales, marketing and operational methods and techniques of the Franchisor and the System. The Franchisee and each of the Guarantors agrees that during the term of this Agreement, any renewal period, and for a continuous, uninterrupted period commencing upon the expiration or termination of this Agreement or the transfer of the Franchisee's rights in this Agreement and continuing for a five (5) year period after that time, the Franchisee and the Guarantors will not, either directly or indirectly, for itself or themselves or through, on behalf of or in conjunction with any person, persons, partners or corporation whether as a director, officer, employee, consultant, agent, advisor or shareholder, and either with or without compensation:

- a. divert or attempt to divert any business or customer of the Franchised Business to any competitor, direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act or prejudicial to the goodwill associated with the Marks and the System;
- b. employ or seek to employ any person who is at that time employed by the Franchisor or by any other franchisee of the Franchisor, or otherwise directly or indirectly induce such person to leave other employment; or
- c. own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, provide any guarantee or other financial assistance to or have any interest in any business which is similar to or in competition with the Franchised Business and which is located within a radius of thirty (30) miles of the Location or the location of any franchised business operated under the System which is in existence on the date of expiration or termination of this Agreement. For the purpose of this Section, a business is "similar to or in competition with" the Franchised Business if the business sells pizza or pizza-like products including but not limited to: calzones, stromboli, and pizza logs.

Franchisee and each of the Guarantors acknowledges and agrees that they currently maintain sufficient training and skills that would allow them to perform services and obtain and maintain employment opportunities in industries other than the pizzeria business. Accordingly, if the Franchisor is required to seek enforcement of the restrictive covenants in this Agreement, such enforcement will not impose an undue hardship on the Franchisee or any of the Guarantors.

9.18 Organizational Documents

If the Franchisee is a corporation, copies of the Franchisee's organizational documents, including the resolutions of the Board of Directors authorizing entry into this Agreement, will be promptly furnished to the Franchisor on request. The Franchisee's organizational documents will restrict the business that the corporation may carry on to the operation of a Perri's Pizzeria franchise.

9.19 Transfer and Issuance of Securities

If the Franchisee is a corporation, the Franchisee will maintain stop transfer instructions against the transfer of any of its securities with voting rights, and all of its securities will bear on their face the following printed legend:

"The transfer of the securities represented by this certificate is subject to the terms and conditions of a Franchise Agreement with Perri Franchising, Inc. Reference is made to the provisions of that Franchise Agreement and to the organizational documents of this Corporation."

9.20 Cleanliness

The Franchisee will maintain a clean and safe place of business and will comply with all applicable safety and health regulations standards.

9.21 Use of Name, etc.

The Franchisee agrees to give the Franchisor and those acting under its authority the right to reasonably and fairly use their name, photograph or biographical material in any publication, circular or advertisement related to the business of the Franchisor or Franchisee, in any place for an unlimited period, without compensation.

9.22 Other Obligations

The Franchisee will comply with all other obligations set forth in this Agreement, in the Manual or otherwise.

ARTICLE 10 - TRADE MARKS, TRADE NAMES AND/OR SERVICE MARKS

10.1 Grant of License

Subject to the additional conditions set forth herein, the Franchisor grants the Franchisee a non-exclusive license to use the Marks in connection with the operation of its Franchised Business at the Location and within the Radius of Protection.

10.2 Conditions for Use

With respect to the Franchisee's use of the Marks pursuant to the license granted under this Agreement, the Franchisee agrees to comply with all of the conditions of use set out below.

- a. The Franchisee will use only the Marks designated by the Franchisor and will use them only in the manner required or authorized and permitted by the Franchisor.
- b. The Franchisee will use the Marks only in connection with the license to operate the Franchised Business granted under this Agreement.
- c. During the term and any renewal of this Agreement, the Franchisee will identify itself as a licensee and not the owner of the Marks and will make any necessary filings under federal, state or provincial law and execute any documents considered necessary by the Franchisor for protection of the Marks or to reflect such status. In addition, the Franchisee will be identified as a licensee of the Marks on all invoices, checks (checks), order forms, receipts, business stationery and contracts, as well as the display of a notice in such form and content and at such conspicuous locations at the premises of the Franchised Business as the Franchisor may designate in writing. For example, the notice may read: "123456 _____, operating as Perri's Pizzeria. Perri's Pizzeria, is a registered trademark of Perri Franchising, Inc."
- d. The Franchisee's license to use the Marks is limited to such uses as are authorized under this Agreement or in the Manual, and any unauthorized use of the Marks will constitute an infringement of the Franchisor's rights and is grounds for termination of this Agreement as well as other remedies available to Franchisor.
- e. The Franchisee will not use the Marks to incur or secure any obligation or indebtedness.
- f. The Franchisee will not use the Marks or any part of them as part of its corporate or other legal name.
- g. The Franchisor retains ownership of the Marks, and Franchisee's licensed use of the Marks shall insure to the benefit of Franchisor.
- h. Notwithstanding this Section 10.2, and subject to Section 10.4, Franchisee may use the name, "Perri," in its corporate name.

10.3 Notice of Litigation

The Franchisee will notify the Franchisor promptly of any claims or charges or any infringement or threatened infringement or piracy of any of the Marks, of any actual or intended common law passing off by reason of imitation or otherwise, as well as any other information that the Franchisee may have of any suspected infringement or misuse of the Marks. The Franchisee will take no action with regard to such matters without the prior written approval of the Franchisor, but will cooperate fully with the Franchisor in any such action. All decisions regarding action involving the protection and defense of the Marks will be solely in the discretion of the Franchisor.

10.4 Acknowledgement

The Franchisee expressly understands and acknowledges each of the matters set out below.

- a. The Franchisor is the owner of the Marks and all goodwill associated with and symbolized by them.
- b. The Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System.
- c. The Franchisee will not directly or indirectly contest the validity or the ownership of the Marks.
- d. The Franchisee's use of the Marks pursuant to this Agreement does not give the Franchisee any ownership interest or other rights or interest in or to the Marks.
- e. Any and all goodwill arising from the Franchisee's use of the Marks will accrue solely and exclusively to the Franchisor's benefit, provided that the Franchisee will enjoy and be entitled to the benefit of all other goodwill associated with the Franchised Business.
- f. The license to use the Marks granted under this Agreement to the Franchisee is in common with others and the Franchisor may:
 - i) itself use, and grant licenses to others to use, the Marks and the System;
 - ii) establish, develop and franchise other systems, different from the System licensed to the Franchisee in this Agreement, provided that the Franchisor will offer a ten (10) day first right of refusal to purchase any such other system entirely from within the Radius of Protection; and
 - iii) modify or change, in whole or in part, any aspect of the Marks or the System so long as the Franchisee's rights are not materially harmed by such modification or change.
- g. The Franchisor reserves the right to substitute different names and Marks for use in identifying the System, the Franchised Business and other franchised businesses operating under the System and the Marks.
- h. The Franchisor will have no liability to the Franchisee for any senior users which may claim rights to the Marks. The Franchisor is not presently aware of any such senior user, or any other claim that the Marks infringe the intellectual property rights of any other person.
- i. The Franchisee will not register or attempt to register the Marks in the Franchisee's name or that of any other person, firm, entity or corporation. The prohibition in this section will not impede or inhibit the Franchisee from complying with any legislation requiring registration of any business, trade or fictitious name of the Franchisee or the Franchised Business.

ARTICLE 11 - MANUAL

11.1 Compliance with Manual

In order to protect the reputation and goodwill of the Franchisor and to maintain uniform standards of operation under the Marks, the Franchisee will conduct its business in strict compliance with the Manual including all amendments and additions. One copy of the Manual will be provided to the Franchisee on loan from the Franchisor for the term of this Agreement.

11.2 Confidentiality of Manual

The Franchisee will at all times treat as confidential and require its directors, officers, shareholders, partners, employees and agents, as the case may be, to treat as confidential the Manual, and will use all reasonable efforts to maintain such information as secret and confidential, including the requirement to keep the Manual in a locked and secure location. The Franchisee will not at any time, without the Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce the Manual, in whole or in part, nor otherwise make it available to any unauthorized person. Upon request, the Franchisee will obtain a confidentiality agreement relating to the Manual from the employees of the Franchisee.

11.3 Franchisor's Property

The Manual and other training materials on loan from the Franchisor will at all times remain the property of the Franchisor. Upon the expiration or termination of this Agreement, the Franchisee will immediately return the Manual to the Franchisor. If the Manual is ever lost or destroyed then the Franchisee shall be required to pay a fee of \$5,000 to the Franchisor for a replacement Manual.

11.4 Revisions

The Franchisor may from time to time revise the contents of the Manual and the Franchisee agrees to comply with each new or changed standard. The Franchisee will at all times ensure that the Manual loaned to the Franchisee is kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the contents of the master copy of the Manual maintained by the Franchisor at the Franchisor's home office will be determinative.

ARTICLE 12 - ACCOUNTING AND REPORTING

12.1 Use of Designated Accounting System

The Franchisee agrees to utilize the computerized bookkeeping, reporting and accounting system designated from time to time by the Franchisor (including the fiscal year and reporting periods designated by the Franchisor for purposes of budgeting, reporting, and accounting as required under this Agreement), which system will be established and utilized by the Franchisee to account for, and transmit, the financial information required under this Agreement. The Franchisee further agrees to pay all reasonable fees charged by the Franchisor or others for use of such systems, as well as the purchase or lease of all necessary computer hardware, software, technical support and other expenses.

12.2 On-Line Access

The Franchisee agrees that the computerized bookkeeping, reporting and accounting system to be implemented and maintained by the Franchisee under this Agreement will include on-line access (electronic data interchange) hardware and software that will permit the Franchisor to access all of the Franchisee's computer-based financial information, and to read, download and copy any and all such information as may be required by the Franchisor from time to time in accordance with this Agreement. The Franchisee agrees to provide such access on a free and uninterrupted basis, to maintain all of its computerized records in an accurate, complete and absolutely current basis, and to comply with all directives of the Franchisor as to the confirmation of all such data, software and hardware.

12.3 Maintenance of Records

During the term of this Agreement, the Franchisee will maintain and preserve, for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner designated by the Franchisor from time to time in the Manual or otherwise in writing.

12.4 Reports and Financial Information

The Franchisee will furnish to the Franchisor such reports as the Franchisor may reasonably require from time to time. Without limiting the generality of the foregoing, the Franchisee will furnish to the Franchisor the following reports:

- a. by the tenth (10th) day of each calendar month, in the form from time to time prescribed by the Franchisor:
 - i) a report of Gross Sales for the preceding calendar month, signed and verified by the Franchisee together with copies of such other information and supporting records as the Franchisor may require from time to time, including a cash flow report, an aged list of accounts receivable and accounts payable, and an income statement for that month;
 - ii) a variance report comparing actual revenues and expenses for the preceding month with the budgeted revenues and expenses as disclosed by the Franchisee in its business plan; and
 - iii) a coupon sales effectiveness report disclosing number and dollar amount of coupon use;
- b. by the ninetieth (90th) day after the expiration of each fiscal year of the Franchised Business, in a form approved by the Franchisor:
 - i) a statement of profit and loss (income statement), a balance sheet, and a statement of changes in financial position for that fiscal year prepared in accordance with Generally Accepted Accounting Principles, and certified to be true and correct by the Franchisee; and
 - ii) a cash flow statement, yearly budget, yearly business plan and yearly marketing plan setting out the Franchisee's budgeted monthly revenue and

expenditures for a twelve (12) month period for the upcoming year, all of which must be prepared in accordance with the Franchisor's model for such documents;

- c. any other reports, records and documents required to be maintained by the Franchisee pursuant to this Agreement.

In the event we do not receive the above reports on time a \$100 per occurrence Late Report Fee shall apply.

12.5 Additional Information

The Franchisee will also submit to the Franchisor, for review or auditing, such other forms, reports, records, information and data as the Franchisor may designate, in the form and at the time required by the Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing.

12.6 Enquiry by the Franchisor

The Franchisee authorizes the Franchisor or its nominee to make enquiries of the Franchisee's bankers, suppliers, trade creditors, and customers as to their dealings with the Franchisee.

12.7 Inspection

The Franchisor or its designated agents will have the right at all times to examine the books, records, receipts, and tax returns and any other financial records and reports of the Franchisee. The Franchisor's right of examination will include the right to remove all such books, records, etc. for the purpose of photocopying (if photocopying is not available at the Location), provided that any such books, records, etc. so removed will be returned promptly to the Franchisee. The Franchisor will also have the right, at any time to have an independent audit made of the books of the Franchisee. The cost of such inspections will be paid by the Franchisor, except that if an inspection discloses an understatement in any report of five percent (5%) or more, the Franchisee will reimburse the Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and legal fees).

ARTICLE 13 - ADVERTISING

13.1 Advertising

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the Franchisee agrees to the terms of this article.

13.2 Submission and Approval of Advertising

All advertising by the Franchisee in any medium will be conducted in a dignified manner and will conform to the standards and requirements established from time to time by the Franchisor. The Franchisee will submit to the Franchisor (through registered mail, return receipt

requested), for its prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials that the Franchisee desires to use and that have not been prepared or previously approved by the Franchisor, at least one month prior to any publication or run date. The Franchisee must obtain express written approval from the Franchisor prior to using any marketing or advertising material.

13.3 Advertising Directed by the Franchisee

The Franchisee agrees that it will dedicate and spend at least one percent (1%) of its Gross Sales per year for local or regional advertising as designated or approved by the Franchisor and will, upon request by the Franchisor, provide documentation demonstrating these expenditures. The Franchisee will advertise and promote only in a manner that will reflect favorably on the Franchisor, the Franchisee, the Franchised Business and the good name, goodwill and reputation of each. All advertising by the Franchisee must be completely factual and conform to the highest standards of ethical advertising

ARTICLE 14 - INSURANCE

14.1 Policies to be Obtained

The Franchisee will obtain, prior to providing the services licensed under this Agreement, and maintain during the term of this Agreement at the expense of the Franchisee, an insurance policy or policies protecting the Franchisee and the Franchisor, their officers, directors, partners and employees, against any loss, liability, personal injury, death, or property damage or expense whatsoever from theft, vandalism, malicious mischief, and the perils included in the extended coverage endorsement arising or occurring upon or in connection with the Franchised Business. The Franchisee will provide the Franchisor with proof of coverage upon request from time to time.

14.2 Scope of Coverage

Insurance policies will be written by an insurance company satisfactory to the Franchisor in accordance with the standards and specifications set out in the Manual or otherwise in writing, and will include, at a minimum:

- a. employer's liability and workers' compensation insurance as designated by law;
- b. comprehensive general liability insurance covering the operation of the Franchised Business in an amount not less than \$1,000,000.00;
- c. property coverage to the amount of the full insurable value of all of the Franchisee's property of every kind on an "all risks" basis, including coverage for conventional loss due an insured peril;
- d. errors and omissions insurance;
- e. business interruption insurance;

- f. liability insurance covering malicious acts of the Franchisee and the agents and employees of the Franchisee, including acts of sexual harassment or assault, and other forms of abusive or improper conduct;
- g. Comprehensive crime and blanket employee dishonesty insurance in an amount of not less than \$25,000;
- h. owned and non-owned motor vehicle coverage; and
- i. personal injury coverage in an amount not less than \$3,000,000.

In the event that the Franchisor has arranged for the provision of any such insurance through a carrier common to franchisees of the System, then the Franchisee will procure all required coverage from that carrier.

14.3 Franchisor's Option to Obtain Insurance

Should the Franchisee, for any reason, fail to obtain or maintain the insurance required by this Agreement, as revised from time to time by the Manual or otherwise in writing, the Franchisor will have the right, at its option, to obtain such insurance and to charge that expense to the Franchisee, which charges, together with an administrative fee for the Franchisor's expenses in so acting equal to 15% of the total premium cost, will be payable by the Franchisee immediately upon notice.

14.4 Franchisee to Report Claims

The Franchisee will promptly report all claims or potential claims against the Franchisee, the Franchisor or the Franchised Business to its insurer and the Franchisor. At least ten (10) days prior to commencing business, and annually after that time, the Franchisee will submit to the Franchisor a copy or certificate or other acceptable proof of its insurance. The Franchisor may from time to time reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant considerations.

ARTICLE 15 - TRANSFER OF INTEREST

15.1 Transfer by the Franchisor

The Franchisor will have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity provided that such assignee has agreed to assume all obligations of the Franchisor under this Agreement. Upon the happening of any such assignment, the Franchisor will be immediately released from any further obligation or liability under this Agreement of any nature whatsoever.

15.2 Transfer by the Franchisee

The Franchisee understands and acknowledges that the rights and duties set out in this Agreement are personal to the Franchisee, and that the Franchisor has entered into this Agreement in reliance on the business skill and financial capacity of the Franchisee and of its shareholders or partners, if applicable. Accordingly, neither the Franchisee nor any individual

partnership, corporation or other legal entity which directly or indirectly controls the Franchisee, if the Franchisee is a corporation, nor any general partner or limited partner (including any corporation that controls, directly or indirectly, any general or limited partner) if the Franchisee is a partnership, will sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber any legal or beneficial interest in the Franchisee, in this Agreement, in the Franchised Business or any of the assets employed by or in connection with the Franchised Business without the prior written consent of the Franchisor. Any purported assignment or transfer, by operation of law or otherwise, which does not have the prior written consent of the Franchisor, will be null and void and will constitute a material breach of this Agreement for which the Franchisor may terminate this Agreement without opportunity to cure. Notwithstanding the foregoing, Franchisee may, without the consent of the Franchisor (but still subject to Section 15.3 below), transfer the Franchised Business to an immediate family member.

15.3 Pre-Conditions to Transfer

The Franchisor will not unreasonably withhold its consent to a transfer of any interest of the Franchisee in the Franchised Business. Prior to the proposed transfer, the Franchisee must fulfill the terms of the Franchisor's transfer policy in effect at the time of transfer. The Franchisor may, in its discretion, as a part of its transfer policy require that the conditions set out below be satisfied.

- a. If the transferee entity is to be a corporation, then it will be a newly organized corporation and copies of all organizational documents, including any shareholder agreement, will be provided to the Franchisor. The organizational documents will restrict the business that the corporation may carry on to the operation of a Perri's Pizzeria franchise.
- b. All obligations, monetary or otherwise, of the Franchisee or of the principals of the Franchisee to the Franchisor, affiliates and suppliers of the Franchisor will have been satisfied in full.
- c. The Franchisee or transferor, as the case may be, will have executed a general release under, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, provincial and local law.
- d. The transferee will enter into a written agreement, under seal, and in a form satisfactory to the Franchisor, assuming and agreeing to discharge all of the Franchisee's obligations this Agreement.
- e. The transferee will have provided the Franchisor with criminal record statements for all principals of the transferee.
- f. The Franchisee will not be in default of any provision of this Agreement or any other agreement between the Franchisor and the Franchisee.
- g. The transferee and its principals will demonstrate to the Franchisor's satisfaction: that they meet the Franchisor's managerial and business standards; possess a good moral character, business, and credit rating; have the aptitude and ability to

conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); and have adequate financial resources and capital to operate the Franchised Business. The transferee will be required to meet personally with the Franchisor's selection committee, and will be required to satisfy the selection committee that he, she or they generally satisfy the existing requirements for all new Perri's Pizzeria franchisees.

- h. The transferee will execute (and/or, upon the Franchisor's request, cause all interested parties to execute) such then-current standard form franchise agreement and other supporting documents as Franchisor may require for the Franchised Business.
- i. At the transferee's expense and upon such other terms and conditions as the Franchisor may reasonably require, the Franchisor will require the transferee or the transferee's manager to complete the training course then in effect for the franchisees in the same manner and upon the terms as the initial training.
- j. If the transferee is a corporation, then the shareholders, directors and officers of the transferee will provide their personal guarantee of all of the Franchisee's obligations under this Agreement and other agreement between the Franchisor and the Franchisee.
- k. Prior to the granting of approval for the transfer of the Franchisee's interest in this Agreement, the Franchisor will be paid in full its transfer, training and processing fees, which will be non-refundable. The fee payable under this section is Five Thousand Dollars (\$5,000.00).
- l. Regardless of any transfer by the Franchisee in accordance with this article, the Franchisee and any guarantor of the Franchisee's obligations under this Agreement will remain bound by all of the terms and conditions of this Agreement and any such guarantee.
- m. The transfer must comply with all conditions of the lease or sublease for the Location, including obtaining the landlord's consent and the Franchisee must pay all costs required by the landlord in obtaining such consent.
- n. Any transfer of assets of the Franchised Business must be affected in compliance with the requirements of all applicable Bulk Sales legislation.
- o. In the event of a transfer to an immediate family member pursuant to Section 15.2, Sections 15.3 (k) shall not apply.

15.4 Transfer to Holding Corporation, etc.

In the event that an individual franchisee or franchisees wish to transfer all of their interest under this Agreement to a partnership, corporation, trust or other vehicle which they control, the Franchisor will consent to such a transfer provided that it is first provided with details of the proposed transaction in writing not less than thirty (30) days prior to the proposed transfer. Provided that the transferor will remain fully liable under the Franchise Agreement, the transfer will not be subject to the Franchisor's right of first refusal set out below, nor will the

Franchisor's transfer fee be payable in respect of any such transfer, provided that the Franchisee will be required to reimburse the Franchisor for its reasonable legal and administrative expenses incurred in connection with the transfer.

15.5 Franchisor's Right of First Refusal

The Franchisee or any party holding any interest in the Franchisee or in the Franchised Business and who desires to accept any valid arm's length offer from a third party to purchase its interest in the Franchisee or the Franchised Business will give notice of the offer to the Franchisor, along with a complete copy of the offer, a copy of the Franchisee's most current financial statements, the Franchisor's standard franchise application form completed by the proposed transferee, and a five hundred dollar (\$500) non-refundable payment for considering the request for the transfer (this payment will be applied toward the amount payable under Section 15.3 (k), in the event that the Franchisor does not exercise its right of first refusal under this section). The offer and the price and terms of purchase must apply only to an interest in this Agreement, the Franchise, the Franchised Business or the Franchisee. Any value attributable to the goodwill of the Marks, System, Confidential Information or any other assets, tangible or intangible, related to the Perri's Pizzeria brand and System will be excluded from the purchase price. The Franchisor will then have the option, exercisable within thirty (30) days after receipt of such material, to send written notice to the seller that the Franchisor or its nominee intends to purchase the seller's interest on the same terms and conditions offered by the third party. Any change in the terms of any offer prior to closing will constitute a new offer subject to the same rights of first refusal by the Franchisor or its nominee as in the case of an initial offer. Failure of the Franchisor to exercise the option afforded by this section will not constitute a waiver of any other provision of this Agreement.

15.6 Transfer Upon Death or Incapacity

In the event of the death or permanent incapacity of the Franchisee if the Franchisee is a sole proprietor, or any partner if the Franchisee is a partnership, or shareholder if the Franchisee is a corporation (the "Disabled Party"), the legal representative of the Disabled Party together with all surviving partners or shareholders, if any, will jointly apply in writing, within three (3) months of such event, for the right to transfer the interest of the Disabled Party in this Agreement, the lease or sublease, and the Franchised Business to another corporation or person as the legal representative may specify. The Franchisor will grant the right to transfer the interest of the Disabled Party to the proposed transferee upon the fulfillment of all of the conditions set forth in this Agreement, provided that where the proposed transferee is a spouse of the Franchisee, the Franchisor will not charge a new franchisee fee or transfer fee or require that a new franchise agreement be signed provided that all of the Franchisor's other legal, training and administrative costs are paid. Furthermore, in the event that the administration of the estate of the Disabled Party is delayed for any reason, the Franchisor may in its sole discretion agree to extend the time for making an application for transfer of this Agreement. If the legal representative and the other surviving partners or shareholders fail to make the application within the three (3) month period after the death or permanent incapacitation of the Disabled Party, the Franchisor may terminate this Agreement at any time thereafter and the Franchised Business is deemed to have been abandoned.

15.7 Non-Waiver of Claims

The Franchisor's consent to a transfer of any interest in the Franchised Business will not constitute a waiver of any claims it may have against the transferring party, nor will it be considered a waiver of the Franchisor's right to demand exact compliance with any term of this Agreement by the transferee.

15.8 Reasonableness

The Franchisee acknowledges and agrees that each of the conditions of transfer set out in this article which must be met by the Franchisee and the transferee are necessary and reasonable to assure full performance of the Franchisee and Transferee's obligations under this Agreement.

15.9 Operation of the Franchised Business by the Franchisor

In order to prevent any interruption of the business of the Franchised Business or any injury to its goodwill and reputation that would cause harm to the Franchised Business and thereby lower its value, the Franchisee authorizes the Franchisor, and at the option of the Franchisor, to enter upon the Franchisee's business premises and operate and manage the Franchised Business in the event that:

- a. the Franchisee or any of the Franchisee's principals, shareholders or partners is absent or incapacitated by reason of illness or death and that the Franchisee is not, therefore, in the opinion of the Franchisor, able to carry on the normal operation of the Franchised Business; or
- b. upon the happening of some event which affects the Franchisee or any of the principals, shareholders, partners or employees of the Franchisee, which interferes with the normal operation of the Franchised Business;

for so long as the Franchisor considers necessary and practical, and without waiver of any other rights or remedies the Franchisor may have under this Agreement. In the event that the Franchisor should operate the Franchised Business, the Franchisor, at its option, will not be obligated to operate it for a period more than one hundred and twenty (120) days. In such circumstances, the Franchisor will be compensated for all costs and expenses incurred in the operation of the business including, without limiting the generality of the foregoing, any salaries, rent, materials, telephone charges, marketing and promotion expenses necessary to maintain the business. Any deficit is the responsibility of the Franchisee, its heirs, executors, or assignees, and any net income, less costs and expenses referred to herein and less a reasonable management fee to the Franchisor, will be returned to the Franchisee. If the Franchisor elects to temporarily operate the Franchised Business on behalf of the Franchisee, the Franchisee will indemnify and hold harmless the Franchisor from any loss or deficit suffered by the Franchisor as a result of its temporary operation of the Franchised Business, regardless of the cause, and from any and all claims, losses or damages of any nature whatsoever incurred by the Franchisor and its representatives during such operation.

ARTICLE 16 - CHANGES AND MODIFICATIONS

16.1 Franchisor's Right to Modify System, etc.

The Franchisor reserves and will have the right to make changes in the Manual, the System, and the Marks at any time and without prior notice to the Franchisee. The Franchisee will promptly alter any signs, products, business materials, services provided, methods of operation or related items, at its cost and expense, upon receipt of written notice of such change or modification in order to conform with the Franchisor's revised specifications. In the event that any improvement or addition to the Manual, the System, or the Marks is developed by the Franchisee, then the Franchisee grants to the Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sub-license such improvement or addition. Notwithstanding the foregoing, Franchisor reserves no right to modify its System so as to control the essential terms and conditions of employment of Franchisee's employees, including but not limited to: hiring, firing, discipline, supervision, direction, wages, hours, number of workers, scheduling, seniority, assigning work, or determining the manner or method of performance.

16.2 Scope of Change or Modification

The Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the Franchisor's System must not remain static, in order that it best serve the interests of the Franchisor, all franchisees and the System. Accordingly, the Franchisee expressly understands and agrees that the Franchisor may from time to time change the components of the System, including but not limited to: altering the products, programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying the programs, products and services that the Franchised Business is authorized to offer; and changing, improving or modifying the Marks. The Franchisee agrees to adopt and abide by all such modifications, changes, additions, deletions and alterations.

ARTICLE 17 - DEFAULT AND TERMINATION

17.1 Early Termination

The Franchisor will have the absolute and unfettered right to terminate this Agreement effective upon delivery to the Franchisee of written notice of termination, upon the occurrence of any of the events listed below:

- a. The Franchisee fails to enter into a lease for the Location as required in Section 5.1 within 6 months of the date of this Agreement.
- b. The Franchisee fails to commence to operate the Location as required in Section 5.6.
- c. The Franchisor determines that the Franchisee and/or other designate has not satisfactorily completed the pre-opening training programs to its satisfaction pursuant to Section 9.4 or that the Franchisee has not demonstrated the qualities and abilities necessary for the successful operation of the Franchised Business. In the event that the Franchisor exercises right to terminate the Agreement pursuant to this Section, the Franchisor will refund the Fee to the Franchisee, less the Franchisor's reasonable direct and indirect costs incurred to the date of termination.

- d. Any condition included in this Agreement or any Schedule, whether for the benefit of the Franchisee or the Franchisor, is not satisfied within thirty (30) days of the date of execution this Agreement (or such longer period as may be fixed in writing by the Franchisor).

17.2 Default with No Opportunity to Cure

The Franchisee will be considered to be in default and the Franchisor will have the absolute and unfettered option to terminate this Agreement without affording the Franchisee any opportunity to cure the default, effective immediately, upon the occurrence of any of the events listed below.

- a. The Franchisee or any officer, shareholder, director or partner is convicted of a criminal offense or any other crime that is likely, in the reasonable opinion of the Franchisor, to adversely affect the System, the Mark, the goodwill associated with them, or the Franchisor's interest in them.
- b. The Franchisee or any officer, director, shareholder or partner discloses or divulges the contents of the Manual or other trade secrets or confidential information provided to the Franchisee by the Franchisor.
- c. A final order is made or resolution passed for the winding up, dissolution or liquidation of the Franchisee.
- d. Any execution, seizure, attachment or similar process is issued against the Franchisee or any creditor of the Franchisee takes any action or proceeding whereby the business premises of the Franchised Business or any of the fixtures, furnishings or property on those premises is taken or seized, unless such execution, attachment or seizure is set aside, discharged or abandoned within fifteen (15) days after its commencement.
- e. The Franchisee attempts to make any bulk sale or remove any part of the fixtures, furnishings or inventory from the business premises of the Franchised Business other than in the normal course of business and without the prior written consent of the Franchisor.
- f. The lease or sublease of the business premises of the Franchised Business is terminated because of the default of the Franchisee without provision being made for continuation of the Franchised Business at an alternate location pursuant to Section 3.2.
- g. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if an assignment in bankruptcy is filed by the Franchisee or a petition is filed against and consented to by the Franchisee, or if the Franchisee becomes a bankrupt, or proceedings for the appointment of a receiver or receiver/manager or other custodian (permanent or temporary) of the Franchisee or of the Franchised Business or any portion of the Franchised Business is

appointed by any court or creditor of the Franchisee or the Franchised Business or if proceedings for a proposal to the creditors of the Franchisee or the Franchised Business under any federal, state or provincial or foreign law should be instituted by or against the Franchisee.

- h. The Franchisee abandons, surrenders or fails to carry on normal business operations at the Location within the Radius of Protection actively and continuously. Where the Franchisee desires to close the Location for any extended period of time because of holidays or vacation, the prior written consent of the Franchisor must be obtained in each case, which consent will only be granted where the closing will not, in the opinion of the Franchisor, materially and negatively affect the Franchised Business.
- i. The Franchisee purports to transfer any rights or obligations under this Agreement or any lease for the Location to any third party without the Franchisor's prior written consent, or otherwise contrary to the terms of this Agreement.
- j. The Franchisee maintains false books or records or submits any false statements, applications or reports to the Franchisor.
- k. The Franchisee engages in conduct that constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with its sale of the services and products offered by the Franchised Business.
- l. Any other franchise agreement issued to the Franchisee or any principal of the Franchisee, whether or not issued pursuant to this Agreement, is terminated for any reason.
- m. The Franchisee submits at any time during the term of this Agreement a report, financial statement, tax return, schedule or other information or supporting record which understates Gross Sales for any period by more than five percent (5%).
- n. The Franchisee submits any report, financial statement, tax return, schedule or other information or supporting records required under this Agreement, more than fifteen (15) days after the date for delivery as required on three (3) or more occasions during the term of Agreement.
- o. The Franchisee operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public and such manner of operation continues uncorrected after notice to correct same from the Franchisor or the landlord of the Location is delivered to the Franchisee.
- p. The Franchisee receives three or more notices of default under this Agreement within a twenty- four (24) month period during the term of this Agreement.
- q. The Franchisee or any principal of the Franchisor fails, refuses or neglects to pay any monies owing to the Franchisor or its affiliates or suppliers when due, within five (5) days after receiving written notice from the Franchisor to cure the default.

17.3 Default With Thirty (30) Day Opportunity to Cure

The Franchisee will have thirty (30) days after its receipt from the Franchisor of a written notice of termination to remedy any default described in this section and provide evidence of compliance to the Franchisor. If any such default is not cured within that time, the Franchisor will have the absolute and unfettered option to terminate this Agreement without further notice to the Franchisee effective immediately upon the expiration of the thirty (30) day period. The Franchisee will be in default for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time be supplemented by updates to the Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults will include, without limitation, the occurrence of any of the events listed below.

- a. Any employee, agent or independent contractor of the Franchisee is convicted of a criminal offence or any other crime or offence that is reasonably likely, in the opinion of the Franchisor, to adversely affect the System, the Mark, the goodwill associated with them, or the Franchisor's interest in them. For purposes of this Subsection 17.3(a), a DUI on off duty hours shall not be designated as adversely affecting the System.
- b. Any employee, agent or independent contractor of the Franchisee discloses or divulges the contents of the Manual or other trade secrets or confidential information provided to the by the Franchisor.
- c. The Franchisee, by act or omission, permits a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, for a period of five (5) days after notification of noncompliance 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 from compliance.
- d. The Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated with them or the Franchisor's rights in them.
- e. A transfer is not completed within the designated time following the death or Incapacity of any person with any interest in the Franchised Business or in the Franchisee or upon the dissolution of a Franchisee that is a partnership or corporation, with a person approved by the Franchisor.
- f. The Franchisee engages in any business or markets any service or product under a name or mark which, in the Franchisor's opinion, is confusingly similar to the Marks.
- g. The Franchisee fails to comply with its duties set out in this Agreement, or fails to perform any obligation owing to the Franchisor or to observe any covenant or agreement made by the Franchisee, whether such obligation, covenant or agreement is set forth in this Agreement or any other agreement with the Franchisor including, but not limited to, any other franchise agreement by and between the Franchisor and the Franchisee or any entity related to the Franchisor.

- h. The Franchisee fails to maintain and submit on time to the Franchisor all reports required pursuant to this Agreement, including but not limited to, financial statements, periodic and other reports of Gross Sales.
- i. The Franchisee and its employees fail to attend and successfully complete any mandatory training program.
- j. The Franchisee fails to maintain any of the standards or procedures or to fully and properly employ the System, Image and Marks designated by the Franchisor in this Agreement, the Manual, any other franchise agreement between the Franchisor and the Franchisee or any other agreement between the parties, or otherwise in writing.
- k. The Franchisee fails to maintain and keep the Location and all equipment in good working order and repair.
- l. The Franchisee is making deliveries outside of the Radius of Protection.

In the event that the Franchisee has, in the reasonable opinion of the Franchisor, commenced and maintained all reasonable efforts to cure the default complained of, but the default is not capable of being cured within such a thirty (30) day period, the time available for the franchisee to cure the default may be extended, in the sole reasonable discretion of the Franchisor, for such additional period of time as the Franchisor may deem necessary, provided that at all times the Franchisee continues to diligently and in good faith continue to devote its full efforts to obtaining an immediate cure of the default.

ARTICLE 18 - FRANCHISEE'S OBLIGATIONS UPON TERMINATION

18.1 Franchisee's Obligations Upon Termination

Upon termination or expiration, this Agreement will terminate immediately, and the Franchisee will observe and perform each and every one of the provisions set out below.

- a. The Franchisee will immediately cease to operate the Franchised Business and will not, directly or indirectly, represent to the public or hold itself out as a present or former Perri's Pizzeria franchisee.
- b. The Franchisee will immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential method, program, literature, procedure and technique associated the System, the name Perri's Pizzeria and any Marks, forms, slogans, signs, symbols or devices associated with the System. In particular, the Franchisee will cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, paper goods, stationery, program material, forms and any other articles which display the Marks associated with the System.
- c. The Franchisee will take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Marks or any other trademark, trade name or service of the Franchisor, and the Franchisee will furnish the Franchisor with evidence satisfactory to the Franchisor of compliance with this

obligation within fifteen (15) days after termination or expiration of this Agreement. If the Franchisee fails or refuses to do so, the Franchisor may, in the Franchisee's name, on the Franchisee's behalf and at the Franchisee's expense, execute any and all documents necessary to cause discontinuance of the name Perri's Pizzeria or any related name used under this Agreement and the Franchisor is hereby irrevocably appointed by the Franchisee as its attorney to do so.

- d. In the event that this Agreement is terminated, the Franchisor may, at its option, grant other franchises and/or continue to provide services to customers at the Location or within the Radius of Protection. In this event, Franchisor shall indemnify Franchisee for all Location lease rental payments, utilities, and costs of operation that arise from the date of the Location lease transfer through the end of the lease term.
- e. The Franchisee will, within five (5) business days, pay all sums owing to the Franchisor and its subsidiaries, affiliates and suppliers. In the event of termination for any default of the Franchisee, such amounts will include all royalties through the term of the Agreement (i.e. cost of a cheese pizza slice x 8 x number of days remaining in the Term x 1.25), advertising contributions through the end of the term (i.e. \$400 x number of months remaining in the Term), damages, costs and expenses, including reasonable legal fees, by the Franchisor as a result of the default, together with interest at the Interest Rate. Said obligation will give rise to and remain, until paid in full, a lien in favor of the Franchisor any and all of the personal property, machinery, fixtures, equipment and inventory owned by the Franchisee on the premises of the Franchised Business at the time of the default. If the Franchisee is then indebted to the Franchisor by way of loan, mortgage, arrears or otherwise, all indebtedness and obligations will be accelerated and become immediately fully-due and payable.
- f. The Franchisee will pay to the Franchisor all of the Franchisor's damages, costs and expenses, including legal fees and costs, whether legal proceedings are commenced or not, incurred by the Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.
- g. The Franchisee will immediately turn over to the Franchisor all copies of all materials in the Franchisee's possession including the Manual, all records, files, instructions, correspondence, disclosure statements and any and all other materials relating to the operation of the Franchised Business in the Franchisee's possession (all of which are acknowledged to be the Franchisor's property), and will not retain any copy or record of any of those materials, excepting the Franchisee's copy of this Agreement and of any correspondence between the parties and other documents which the Franchisee reasonably needs for compliance with any provision of law. In addition, the Franchisee will deliver to the Franchisor a complete list of all persons employed by the Franchisee during the three (3) years immediately preceding termination, together with all employment files of each employee on such list. All costs of delivering all material required by this section will be borne by the Franchisee.

- h. The Franchisee will promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of its right to use any telephone number and any regular, classified or other telephone directory listings associated with any Marks and will authorize the transfer of those numbers and listings to or to the direction of the Franchisor. The Franchisee agrees to execute updated letters of direction to any telephone company and telephone listing agencies directing termination and/or transfer of the Franchisee's right to use any telephone number associated with the Marks, which the Franchisor may hold until termination or expiration of in this Agreement. The Franchisee acknowledges that as between the Franchisor and the Franchisee, the Franchisor has the right to and interest in all telephone numbers and directory listings associated with any Marks. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any officer of the Franchisor as its attorney, to direct the appropriate telephone company and all listing agencies to transfer all such listings to the Franchisor or its nominee upon of this Agreement.
- i. The Franchisee will fully cooperate with any exercise by the Franchisor of its option to purchase the tangible assets of the Franchisee upon termination, including execution and delivery of all transfer documentation, and delivery of all tangible assets to be purchased.
- j. The Franchisee will execute any legal documents that may be necessary to carry out any termination or transfer to the Franchisor or its nominee provided for in this Agreement and will furnish to the Franchisor, within thirty (30) days after the effective date of termination, written evidence satisfactory to the Franchisor of the Franchisee's compliance with the obligations set out in this article.
- k. Upon request by Franchisor, Franchisee will immediately assign all of its right, title and interest in and to the lease agreement for the Location to Franchisor. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any officer of the Franchisor as its attorney, to direct the landlord to transfer Franchisee's right, title and interest in lease agreement for the Location to the Franchisor or its nominee upon termination of this Agreement. The Franchisee shall sign the Lease Power of Attorney in the form of Schedule 2 attached hereto, to further evidence the Franchisor's rights hereunder.
- l. Other than as specifically set out in this article, the Franchisee will have no interest in the Franchised Business upon termination or expiration of this Agreement, and the Franchisee will continue to be bound by any obligation set out in this Agreement which is expressed or intended to survive the termination or expiration of this Agreement.

ARTICLE 19 - ADDITIONAL REMEDIES

19.1 Remedies

No right or remedy conferred upon or reserved to the Franchisor by this Agreement is intended to be, nor will be considered, exclusive of any other right or remedy under this Agreement or by law or equity provided or permitted, but each will be in addition to every other right or remedy.

19.2 Indemnification of the Franchisor

The Franchisee agrees, during and after the term of this Agreement, to indemnify and save the Franchisor harmless from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever including legal fees and costs, whether legal proceedings are commenced or not, to which the Franchisor will or may become liable for, or suffer by reason of any breach, violation or non-performance or threatened breach on the part of the Franchisee or, if the Franchisee is a corporation or partnership, any of its directors, officers, shareholders, partners, agents, servants or employees of any term or condition of this Agreement, any other agreement between the Franchisee and the Franchisor, or any lease or sublease of the business premises where the Franchised Business is located and from all claims, damages, suits, costs or rights of any persons, firms or corporations arising from the operation of the Franchised Business by the Franchisee. The indemnity provided for in this section will not apply to the extent that the loss, claim or damage, including legal fees, is caused by the negligence of the Franchisor.

19.3 Joint and Several Liability

If two or more individuals, corporations, partnerships or other entities (or any combination of two or more of them) signs or is subject to the terms and conditions of this Agreement as Franchisee or as guarantor, the liability of each of them under this Agreement will be considered to be joint and several.

19.4 Franchisor May Cure Default

In addition to all other remedies granted in this Agreement, if the Franchisee defaults in the performance of any of its obligations or breaches any term or condition of this Agreement or any related agreement, the Franchisor may, at its sole option immediately or at any time thereafter, without waiving any claim for breach and without notice to the Franchisee, cure such default for the account of and on behalf of the Franchisee. The entire cost to the Franchisor of curing any such default is due and payable on demand.

19.5 Franchisor's Option to Purchase

In the event of the termination, expiration or non-renewal of this Agreement for any reason including, but not limited to, a default under Article 17, the Franchisor will have the option for a period of forty-five (45) days following the date of termination to purchase the Franchisee's interest in the tangible assets of the Franchised Business at the fair market value of such assets. In the event that the Franchisor elects to purchase the Franchisee's interest, the Franchisee will also execute an assignment of any applicable commercial lease used solely for the operation of the Franchised Business if requested by the Franchisor. In the event that the Franchisor exercises this option, the Franchisee will, upon presentation of payment for the assets being purchased, deliver a bill of sale with the usual covenants as to title, and comply with all applicable bulk sales laws.

19.6 Right of Entry

Immediately upon termination of this agreement, the Franchisor may enter upon, occupy and use, to the absolute exclusion of the Franchisee, all or any part of the Location and any

equipment, improvements, fixtures, furnishings and property located in, on or about the Location and used in connection with the Franchised Business in the conduct of an Perri's Pizzeria franchise free of charge. The Franchisor will have the right to take all such action as it, in its absolute discretion, deems necessary or desirable to carry out the rights granted to it by this section. All revenues, monies, profits, benefits and advantages derived from the management and operation of the business throughout the period of occupation will be for the exclusive account of the Franchisor provided the Franchisor will pay and discharge all debts and liabilities incurred by it during the period of its conduct of the business. In addition, the Franchisor may, but will not be obliged to, pay all claims owing by the Franchisee to any creditor of the Franchised Business and any amounts so paid will be charged to and repaid by the Franchisee to the Franchisor immediately upon demand and until repaid will bear interest compounded monthly at the Interest Rate. The Franchisor will have no obligation to retain any employees of the Franchised Business nor to honor any contractual commitments previously made by the Franchisee in connection with the Franchised Business and any liability with respect to such contractual commitments will be exclusively borne and paid by the Franchisee. If the Franchisor elects to retain any such employees, such employment will be pursuant to a new employment agreement between the Franchisor and such employee(s) and will commence their employment on the first business day in which the Franchisor carries on business from the Location. Any claim of such employee(s) for unpaid salary, vacation pay or other benefits arising from employment with the Franchisee will be the responsibility of and be paid by the Franchisee to the exclusion of the Franchisor. The right of the Franchisor to remain in occupation of the Location and to conduct the said business will continue until the expiry of the option period set out in Section 19.5 provided that, if the Franchisor elects to exercise the option set out in Section 19.5, the Franchisor's right of occupation will not expire and will continue throughout the period preceding the closing of such transaction. The occupation by the Franchisor of the Location as set out in this section will not be construed as an assignment of the lease for the Location by the Franchisee and the Franchisor will have no responsibility for payment of any rent or other charges owing under the lease except insofar as they relate to the period of its occupation of the Location.

19.7 Injunctive Relief

Nothing in this Agreement, including any provision for arbitration, will bar the Franchisor's right to obtain injunctive or other specific relief against conduct or threatened conduct that will cause it loss or damage, including loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary, temporary or permanent injunctions.

19.8 Setoff by the Franchisor

Notwithstanding anything contained in this Agreement, upon the failure of the Franchisee to pay the Franchisor as and when due any amount of money provided for in this Agreement, the Franchisor will have the right at its option, to deduct any and all such amounts remaining unpaid from any moneys or credit held by the Franchisor for the account of the Franchisee.

19.9 No Setoff by Franchisee

The payment and performance by the Franchisee of the fees and other obligations under this Agreement are absolute and unconditional, irrespective of any defense or any rights of setoff, or counterclaim that the Franchisee might otherwise have against the Franchisor. The

Franchisee will pay, absolutely net, all of the fees due under this Agreement, free of any deductions and without abatement, diminution or setoff. Any defense or right of setoff, or counterclaim must be brought by separate action. The Franchisor will not be bound by any restrictive endorsement on any payment made by the Franchisee. Upon receipt of any payment by the Franchisee, the Franchisor reserves the right to allocate such payment at its discretion, even if the Franchisee has designated the payment for a different purpose or account.

19.10 Power of Attorney

If the Franchisee does not sign and deliver to the Franchisor any document which it is required to sign and deliver pursuant to this Agreement within ten (10) days of receiving the Franchisor's written request, the Franchisee irrevocably appoints the Franchisor as the Franchisee's attorney with full power and authority to sign and deliver in the name of the Franchisee any such document and to do all things necessary to comply in a timely manner with the provisions of this Agreement pursuant to which the power of attorney is being utilized, and the Franchisee agrees to ratify and confirm all such acts of the Franchisor as its lawful attorney and to indemnify and save the Franchisor harmless from all claims, losses, or damages in so acting.

19.11 Charges for Late and N.S.F. Payments

All fees and payments and all amounts due for goods purchased by the Franchisee from time to time from the Franchisor or its affiliates and any other amounts owed to the Franchisor or its affiliates by the Franchisee pursuant to this Agreement or otherwise will bear interest after the due date and until paid in full at the Interest Rate, both before and after default, with interest on overdue interest at the Interest Rate. The acceptance of any payment will not be interpreted as a waiver by the Franchisor of its rights in respect of the default giving rise to such payment and will be without prejudice to the Franchisor's right to terminate this Agreement as a result of such default. In addition, the Franchisee agrees to pay an administrative fee of \$50 for each and every overdue payment, and for each and every payment that the Franchisee's bank refuses to honor for any reason.

19.12 Security to the Franchisor

As security for the prompt payment, performance and satisfaction of all of the Franchisee's obligations under this Agreement, the Franchisee assigns, transfers and sets over to the Franchisor all of its right, title and interest in and to, and grants to the Franchisor a continuing lien on and security interest, in and to, all of the assets of the Franchisee or the Guarantors used in the Franchised Business, including but not limited to any and all of the personal property, real property, machinery, fixtures, equipment and inventory, wherever located, whether now owned, existing, acquired or arising after this date, together with all replacements, accessions, parts, proceeds, including insurance proceeds, bank accounts and proceeds of proceeds. Upon default by the Franchisee in payment of all or any part of the indebtedness or liability of the Franchisee to the Franchisor or in the performance or observance of any of the provisions of this Agreement, the Franchisor will have the rights and remedies of a secured party under the Uniform Commercial Code, or any equivalent provincial or state legislation. The Franchisor shall have the right in its exclusive discretion to perfect the Franchisor's security interest by filing a UCC-1 Financing Statement without the Franchisee's signature. If the Franchisee is in default, all debts then due and owing by the Franchisee to the Franchisor under this or any other present or future agreement with the Franchisor will, if the Franchisor so elects, become immediately due and

payable. The Franchisor will subordinate its security interest to any bank for financing provided by the bank to construct and/or operate the Franchised Business. Until default by the Franchisee, the Franchisee may dispose of inventory and accounts receivable in the ordinary course of business.

19.13 Legal Fees

In the event the Franchisor is made a party to any litigation or is threatened to be made a party to any litigation commenced by or against the Franchisee, and if the Franchisee has breached any of the terms and conditions of this Agreement or is otherwise found at fault to any extent in such litigation, then the Franchisee will indemnify and save the Franchisor harmless against any losses, damages or claims whatsoever arising from that litigation or the breach or default that gave rise to that litigation and will pay all costs and expenses including the full amount of any legal fees, accountants and expert witness fees, costs of investigation, travel and living expenses incurred or paid by the Franchisor in connection with such litigation. Where any provision of this Agreement requires payment of legal fees, the fees payable will be on the basis of an attorney and his own client, and will include all disbursements and taxes.

19.14 Arbitration

Except for an action to collect monetary damages from the Franchisee or to determine the validity of a portion of this Agreement, any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, but not limited to contract, tort and statutory claims) shall be settled by arbitration under the auspices of JAMS, pursuant to JAMS applicable arbitration rules and judgment rendered on the arbitration award may be entered in any court having jurisdiction thereof. The cost of the arbitration will be borne equally by the parties. The parties agree that New York, New York shall be the site for all hearing held under this paragraph, and that neither party shall pursue class claims and/or consolidate the arbitration with any other proceedings to which the Franchisor is a party.

Prior to the appointment of the arbitrator(s), and within 10 days from the date of commencement of the arbitration, the Franchisor may submit the dispute to JAMS for mediation. If the Franchisor commences mediation under this paragraph, the parties will cooperate with JAMS and with one another in selecting a mediator from JAMS panel of neutrals, and in promptly scheduling the mediation proceedings. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any JAMS employees, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. If the dispute is not resolved within 30 days from the date of the submission of the dispute to mediation (or such later date as the parties may mutually agree in writing), the administration of the arbitration shall proceed forthwith. The mediation may continue, if the parties so agree, after the appointment of the arbitrators. Unless otherwise agreed by the parties, the mediator shall be disqualified from serving as arbitrator in the case.

Any disputes concerning the enforceability or scope of the arbitration clause shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (FAA), and the Franchisee

acknowledges that, notwithstanding any contrary language in this Agreement or in the Franchisor's Uniform Franchise Offering Circular, the FAA preempts any state law restrictions on the enforcement of the arbitration clause in this Agreement according to its terms, including any restrictions on the site of the arbitration.

In the event that any provision of this arbitration agreement is unenforceable, that provision is severable from the remainder of this arbitration clause, and the balance of the arbitration agreement shall remain in full force and effect. In addition, any ruling invalidating any other portion of the Franchise Agreement shall not affect the validity of this arbitration clause.

The Franchisee knows, understands and agrees that it is the intent of the parties that any arbitration between the Franchisor and the Franchisee will be of the Franchisee's individual claims and that the claims subject to arbitration will not be arbitrated on a class-wide basis.

Notwithstanding this arbitration clause, the Franchisor may bring action for injunctive relief in any court having jurisdiction to enforce the Franchisor's trademark or proprietary rights, in order to avoid irreparable harm to the Franchisor, its affiliates, or the franchise system as a whole.

The sole entity against which the Franchisee may seek damages or any remedy under law or equity for any arbitrable claim is the Franchisor or its successors or assigns. The Franchisee agrees that the shareholders, directors, officers, employees, agents and representatives of the Franchisor and of its affiliates, shall not be liable nor named as a party in any litigation or other proceedings commenced by the Franchisee where the claim arises out of or relates to this Agreement.

If, before an Arbitrator's final decision, either the Franchisor or the Franchisee commences an action in any court of a claim that arises out of or relates to this Agreement (except for the purpose of enforcing the arbitration clause or as otherwise permitted by this Agreement), that party will be responsible for the other party's expenses of enforcing the arbitration clause, including court costs, arbitration filing fees and attorneys' fees.

A final award by an arbitrator (there will be no appeal of interim awards or other interim relief), may be appealed within thirty (30) days of such final award. Appeals will be conducted before a three (3) arbitrator panel appointed by the same organization as conducted the arbitration, each member of which shall be experienced in franchising. The arbitration panel will not conduct any trial de novo or other fact-finding function. Such panel's decision shall be in writing, may be entered in any court having jurisdiction, and will be binding, final and non-appealable. On request by either party, the arbitration panel shall provide to all disputants a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitration panel's fees and costs connected therewith.

ARTICLE 20 - GUARANTEE

20.1 Guarantee and Indemnity

In consideration of the Franchisor entering into this Agreement with the Franchisee and in consideration of the sum of two dollars (\$2.00) and other good and valuable consideration, (the receipt and sufficiency whereof is hereby acknowledged by the Guarantor(s)) the

Guarantor(s) hereby unconditionally guarantees to the Franchisor that the Franchisee will pay all amounts to be paid and otherwise observe and perform all terms and conditions to be so observed and performed, either in this Agreement and/or in any other agreement between the Franchisor and the Franchisee. If the Franchisee will default in making any such payments or in the observance or performance of any such obligations, the Guarantor(s) hereby covenants and agrees to pay to the Franchisor forthwith upon demand all amounts not so paid by the Franchisee and all damages that may arise in consequence of any such non-observance or non-performance. Without in any way restricting or limiting the guarantee given by the Guarantor(s) as set out above or any other rights and remedies to which the Franchisor may be entitled, the Guarantor(s) hereby covenants and agrees to indemnify and save the Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which the Franchisor will or may become liable for, or suffer, by reason of any breach, violation or non-performance by the Franchisee of any term or condition of this Agreement, any lease for the Location, or any other agreement made between the Franchisee and the Franchisor. With respect to the guarantee and indemnification provided for herein by the Guarantor(s), the Guarantor(s) covenants and agrees to execute and deliver such separate form of guarantee and/or indemnity evidencing its obligations under the provisions of this section as the Franchisor will in its reasonable discretion determine.

20.2 Waiver of Rights to Proceed

In the enforcement of any of its rights against the Guarantor(s), the Franchisor may in its discretion proceed as if the Guarantor(s) was the primary obligor under this Agreement, any lease for the Location, or any other agreement made between the Franchisee and the Franchisor. The Guarantor(s) hereby waives any right to require the Franchisor to proceed against the Franchisee or to proceed against or to exhaust any security (if any) held from the Franchisee, or to pursue any other remedy whatsoever which may be available to the Franchisor before proceeding against the Guarantor(s). Where two or more individuals have given this guarantee, then their liability will be joint and several. Each Guarantor waives the benefits of division and discussion and acknowledges that his obligations as Guarantor are indivisible. Each Guarantor acknowledges that his guarantee is irrevocable at all times and is a continuing guarantee which will remain in effect until the complete performance of all of the obligations of the Franchisee under this Agreement and/or any other agreement between the Franchisor and the Franchisee and until the Franchisor has released all Guarantors from their obligations in writing.

20.3 Any Dealings Binding on Guarantor(s)

No dealings of whatsoever kind between the Franchisor and the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisee may see fit, whether with or without notice to the Guarantor(s), will exonerate, release, discharge or in any way reduce the obligations of the Guarantor(s) in whole or in part, and in particular, and without limiting the generality of the foregoing, the Franchisor may modify or amend this Agreement or any lease for the Location, grant any indulgence, release, postponement or extension of time, waive any term or condition of this Agreement or any lease for the Location or any obligation of the Franchisee, take or release any securities or other guarantees for the performance by the Franchisee of its obligations and otherwise deal with the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor(s). The Guarantor(s) hereby expressly waives notice of all or any default of the Franchisee.

20.4 Settlement Binding on Guarantor(s)

Any settlement made between the Franchisor and/or the Franchisee and/or any party from whom the right to occupy the Location has been obtained and/or any other persons as the Franchisor may see fit to deal with, or any determination made pursuant to this Agreement or any lease for the Location which is expressed to be binding upon the Franchisee, will be binding upon the Guarantor(s).

20.5 Bankruptcy of the Franchisee

Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or any other act of insolvency by the Franchisee and notwithstanding any rejection, disaffirmation or disclaimer of this Agreement, the Guarantor(s) will continue to be fully liable hereunder.

20.6 Guarantor's Covenants Binding

Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor(s) contained in this section will enure to the benefit of and be binding upon the Guarantor(s) and the heirs, executors, administrators, successors and assigns of the Guarantor(s).

20.7 Guarantor(s) to be Bound

The Guarantor(s) acknowledges reviewing all of the provisions of this Agreement and agrees to abide and be bound by all of the provisions of the Agreement insofar as they apply to him or them.

ARTICLE 21 - STATUS OF PARTIES

21.1 Independent Contractor

This Agreement does not create a fiduciary relationship. The Franchisee will be an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee or servant of the other for any purpose whatsoever. Franchisor shall have no control over the essential terms and conditions of employment of Franchisee's employees, including but not limited to: hiring, firing, discipline, supervision, direction, wages, hours, number of workers, scheduling, seniority, assigning work, or determining the manner or method of performance. The Franchisee will have the right to profit from its efforts, commensurate with its status as owner of the Franchised Business, and correspondingly will bear the risk of loss or failure that is characteristic of this status notwithstanding the affiliation with the System created by this Agreement.

21.2 Holding Out to Public

During the term or any renewal of this Agreement, the Franchisee will hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license

from the Franchisor. The Franchisee agrees to take such affirmative action as may be necessary to do so, as the Franchisor may specify in the Manual or otherwise in writing.

21.3 No Liability

It is understood and agreed that nothing in this Agreement authorizes the Franchisee to make any contract, agreement, warranty or representation on the Franchisor's behalf, or to incur any debt or other obligation in the Franchisor's name, and that the Franchisor will in no event assume liability for, or be considered liable as a result of, any such action, or by reason of any act or omission of the Franchisee in its conduct of the Franchised Business or any claim or judgment against the Franchisee. The Franchisee will indemnify and hold the Franchisor harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with the Franchisee's operation of the Franchised Business, as well as the costs, including legal fees, of defending against them.

21.4 Identification

The Franchisee will conspicuously identify itself and the Franchised Business in all dealings with its customers, contractors, suppliers, public officials and others as an independent Franchisee of the Franchisor, and will place such notice of independent ownership on all forms, business cards, stationery, advertising, signs, checks and other materials and in such fashion as the Franchisor may, in its discretion, require from time to time in the Manual or otherwise.

ARTICLE 22 - GENERAL PROVISIONS

22.1 Amendments

Any amendment or modification of this Agreement is invalid unless made in writing and signed by the Franchisor, the Franchisee and the Guarantors.

22.2 Further Assurances

Each of the parties agrees to sign and deliver such other documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and cause to be done and any other acts and things necessary or desirable in order to give full effect to this Agreement.

22.3 Notice

Any notice required or permitted to be given under this Agreement will be in writing and may be given by personal service, sent by pre-paid courier or by pre-paid certified mail, in a sealed envelope addressed to:

The Franchisee:

The Franchisor:

Perri Franchising, Inc.
1844 Penfield Road
Penfield, New York 14526

The address given for the delivery of a notice may be changed at any time by either party by written notice in accordance with this section. Any notice delivered personally or by courier will be considered received on the day delivered. Any notice sent by certified mail will be considered received on the fifth (5th) business day following the date of mailing.

22.4 Written Consent

Whenever this Agreement requires the prior approval or consent of the Franchisor, the Franchisee will make a timely written request to the Franchisor for such approval or consent, and such approval or consent will be obtained in writing. The Franchisor may grant or deny its approval or consent in its sole, absolute and unfettered discretion, with or without reason or consideration.

22.5 No Waiver

No failure of the Franchisor to execute any power reserved to it by this Agreement, or to insist upon strict compliance by the Franchisee with any obligation or condition of this Agreement, and no custom or practice of the parties that differs from the terms of this Agreement, will constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement. Waiver by the Franchisor of any particular default by the Franchisee will not affect or impair the Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor will any delay, forbearance or omission of the Franchisor to exercise any power or right arising out of any breach or default by the Franchisee of any of the terms, provisions or covenants, affect or impair the Franchisor's right to exercise any of its powers or rights, nor will such constitute a waiver by the Franchisor of any right under this Agreement, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by the Franchisor of any payments due to it under this Agreement will not be considered to be a waiver by the Franchisor of any preceding breach of the Franchisee of any terms, covenants or conditions of this Agreement.

22.6 Uncontrollable Circumstances

Delays in the performance of any duties under this Agreement that are not within the reasonable control of the parties including fire, flood, natural disaster, act of God, governmental acts or orders or civil disorder, including strikes, will not cause a default under this Agreement and the other party will, upon notice, extend the time for performance for the period of such delay or for such other reasonable period of time as may reasonably be required.

22.7 Governing Law

This Agreement will be interpreted in accordance with the laws of New York.

22.8 Jurisdiction and Venue

The parties agree that, subject to the arbitration provisions of this Agreement, any permitted action brought by either party against the other will be brought in the state of New York and will be commenced and continued in the state of New York.

22.9 Counterparts

This Agreement may be signed and delivered in counterparts, each of which will be considered to be an original, and all of which together will constitute one and the same instrument.

22.10 Entire Agreement

THIS AGREEMENT, WHEN FULLY EXECUTED, WILL SUPERSEDE ANY AND ALL PRIOR AND EXISTING AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, EITHER ORAL OR IN WRITING, BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. EXCEPT AS SPECIFICALLY SET OUT IN THIS AGREEMENT, THERE ARE NO REPRESENTATIONS, WARRANTIES, UNDERTAKINGS, PROVISIOES, INDUCEMENTS, COVENANTS OR AGREEMENTS WHETHER DIRECT, INDIRECT, COLLATERAL, EXPRESS OR IMPLIED MADE BY THE FRANCHISOR TO THE FRANCHISEE.

22.11 Disclaimer

THE FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT IS SPECULATIVE AND INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITIES OF THE FRANCHISEE. THE FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND THE FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY REPRESENTATION, WARRANTY, PROMISE, INDUCEMENT OR GUARANTEE, EXPRESS OR IMPLIED, ORAL OR WRITTEN, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR OTHERWISE WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT.

22.12 Investigation and Voluntary Agreement

THE FRANCHISEE ACKNOWLEDGES THAT IT HAS RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT. THE FRANCHISEE ACKNOWLEDGES THAT THE FRANCHISOR HAS PROVIDED THE FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF ITS OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT. THE FRANCHISEE IS ENTERING INTO THIS AGREEMENT VOLUNTARILY, AND WITHOUT THREAT, DURESS OR COMPULSION WHATSOEVER.

22.13 Language Clause

The parties to this Agreement acknowledge having required that this Agreement as well as all notices, documents or agreements related to this Agreement be drafted in English. Les parties aux présentes reconnaissent avoir exigé que la présente convention ainsi que tous avis, documents ou ententes s'y rapportant soient rédigés en anglais.

22.14 Date of Execution

This Agreement has been signed, sealed and delivered by the parties _____, 20__.

Perri Franchising, Inc. (the "Franchisor"):

Michael Perri, President

_____ (the "Franchisee"):

Guarantors:

Schedule 1 -- Irrevocable Power of Attorney - Telephone

Appointment

The undersigned hereby irrevocably nominates, constitutes and appoints Perri Franchising, Inc., a New York corporation with its principal office at 1844 Penfield Road, Penfield, New York 14526 ("Perri"), its true and lawful Attorney in its name, place and stead, and for the sole use

and benefit of Perri, in connection with any and all telephone numbers or telephone directory advertisement or listings containing or using the name "Perri's Pizzeria" or any other trade-names or trade-marks now or in the future used or owned by Perri;

Scope of Powers

For all and every of the purposes set out above, the undersigned grants and gives to Perri as our Attorney full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done, and also to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient as fully and effectually to all intents and purposes as we could do if personally present and acting therein, and also with full power and authority to Perri as our Attorney to appoint a substitute or substitutes and such substitution at pleasure to be revoked. We hereby ratify, confirm and agree to ratify and confirm and allow all and whatsoever our said Attorney or said substitute or substitutes will lawfully do or cause to be done in respect of the aforesaid purposes.

Date of Execution

This irrevocable Power of Attorney has been executed on the date set forth below.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it. The parties have duly executed and delivered this Power of Attorney on _____, 20__.

PERRI FRANCHISING, INC. :

By: _____
Name: _____
Title: _____

FRANCHISEE :

By: _____
Name: _____
Title: _____

SCHEDULE 2: IRREVOCABLE POWER OF ATTORNEY – LEASE

Appointment

The undersigned hereby irrevocably nominates, constitutes and appoints Perri Franchising, Inc., a New York corporation with its principal office at 1844 Penfield Road, Penfield, New York 14526 ("Perri"), its true and lawful Attorney in its name, place and stead, and for the sole use and benefit of Perri, in connection with any and all leases, subleases, or assignments of real property for a franchised Perri's Pizzeria Location (the "Franchised Business");

Scope of Powers

For all and every of the purposes set out above, the undersigned grants and gives to Perri as our Attorney full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done, and also to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient as fully and effectually to all intents and purposes as we could do if personally present and acting therein, and also with full power and authority to Perri as our Attorney to appoint a substitute or substitutes and such substitution at pleasure to be revoked. We hereby ratify, confirm and agree to ratify and confirm and allow all and whatsoever our said Attorney or said substitute or substitutes will lawfully do or cause to be done in respect of the aforesaid purposes.

Date of Execution

This irrevocable Power of Attorney has been executed on the date set forth below.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it. The parties have duly executed and delivered this Power of Attorney on _____, 20__.

PERRI'S FRANCHISING, INC. :

By: _____
Name: _____
Title: _____

FRANCHISEE :

By: _____
Name: _____
Title: _____

SCHEDULE 3: GUARANTEE AGREEMENT

PERSONAL GUARANTY

For value received, the undersigned do hereby jointly and severally (if more than one undersigned) and unconditionally guaranty unto Perri Franchising, Inc., a New York corporation with its principal office at 1844 Penfield Road, Penfield, New York 14526, and its successors and assigns (the “Franchisor”) the full payment and performance of _____, a(n) _____ (the “Franchisee”) under the terms and covenants of that certain Franchise Agreement between Franchisor and Franchisee, dated _____, 20__ (the “Agreement”) including, without limitation, interest and all other sums due thereunder and attorneys’ fees and costs incurred in the enforcement of the Agreement or this Personal Guaranty.

The obligations of the undersigned pursuant to this Personal Guaranty are joint and several, primary, and independent of the obligation of Franchisee. This Personal Guaranty is a guarantee of payment and performance and not of collection, and a separate action or actions may be brought and prosecuted against the undersigned regardless of whether an action is brought against Franchisee or whether Franchisee is joined in any such action or actions. This is a continuing guaranty relating to the Agreement, including indebtedness arising under successor agreements or other transactions that continue the Agreement or from time to time renew or extend it. The undersigned authorizes Franchisor without notice or demand and without affecting their liability hereunder from time to time to: (a) change the amount of or the time for payment or any of the other terms and covenants of the Agreement; (b) take and hold security for the payment of this Personal Guaranty, and to renew, compromise, exchange, transfer, enforce, waive and release any such security; (c) apply such security and direct the order or manner of sale thereof as Franchisor in its discretion may determine; (d) release or substitute any one or more of the undersigned guarantors; (e) bid and purchase at any sale of security for this Personal Guaranty; (f) assign or transfer all or any part of its interest in the Agreement; and (g) assign this Personal Guaranty in whole or in part. The undersigned waive any right to require Franchisor to proceed against Franchisee, or proceed against or exhaust security for the indebtedness evidenced hereby, or pursue any other remedy in Franchisor’s power whatsoever. Each of the undersigned, if constituting married persons, expressly agrees that recourse may be made against their marital community and their separate property and in such order and manner as Franchisor may elect. The undersigned waive any defense arising by reason of any disability or defense of Franchisee or by reason of the cessation from any cause whatsoever of the liability of Franchisee. The undersigned waive all presentments, demands or performance, notice of nonperformance, protest, notice of protest, notices of dishonor and notices of acceptance of this Personal Guaranty and of the existence, creation or incurring of new or additional obligations. Until all obligations of Franchisee under the Agreement have been paid and satisfied in full, the undersigned shall have no right of subrogation and waive any right to enforce any remedy which Franchisor now has or hereafter may have against Franchisee, and further waive any benefit of, and any right to participate in any security now or hereafter held by Franchisor. This Personal Guaranty shall bind the undersigned’s heirs, administrators, personal representatives, successors, and assigns, and shall inure to the benefit of Franchisor and its successors and assigns including, without limitation, any party to whom Franchisor may assign any interest in the Agreement, and the undersigned hereby waives notice of any such assignment. All of Franchisor’s rights are cumulative and not alternative. This Personal Guaranty shall be governed by and construed and enforced under New York law.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Schedule, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Schedule and be bound by it.

Dated: _____

PERRI FRANCHISING, INC. :

GUARANTOR :

By: _____

Name: _____

Title: _____

Name:

SCHEDULE 4: NON-DISCLOSURE AGREEMENT

NON-DISCLOSURE AGREEMENT

The undersigned party (the "Receiving Party") understands that Perri Franchising, Inc., a New York corporation with its principal office at 1844 Penfield Road, Penfield, New York 14526 (the "Disclosing Party") has disclosed or may disclose information relating to the Disclosing Party's business which to the extent previously, presently, or subsequently disclosed to the Receiving Party is hereinafter referred to as "Proprietary Information" of the Disclosing Party

In consideration of the parties' discussions and any access of the Receiving Party to Proprietary Information of the Disclosing Party, the Receiving Party hereby agrees as follows:

1. The Receiving Party agrees: (i) to hold the Disclosing Party's Proprietary Information in confidence and to take reasonable precautions to protect such Proprietary Information (including, without limitation, all precautions the Receiving Party employs with respect to its confidential materials); (ii) not to divulge any such Proprietary Information or any information derived therefrom to any third person, except to a professional advisor such as a lawyer or accountant (and then solely for the purposes in (iii) below); (iii) not to make any use whatsoever at any time of such Proprietary Information except to evaluate its relationship with the Disclosing Party; (iv) not to copy any such Proprietary Information; and (v) not to export or re-export (within the meaning of U.S. or other export control laws or regulations) any such Proprietary Information or product thereof. Without granting any right or license, the Disclosing Party agrees that the foregoing shall not apply with respect to any information after five years following the disclosure thereof or any information that the Receiving Party can document (i) is or becomes (through no improper action or inaction by the Receiving Party or any affiliate, agent, consultant or employee) generally available to the public, or (ii) was in its possession or known by it without restriction prior to receipt from the Disclosing Party or (iii) was rightfully disclosed to it by a third party without restriction, or (iv) was independently developed without use of any Proprietary Information of the Disclosing Party by employees of the Receiving Party who have had no access to such information. The Receiving Party may make disclosures required by law or court order provided the Receiving Party uses diligent reasonable efforts to limit disclosure and to obtain confidential treatment or a protective order and has allowed the Disclosing Party to participate in the proceeding. The Receiving Party, its affiliates and their respective directors, officers, and employees shall refrain from using for any purpose any "residuals" from access to the Proprietary Information. "Residuals" means information in non-tangible form which may be retained by persons who had access to Proprietary Information, including ideas, concepts, know-how, methods or techniques.
2. Immediately upon a request by the Disclosing Party at any time the Receiving Party will turn over to the Disclosing Party all Proprietary Information of the Disclosing Party and all documents or media containing any such Proprietary Information and any and all copies or extracts thereof. The Receiving Party understands that nothing herein (i) requires the disclosure of any Proprietary Information of the Disclosing Party or (ii) requires the Disclosing Party to proceed with any transaction or relationship.
3. This Agreement applies only to disclosures made before the first anniversary of this Agreement. The Receiving Party acknowledges and agrees that due to the unique nature of the Disclosing Party's Proprietary Information, there can be no adequate remedy at law for any breach of its obligations hereunder, which breach may result in irreparable harm to the Disclosing Party, and therefore, that upon any such breach or any threat thereof, the

Disclosing Party shall be entitled to appropriate equitable relief in addition to whatever remedies it might have at law. In the event that any of the provisions of this Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect. This Agreement shall be governed by the law of the State of New York without regard to the conflicts of law provisions thereof. This Agreement supersedes all prior discussions and writings and constitutes the entire agreement between the parties with respect to the subject matter hereof. The prevailing party in any action to enforce this Agreement shall be entitled to reasonable costs and attorney's fees. No waiver or modification of this Agreement will be binding up a party unless made in writing and signed by a duly authorized representative of such party and no failure or delay in enforcing any right will be deemed a waiver.

Receiving Party:

Date:

Authorized representative of

Disclosing Party:

Date:

Authorized representative of Perri Franchising, Inc.

EXHIBIT “D”
TO
FRANCHISE DISCLOSURE DOCUMENT

Table of Contents to Manual

[See Attached]



THE ORIGINAL
HUGE SLICE PIZZERIA

PERRI'S PIZZERIA

Operations Manual

PERRI FRANCHISING INC. | V06162021



Perri Franchising Inc.
Operations Manual
Table of contents: V06162021

1. Introduction
 - 1.1. Confidentiality
 - 1.2. From The First Slice
 - 1.3. Our Mission Statement
 - 1.4. Feedback & Suggestions
 - 1.5. Legal Disclaimer
2. The HUGE Slice Focus
 - 2.1. The HUGE Slice
 - 2.2. Slice Availability
 - 2.3. Slice Time Restraints
 - 2.4. Slice Quality
 - 2.5. Slice Packaging
 - 2.6. Slice Re-Heating
 - 2.7. Adding Slice Toppings
 - 2.8. Taking Slice Orders
 - 2.9. Slice Combos
3. Food & Beverage
 - 3.1. The Menu
 - 3.2. The Menu Management Station
 - 3.3. Beverage
 - 3.4. Good Morning Breakfast Menu Option
4. Product Knowledge & Authorized Product Suppliers
 - 4.1. Product Updates
 - 4.2. Vendor Updates
 - 4.3. Franchisee / Vendor Expectations
 - 4.4. Sysco Foods
 - 4.5. Johnston Paper Company
 - 4.6. Pepsi Beverages Company
 - 4.7. Marticellos Bakery
 - 4.8. Wilshire Catering

- 4.9. Cintas
- 4.10. The Signery Product Identification
- 5. Line Specifications
 - 5.1. Pizza Station Line Specifications
 - a. Pizza Make Station
 - b. Dough Prep/Pound Table Station
 - c. Deck Pizza Ovens Station
 - d. Pizza Cut Table Station
 - e. Epoxy Coated Shelving Station
 - 5.2. Grill Station Line Specifications
 - a. Star-Max Thermostatic Griddle
 - b. Equipment Stand with Under Shelf
 - c. Wall Shelf Grill Area
 - d. Bonus Grill Area Tables
 - e. Dean Gas Fryers
 - f. Stand Up Freezer
 - g. Big Digit Timers
 - h. Beverage Air DP-67
 - i. True TBB-4-HC
 - j. Wing Sauce Speed Rail
 - k. Wall Shelf Wing Area
 - l. On the Sweet Side
 - 5.3. Dough Station Line Specifications
 - a. Hobart Dough Mixer
 - b. Dough Area Preparation Table
 - c. Wall Shelf Dough Area
 - d. Flour Storage Area
 - 5.4. Washroom Line Specifications
 - a. Three Compartment Sink
 - 5.5. Spice Up Your Slice Station
 - 5.6. Dry Storage Specifications
 - 5.7. Service Counter
 - 5.8. Delivery Line Specifications
 - a. BK Flat Top Tables
 - b. Cambro GoBags
 - c. Cambro GoBoxes
 - d. GoBags/GoBox Labels & Identification

- e. Market Map
- f. Delivery Driver Log
- g. Rubbermaid Six-Pocket Organizer
- 6. Daily Operating Procedures
 - 6.1. Introduction
 - 6.2. Required Days / Hours of Operations
 - 6.3. National Holidays
 - 6.4. Closing time vs Serving Time
 - 6.5. Signs & Outdoor Signage Lighting
 - 6.6. Customer Service Procedures
 - 6.7. Greeting Customers
 - 6.8. Answering The Phone
 - 6.9. Handling Complaints
 - 6.10. Refund or Replacement Requests
 - 6.11. Atmosphere
 - 6.12. Television & Radio
 - 6.13. Visual Merchandising
 - 6.14. Waste Receptacle Cleanliness
 - 6.15. Seating Cleanliness
 - 6.16. Spice Up Your Slice Cleanliness
 - 6.17. Restroom Cleanliness
 - 6.18. Inventory Management
 - 6.19. Minimum Inventory
 - 6.20. Receiving Product
 - 6.21. Labeling of Products
 - 6.22. Elkay Plastic Liner Bags
 - 6.23. Scales
 - 6.24. Opening/Closing Task List
 - 6.25. Daily Task/Prep List
 - 6.26. Towels & Aprons
 - 6.27. Wall Charts
 - 6.28. Wing Rules & Regulations
 - 6.29. Wing Sauce Identification
 - 6.30. Wing Toss Buckets
 - 6.31. Wing Sauce Squirt Bottles
 - 6.32. Fresh Dough Made Daily
 - 6.33. Dough Area Hygiene

- 6.34. Covering the Dough
- 6.35. Gapping the Dough
- 6.36. Smallware Items
- 6.37. The Sticker System
- 6.38. Seasoning Screens
- 6.39. Pan Pizza Pans
- 6.40. Yummy Breadstick/Bites Pans & Lids
- 6.41. Seasoning Pans
- 7. Daily Operating Action Forms/Lists
 - 7.1. Introduction To Action Lists
 - 7.2. Closing Task List
 - 7.3. Daily Task/Prep List
 - 7.4. Delivery Bag & Car Topper Form
 - 7.5. Driver Contact Form
 - 7.6. Delivery Driver Log
 - 7.7. Employee Voluntary Leave Early Sheet
 - 7.8. End of Day Report
 - 7.9. Opening Task List
 - 7.10. Payroll Percentage Form
 - 7.11. Pre-Order Form
 - 7.12. School Lunch Pizza Program Form
 - 7.13. Store Borrow Sheet
 - 7.14. Waste Tracking Form
- 8. Food Handling & Safety
 - 8.1. Introduction to Food Handling & Safety
 - 8.2. Perri's Food Certification Requirements
 - 8.3. Safe Food Handling
 - 8.4. Chicken Wing Caution
 - 8.5. Red vs Green Tongs
 - 8.6. Wings Below the Oil
 - 8.7. Wearing Gloves
 - 8.8. Raw Chicken Buckets
 - 8.9. MSDS Sheet Information
 - 8.10. First Aid Kits
 - 8.11. Sanitizing Pail
 - 8.12. Safety Policy Guidelines
- 9. Repair & General Maintenance

- 9.1. Introduction to Repair & General Maintenance
- 9.2. Epoxy Green Racks
- 9.3. FRP Walls
- 9.4. Pizza Oven Maintenance
- 9.5. Fryer Maintenance
- 9.6. Exhaust Hood Maintenance
- 9.7. Floor Care & Maintenance
- 9.8. Window Cleaning
- 9.9. Pest Preventative Care
- 9.10. Garbage & Outdoor Garbage Area
- 9.11. Oil Containers
- 9.12. Refrigeration Maintenance
- 9.13. Pizza Screen Care
- 9.14. Pizza Peel Care
- 9.15. Nemco Easy Chopper
- 10. Sales & Payment Systems
 - 10.1. Basic POS Functions
 - 10.2. POS Support
 - 10.3. Network & Router
 - 10.4. Programed Menu
 - 10.5. Location Specials Tab
 - 10.6. Discounts
 - 10.7. Franchise Special Discounts
 - 10.8. Reporting
 - 10.9. The Terminal
 - 10.10. Receipt Printers
 - 10.11. Ticket Printer
 - 10.12. Cash Drawers
 - 10.13. Bank Backup
 - 10.14. Credit Card Processing
 - 10.15. NGC Phone Systems
 - 10.16. Gift Cards
 - 10.17. Gift Card Holders
 - 10.18. 3rd Party Orders
 - 10.19. 3rd Party Ordering Requirements
- 11. Marketing & Advertising
 - 11.1. The Best Marketing Plan

- 11.2. Staff Image
- 11.3. Custom Print Apparel
- 11.4. Marketing Calendar
- 11.5. Community Awareness
- 11.6. The Website
- 11.7. Phone Numbers
- 11.8. The HUGE Slice Hotline
- 11.9. Markethold Productions
- 11.10. Social Media Marketing
- 11.11. Social Media Contests
- 11.12. Review Response
- 11.13. Approved Design
- 11.14. Magnetic Wall System
- 11.15. Car Toppers
- 11.16. Donation & Fundraisers
- 11.17. Promotional Items
- 11.18. Magnets USA
- 11.19. Direct Mail Marketing
- 11.20. In Page Direct Mail Marketing
- 11.21. Local Hometown Publications
- 11.22. In Store Flyers
- 11.23. Snapchat Filters & Face Lens

EXHIBIT "E"

TO

FRANCHISE DISCLOSURE DOCUMENT

List of Franchisees

CURRENT FRANCHISEES

- | | |
|--|---|
| 1. Greece/Longpond
R & B Grant Longpond, Inc.
1097 Long Pond Road
Rochester, New York 14626
(585) 225-3000 | 2. Canandaigua
HSAS, Inc.
2485 Rochester Road
Canandaigua, New York 14424
(585) 394-6060 |
| 3. Brockport
Alonci Enterprise, Corp.
82 Main Street
Brockport, New York 14420
(585) 637-3030 | 4. Rochester/East & Winton
Junior IV Management LLC
1881 East Avenue
Rochester, New York 14610
(585) 244-9090 |
| 5. Greece/Charlotte
R&B Grant Stone Corp.
524 Stone Road
Rochester, NY 14616
(585) 865-5050 | 6. Henrietta/Pittsford
O'C Enterprise, Inc.
3105 E. Henrietta Road
Henrietta, New York 14467
(585) 334-2020 |

AFFILIATE OWNED

- | | |
|---|---|
| 7. Spencerport/Hilton
Perri's Pizzeria Development, LLC
1835 N. Union Street
Spencerport, New York 14559
(585) 352-5252 | 8. Gates/City West
PerriCityGate, Inc.
1600 Lyell Avenue
Rochester, New York 14606
(585) 247-4040 |
| 9. Penfield
Perri Penfield, Inc.
1837 Penfield Road
Penfield, New York 14526
(585) 381-2020 | |

FORMER FRANCHISEES

N/A

EXHIBIT “F”
TO
FRANCHISE DISCLOSURE DOCUMENT

Financial Statements

[See Attached]



Petrella Phillips LLP

Plan. Perform. Progress.

Certified
Public
Accountants

CONSENT

Petrella Phillips LLP consents to the use in the Franchise Disclosure Document issued by Perri Franchising, Inc. ("Franchisor") on April 28, 2022, as it may be amended, of our report dated April 30, 2022, relating to the financial statements of Franchisor for the period ending December 31, 2021.

PERRI FRANCHISING, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

PERRI FRANCHISING, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent auditors' report	1-3
Consent of independent auditors	4
Financial statements	
Balance sheets	5
Statements of operations and changes in retained earnings	6
Statements of cash flows	7
Notes to financial statements	8-12
Supplementary information	
Schedules of operating expenses	13



Petrella Phillips LLP
Plan. Perform. Progress.

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To Management
Perri Franchising, Inc.
Rochester, New York

Opinion

We have audited the accompanying financial statements of Perri Franchising, Inc. (an S Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets of Perri Franchising, Inc. as of December 31, 2021 and 2020, and the related statements of operations and changes in retained earnings and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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

Emphasis-of-Matter

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements, subsequent event, management has evaluated the events and conditions regarding the Coronavirus pandemic. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented in the schedules of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Petrella Phillips LLP
Certified Public Accountants
Rochester, New York
April 30, 2022

Consent of Independent Auditors

We hereby consent to the use in the Uniform Franchise Offering Circular constituting part of this Uniform Franchise Registration application of the following reports relating to the financial statements of Perri Franchising, Inc. which appear as an attachment in such offering circular.

<u>Reporting Period</u>	<u>Report Date</u>
01/01/21 - 12/31/21	April 20, 2022
01/01/20 - 12/31/20	August 30, 2021

Petrella Phillips LLP

Petrella Phillips LLP
Certified Public Accountants
Rochester, New York
April 30, 2022

PERRI FRANCHISING, INC.

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 134,366	\$ 157,876
Accounts Receivable	<u>-</u>	<u>1,916</u>
Total Current Assets	<u>134,366</u>	<u>159,792</u>
Property and equipment, net of accumulated depreciation of \$11,895 in 2021 and \$9,815 in 2020	<u>2,084</u>	<u>4,164</u>
Other Assets		
Intangible assets with indefinite useful lives	1,240	1,240
Non-inventory asset	18,000	18,000
Property escrow	225,088	-
Non-current portion of due from related party	<u>43,853</u>	<u>43,853</u>
Total Other Assets	<u>288,181</u>	<u>63,093</u>
Total Assets	<u>\$ 424,631</u>	<u>\$ 227,049</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Current portion of debt	12,530	11,738
Accrued expenses	175	175
Gift card liability	6,532	1,250
Sales tax payable	<u>25</u>	<u>603</u>
Total Current Liabilities	19,262	13,766
Non-current portion of debt	3,242	15,786
Loan from shareholder	<u>220,000</u>	<u>-</u>
Total Liabilities	<u>242,504</u>	<u>29,552</u>
Stockholder's Equity		
Common stock, no par value, 200 shares authorized, 100 shares issued and outstanding	100	100
Paid in capital	86,518	86,518
Retained earnings	<u>95,509</u>	<u>110,879</u>
Total Stockholder's Equity	<u>182,127</u>	<u>197,497</u>
Total Liabilities and Stockholder's Equity	<u>\$ 424,631</u>	<u>\$ 227,049</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Franchise fees	\$ 79,617	\$ 52,540
Advertising fees	19,000	17,200
Product - resale	<u>21,456</u>	<u>15,911</u>
Total Revenues	120,073	85,651
Operating Expenses	<u>289,946</u>	<u>96,111</u>
Loss From Operations	(169,873)	(10,460)
Other Income (Expenses)		
Advertising space	-	2,800
Discounts and returns	(4,000)	
Gain on sale of assets	-	495
Interest expense	(1,474)	(2,234)
Miscellaneous income	1,000	592
Rebates	<u>201,070</u>	<u>210,994</u>
Total Other Income (Expenses)	196,596	212,647
Income Before Provision for Income Taxes	26,723	202,187
Provision for Income Taxes	<u>175</u>	<u>175</u>
Net Income	26,548	202,012
Stockholder Distributions	(41,918)	(269,790)
Retained Earnings - Beginning	<u>110,879</u>	<u>178,657</u>
Retained Earnings - Ending	<u><u>\$ 95,509</u></u>	<u><u>\$ 110,879</u></u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Net income	\$ 26,548	\$ 202,012
Adjustments to Reconcile Increases in Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	2,080	2,424
Gain on sale of assets	-	(495)
(Increase) decrease in:		
Accounts receivable	1,916	(1,916)
Property escrow	(225,088)	
Increase (decrease) in:		
Gift card liability	5,282	1,250
Sales tax payable	(578)	603
	<u>(189,840)</u>	<u>203,878</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities:		
Proceeds from sale of assets	-	495
	<u>-</u>	<u>495</u>
Net Cash Provided by Investing Activities		
Cash Flows From Financing Activities:		
Payments on debt	(11,752)	(10,992)
Loan from shareholder	220,000	-
Stockholder distributions	(41,918)	(269,790)
Payments from related party	-	100,000
	<u>166,330</u>	<u>(180,782)</u>
Net Cash Provided (Used) by Financing Activities		
Net Decrease in Cash	(23,510)	23,591
Cash - Beginning	<u>157,876</u>	<u>134,285</u>
Cash - Ending	<u>\$ 134,366</u>	<u>\$ 157,876</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Perri Franchising, Inc. is a New York S Corporation engaged primarily in pizzeria franchise development. The Company is located in Rochester, New York and provides its products and services primarily to customers located in Upstate New York.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Revenue Recognition

On January 1, 2019, the Company adopted Accounting Standards Update (ASU) No 2014-09 (Topic 606) – Revenue from Contracts with Customers (“ASU 2014-09” or “Topic 606”), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification (“ASC”) Topic 605, Revenue Recognition (“Topic 605”) and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or service are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. The Company has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to conform with the new standard. The Company utilizes a five-step framework as identified in ASU 2014-09. The Company is a franchisor. The Company has arrangements with franchisees where performance obligations are satisfied over time, which primarily related to advertising and promotions. Performance obligations associated with advertising and promotions are satisfied when those fees are used for national, regional, and other advertising programs.

Provision for Income Taxes

Perri Franchising, Inc., with the consent of its shareholder, has elected to be an S Corporation for federal and state income tax purposes. In lieu of corporation income taxes, the shareholder of an S corporation is taxed on his share of the Company’s taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. However, a provision for income taxes has been included in the financial statements for a state franchise tax.

Property and Equipment

Property and equipment are recorded at cost. When retired or otherwise disposed of, the related cost and accumulated depreciation are cleared from the respective accounts and the net difference, less any amount realized from disposition, is reflected in income.

Depreciation is provided for on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture	7 Years
Machinery and equipment	5 Years

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Property and Equipment (Continued)

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives are not amortized but rather are subject to an annual impairment review or more frequently if circumstances exist that might indicate its value is impaired. Should the carrying value exceed the fair value of intangible assets, the carrying value will be written down to the fair value.

Advertising

Advertising costs are expensed as incurred and are included in operating expenses. Advertising costs were \$17,708 in 2021 and \$11,120 in 2020.

Sales and Use Taxes

The Company records taxes assessed by governmental authorities on revenue-producing transactions on the balance sheet in the current liabilities section rather than on the statements of operations and changes in retained earnings.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Note 2: Due from Related Party

Due from related party consists of amounts due from PerriCityGate, Inc., an S Corporation owned and operated by the sole shareholder of the Company. Amounts due from related party carry no stated interest rates or repayment terms.

Note 3: Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 6,505	\$ 6,505
Machinery and equipment	<u>7,474</u>	<u>7,474</u>
	13,979	13,979
Less: accumulated depreciation	<u>11,895</u>	<u>9,816</u>
	<u>\$ 2,084</u>	<u>\$ 4,164</u>

Depreciation expense amounted to \$2,080 in 2021 and \$2,424 in 2020.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 4: Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives consisted of a trademark carrying a value of \$1,240 at December 31, 2021 and in 2020.

Note 5: Debt

Debt consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable to J.P Morgan Chase Bank, requiring monthly installments of \$1,102, including interest at 6.55% per annum. The note is secured by all business assets. Final payment is due March, 2023.	\$ <u>15,772</u>	\$ <u>27,524</u>
	15,772	27,524
Less: current portion	<u>12,530</u>	<u>10,996</u>
Non-current portion of debt	\$ <u><u>3,242</u></u>	\$ <u><u>27,520</u></u>

Principal payments on debt during the next five years are estimated as follows:

December 31, 2021	\$ 12,531
2022	<u>3,241</u>
	\$ <u><u>15,772</u></u>

Note 6: Franchising

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened franchised pizzeria. Franchisees pay continuing fees for royalties ranging from \$500 to \$840 per month based upon gross monthly revenues and \$200 to \$400 per month for advertising. Subject to approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

Initial franchise fees, which may be up to \$20,000, are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company. Services provided by the Company include assistance in site selection, personnel training, and implementation of an accounting and quality control system. When initial fees are collected over an extended period of time and no reasonable basis for estimating collectability exists, equal amounts of fees and expenses are recognized when fees are collected, and profit is recognized only after all costs have been recovered.

The Company had no new franchise licenses during 2021 or 2020.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Note 6: Franchising (Continued)

Franchise fee and advertising fee revenues consisted of the following in 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Continuing franchise fee revenue	\$ <u>79,617</u>	\$ <u>52,540</u>
Continuing advertising fee revenue	\$ <u>19,000</u>	\$ <u>20,000</u>

Note 7: Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Note 8: Provision for Income Taxes

The Company has elected to be treated as an S-Corporation for federal and state reporting purposes. As a result of this election, the taxable income of the Company is reported personally by its stockholder, and no federal corporate income tax is assessed. As an S-Corporation, the Company is subject to the minimum state franchise tax from various states that it conducts business in.

Perri Franchising, Inc. is required to file income tax returns with federal and New York state taxing authorities. Federal and state income tax returns remain open for examination by the respective taxing authorities for the 2018 through 2021 tax years. The Company has determined that it has no uncertain tax positions.

Note 9: Cash Flow Information

Cash paid for interest and income taxes during 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Interest	\$ <u>1,474</u>	\$ <u>2,234</u>
Income taxes	\$ <u>175</u>	\$ <u>175</u>

Note 10: Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. Cash does not exceed federally insured limits at December 31, 2021. Therefore, the Company had no significant concentrations of credit risk.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 11: Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel Coronavirus (COVID-19) as a pandemic.

The COVID-19 pandemic has continued to be an issue since March of 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as social distancing and wearing masks, to protect the safety and health of staff and customers.

At this stage, the impact on the Company has not been significant and based on the Company's experience to date we expect this to remain the case. The Company will continue to abide by the various government policies and advice related to this pandemic.

SUPPLEMENTARY INFORMATION

PERRI FRANCHISING, INC.

SCHEDULES OF OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Advertising	\$ 17,708	\$ 11,120
Automobile	10,161	6,992
Contributions	100	656
Depreciation	2,080	2,424
Meals and entertainment	1,242	325
Office expenses	23,511	22,127
Payroll - officer	50,735	18,000
Payroll taxes	3,848	1,489
Professional fees	176,006	28,317
Rent	2,025	2,913
Repairs and maintenance	1,130	866
Travel	8	-
Utilities	<u>1,392</u>	<u>882</u>
Total Operating Expenses	\$ <u>289,946</u>	\$ <u>96,111</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

PERRI FRANCHISING, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
Independent auditors' report	1-2
Consent of independent auditors	3
Financial statements	
Balance sheets	4
Statements of operations and changes in retained earnings	5
Statements of cash flows	6
Notes to financial statements	7-11
Supplementary information	
Schedules of operating expenses	12



Petrella Phillips LLP
Plan. Perform. Progress.

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To Management
Perri Franchising, Inc.
Rochester, New York

We have audited the accompanying financial statements of Perri Franchising, Inc. (an S corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and changes in retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets of Perri Franchising, Inc. as of December 31, 2020 and 2019, and the related statements of operations and changes in retained earnings and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements, subsequent event, management has evaluated the events and conditions regarding the Coronavirus pandemic. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented in the schedules of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Petrella Phillips LLP
Certified Public Accountants
Rochester, New York

August 30, 2021

Consent of Independent Auditors

We hereby consent to the use in the Uniform Franchise Offering Circular constituting part of this Uniform Franchise Registration application of the following reports relating to the financial statements of Perri Franchising, Inc. which appear as an attachment in such offering circular.

<u>Reporting Period</u>	<u>Report Date</u>
01/01/20 - 12/31/20	August 30, 2021
01/01/19 - 12/31/19	March 22, 2020



Petrella Phillips LLP
Certified Public Accountants
Rochester, New York

August 30, 2021

PERRI FRANCHISING, INC.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 157,876	\$ 134,285
Accounts Receivable	<u>1,916</u>	<u>-</u>
Total Current Assets	<u>159,792</u>	<u>134,285</u>
Property and equipment, net of accumulated depreciation of \$9,815 in 2020 and \$8,089 in 2019	<u>4,164</u>	<u>6,588</u>
Other Assets		
Intangible assets with indefinite useful lives	1,240	1,240
Non-inventory asset	18,000	18,000
Non-current portion of due from related party	<u>43,853</u>	<u>143,853</u>
Total Other Assets	<u>63,093</u>	<u>163,093</u>
Total Assets	<u>\$ 227,049</u>	<u>\$ 303,966</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Current portion of debt	11,738	10,996
Accrued expenses	175	175
Gift card liability	1,250	-
Sales tax payable	<u>603</u>	<u>-</u>
Total Current Liabilities	<u>13,766</u>	<u>11,171</u>
Non-current portion of debt	<u>15,786</u>	<u>27,520</u>
Total Liabilities	<u>29,552</u>	<u>38,691</u>
Stockholder's Equity		
Common stock, no par value, 200 shares authorized, 100 shares issued and outstanding	100	100
Paid in capital	86,518	86,518
Retained earnings	<u>110,879</u>	<u>178,657</u>
Total Stockholder's Equity	<u>197,497</u>	<u>265,275</u>
Total Liabilities and Stockholder's Equity	<u>\$ 227,049</u>	<u>\$ 303,966</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Franchise fees	\$ 52,540	\$ 52,464
Advertising fees	17,200	16,800
Product - resale	<u>15,911</u>	<u>-</u>
Total Revenues	85,651	69,264
Operating Expenses	<u>96,111</u>	<u>75,053</u>
Loss From Operations	(10,460)	(5,789)
Other Income (Expenses)		
Advertising space	2,800	-
Gain on sale of assets	495	4,959
Interest expense	(2,234)	(2,931)
Interest income	-	114
Miscellaneous income	592	-
Rebates	<u>210,994</u>	<u>200,901</u>
Total Other Income (Expenses)	<u>212,647</u>	<u>203,043</u>
Income Before Provision for Income Taxes	202,187	197,254
Provision for Income Taxes	<u>175</u>	<u>175</u>
Net Income	202,012	197,079
Stockholder Distributions	(269,790)	(255,491)
Retained Earnings - Beginning	<u>178,657</u>	<u>237,069</u>
Retained Earnings - Ending	<u>\$ 110,879</u>	<u>\$ 178,657</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Net income	\$ 202,012	\$ 197,079
Adjustments to Reconcile Increases in Net Income to Net Cash Provided by Operating Activities:		
Depreciation	2,424	2,424
Gain on sale of assets	(495)	-
(Increase) decrease in:		
Accounts receivable	(1,916)	-
Increase (decrease) in:		
Accounts payable	-	(500)
Deferred revenues	-	(4,959)
Gift card liability	1,250	-
Sales tax payable	603	-
Net Cash Provided by Operating Activities	203,878	194,044
Cash Flows From Investing Activities:		
Collections on notes receivable	-	4,959
Expenditure on intangible assets	-	(1,240)
Non-inventory asset purchase	-	(10,000)
Proceeds from sale of assets	495	-
Net Cash (Used) Provided by Investing Activities	495	(6,281)
Cash Flows From Financing Activities:		
Payments on debt	(10,992)	(10,295)
Stockholder distributions	(269,790)	(255,491)
Payments from related party	100,000	-
Net Cash Used by Financing Activities	(180,782)	(265,786)
Net Decrease in Cash	23,591	(78,023)
Cash - Beginning	134,285	212,308
Cash - Ending	\$ 157,876	\$ 134,285

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Perri Franchising, Inc. is a New York S Corporation engaged primarily in pizzeria franchise development. The Company is located in Rochester, New York and provides its products and services primarily to customers located in Upstate New York.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Provision for Income Taxes

Perri Franchising, Inc., with the consent of its shareholder, has elected to be an S corporation for federal and state income tax purposes. In lieu of corporation income taxes, the shareholder of an S corporation is taxed on his share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. However, a provision for income taxes has been included in the financial statements for a state franchise tax.

Property and Equipment

Property and equipment are recorded at cost. When retired or otherwise disposed of, the related cost and accumulated depreciation are cleared from the respective accounts and the net difference, less any amount realized from disposition, is reflected in income.

Depreciation is provided for on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture	7 Years
Machinery and equipment	5 Years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives are not amortized but rather are subject to an annual impairment review or more frequently if circumstances exist that might indicate its value is impaired. Should the carrying value exceed the fair value of intangible assets, the carrying value will be written down to the fair value.

Advertising

Advertising costs are expensed as incurred and are included in operating expenses. Advertising costs were \$11,120 in 2020 and \$12,846 in 2019.

See independent auditors' report.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Sales and Use Taxes

The Company records taxes assessed by governmental authorities on revenue-producing transactions on the balance sheet in the current liabilities section rather than on the statements of operations and changes in retained earnings.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Note 2: Due from Related Party

Due from related party consists of amounts due from PerriCityGate, Inc., an S Corporation owned and operated by the sole shareholder of the Company. Amounts due from related party carry no stated interest rates or repayment terms.

Note 3: Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 6,505	\$ 6,505
Machinery and equipment	<u>7,474</u>	<u>8,172</u>
	13,979	14,677
Less: accumulated depreciation	<u>9,816</u>	<u>8,090</u>
	<u>\$ 4,164</u>	<u>\$ 6,588</u>

Depreciation expense amounted to \$2,424 in 2020 and in 2019.

Note 4: Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives consisted of a trademark carrying a value of \$1,240 at December 31, 2020 and in 2019.

See independent auditors' report.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 5: Debt

Debt consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to J.P Morgan Chase Bank, requiring monthly installments of \$1,102, including interest at 6.55% per annum. The note is secured by all business assets. Final payment is due March, 2023.	\$ <u>27,524</u>	\$ <u>38,516</u>
	27,524	38,516
Less: current portion	<u>11,738</u>	<u>10,996</u>
Non-current portion of debt	\$ <u><u>15,786</u></u>	\$ <u><u>27,520</u></u>

Principal payments on debt during the next five years are estimated as follows:

December 31, 2021	\$ 11,738
2022	12,531
2023	<u>3,251</u>
	\$ <u><u>27,520</u></u>

Note 6: Franchising

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened franchised pizzeria. Franchisees pay continuing fees for royalties ranging from \$500 to \$840 per month based upon gross monthly revenues and \$200 to \$400 per month for advertising. Subject to approval and payment of a renewal fee, a franchisee may generally renew its agreement upon expiration.

Initial franchise fees, which may be up to \$20,000, are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company. Services provided by the Company include assistance in site selection, personnel training, and implementation of an accounting and quality control system. When initial fees are collected over an extended period of time and no reasonable basis for estimating collectability exists, equal amounts of fees and expenses are recognized when fees are collected, and profit is recognized only after all costs have been recovered.

The Company had no new franchise licenses during 2020 or 2019.

See independent auditors' report.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 6: Franchising (Continued)

Franchise fee and advertising fee revenues consisted of the following in 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Continuing franchise fee revenue	\$ <u>52,540</u>	\$ <u>52,464</u>
Continuing advertising fee revenue	\$ <u>20,000</u>	\$ <u>16,800</u>

Note 7: Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Note 8: Provision for Income Taxes

The Company has elected to be treated as an S-Corporation for federal and state reporting purposes. As a result of this election, the taxable income of the Company is reported personally by its stockholder, and no federal corporate income tax is assessed. As an S-Corporation, the Company is subject to the minimum state franchise tax from various states that it conducts business in.

Perri Franchising, Inc. is required to file income tax returns with federal and New York state taxing authorities. Federal and state income tax returns remain open for examination by the respective taxing authorities for the 2017 through 2020 tax years. The Company has determined that it has no uncertain tax positions.

Note 9: Cash Flow Information

Cash paid for interest and income taxes during 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest	\$ <u>2,234</u>	\$ <u>2,931</u>
Income taxes	\$ <u>175</u>	\$ <u>175</u>

Note 10: Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. Cash does not exceed federally insured limits at December 31, 2020. Therefore, the Company had no significant concentrations of credit risk.

See independent auditors' report.

PERRI FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Note 11: Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel Coronavirus (COVID-19) as a pandemic.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as social distancing and wearing masks, to protect the safety and health of staff.

At this stage, the impact on the Company has not been significant and based on the Company's experience to date we expect this to remain the case. The Company will continue to abide by the various government policies and advice related to this pandemic. The financial impact from COVID-19 cannot be reasonably estimated at this time.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

PERRI FRANCHISING, INC.

SCHEDULES OF OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Advertising	\$ 11,120	\$ 12,846
Automobile	6,992	9,485
Contributions	656	275
Depreciation	2,424	2,424
Meals and entertainment	325	443
Office expenses	22,127	5,311
Payroll - officer	18,000	18,000
Payroll taxes	1,489	1,487
Professional fees	28,317	20,540
Rent	2,913	1,363
Repairs and maintenance	866	453
Utilities	882	2,426
Total Operating Expenses	\$ <u>96,111</u>	\$ <u>75,053</u>

See Independent Auditors' Report
The Accompanying Notes are an Integral Part of These Financial Statements

EXHIBIT "G"

TO

FRANCHISE DISCLOSURE DOCUMENT

**AMENDMENT TO
DISCLOSURE DOCUMENT FOR PERRI FRANCHISING, INC.
FOR THE STATE OF NEW YORK**

The Disclosure Document shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Disclosure Document (the "Amendment"):

The following should be added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATION PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

The following should be added to Item 3 of this Disclosure Document:

Other than as described above, neither Perri Franchising, Inc. nor any person identified in Item 2 above has any administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

Neither Perri Franchising, Inc. nor any person identified in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

Neither Perri Franchising, Inc. nor any person identified in Item 2 above is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business

activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

The following should be added to Item 4 of this Disclosure Document:

Other than as describe above, neither Perri Franchising, Inc. nor any predecessor, officer or general partner of ours, during the 10-year period immediately before the date of the Disclosure Document, (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of Perri Franchising, Inc. held this position in the company or partnership.

The following should be added to Item 5 of the Disclosure Document:

Proceeds from the initial franchise fee will be used to cover our expenses associated with such things as:

(1) Providing you with initial training assistance and technical advice in establishing a Franchised Business;

(2) Protection and enforcement of all trademarks, trade names and commercial symbols associated with our System;

(3) Continuing consultation and advisory assistance in the operation of the Franchised Business;

(4) Legal and accounting fees and compliance with state and federal laws;

(5) Administrative expenses;

(6) Provision of an operations manual; and

(7) Organizational and development costs of building the franchise system.

Any choice of law or venue provisions contained in the Franchise Agreement should not be considered a waiver of any right conferred by the General Business Laws of the State of New York, Article 33.

Registration of this franchise by the State of New York does not mean that the State of New York recommends it or has verified the information in this Disclosure Document.

All reference to “Disclosure Document” will be deemed to include the term “Offering Prospectus” as used under the General Business Law of New York.

Under the Franchise Agreement, the Operations Manuals we issue may be modified and you are bound by such modifications. However, no such modifications may impose an unreasonable economic burden on you.

Provisions of general releases are mentioned in this Disclosure Document are specified in the Franchise Agreement and the Area Development Agreement. These releases are limited by the following: all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under this law will remaining force, it being the intent that the non-waiver proviso of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

We will not make any assignment of the Franchise Agreement or the Area Development Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement or the Area Development Agreement.

The choice of law of the Franchise Agreement or the Area Development Agreement should not be considered a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33.

Item 17 of this Disclosure Document is modified to include the following sentence:

You can also terminate the Development Agreement on any grounds available by law.

Item 17C and Item 17M Summay Column, are amended to include: “However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.”

Item 17P Summary Column, is amended to read: “You may terminate any time with at least 60 days prior written notice. You may terminate on any grounds available by law.

Item 17J Summary Column, is amended to read: “No restriction on us of the right to assign however, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations.

Item 17V and Item 17W Summary Column are amended to read: “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.”

Item 17W Summary Column, is amended to read: “Except for Federal Arbitration and other federal law, New York law applies.”

WE MAY NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

EXHIBIT “H”

TO
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE ORGANIZATIONS:

- A. Franchisee Organizations We Have Created, Sponsored Or Endorsed: None
- B. Independent Franchisee Associations: None

EXHIBIT "I"

TO

FRANCHISE DISCLOSURE DOCUMENT

REQUEST FOR CONSIDERATION OF A FRANCHISING AGREEMENT WITH

PERRI FRANCHISING, INC.



THE ORIGINAL HUGE SLICE CO.

The purpose of this Request for Consideration is for general information in evaluating your qualifications to be awarded a Perri's Pizzeria Franchise. Should you qualify and mutual interest develops, a franchising agreement will be provided. Completing this Questionnaire does NOT obligate you to purchase a Perri's Pizzeria Franchise.

PERSONAL DATA

Full Name: _____

Spouse/Significant Other/Partner Name:

Street Address: _____

City: _____ State: _____

Zip Code: _____

Do You? Own ____ Rent ____ #Years at Current Address: ____

Date of Birth: _____

Social Security Number: _____

Spouse/Significant Other/Partner Date of Birth: _____

Spouse/Significant Other/Partner Social Security Number: _____

Home Phone: _____

Cell Phone: _____

Business Phone: _____

Evening/Weekend Phone: _____

Best Time to Call: _____

Email: _____@_____.com

Fax #: _____

Marital Status: Married ____ Single ____ Divorced ____ Separated ____

List of dependents and ages:

Are You a Citizen or National of the United States? (Check One) Yes ____ No ____

If Requested, Will You Be Able to Provide Legal Documentation Proving Employment Eligibility Verification as Put Forth by The U.S. Department of Justice, Immigration and Naturalization Service? (Check One) Yes ____ No ____

Have you ever been convicted of a Felony? Yes ____ No ____

Explain if You Have Ever Been Convicted of a Crime or Pleaded Nolo Contendre (Except Traffic Misdemeanors):

EDUCATION / TRAINING / EXPERIENCE

You may also include a resume if you have one available.

Schools Attended

Years

Grade or Degree Attained

EDUCATION / TRAINING / EXPERIENCE, CONTINUED

What Additional Experience, Training, Qualifications or Skills Do You Feel We Should Be Aware of in Evaluating?

EMPLOYMENT INFORMATION

Name of Present Employer: _____

Type of Business: _____

Street Address: _____

City: _____ State: _____

Zip Code: _____

Telephone: _____

Supervisor's Name: _____

OK to Contact Supervisor? (Check One) Yes ☐ No ☐

Job Title: _____

Job Description:

Dates of Employment: _____ to _____

Annual Salary: _____

Please Mention Your Most Significant Accomplishments with Employer:

Other/Previous Positions of Significance:

SPOUSE/SIGNIFICANT OTHER/PARTNER EMPLOYMENT INFORMATION, if applicable

Name of Present Employer: _____

Type of Business: _____

Job Description:

Annual Salary: _____

FINANCIAL INFORMATION

You may also include a prepared financial statement if you have one available.

Additional Sources Of Income:

Estimated Credit Rating Score if Known: _____

Amount of Capital to Investment Range is : \$_____ to _____

What is the Source of Capital?

What Amount of Money Will You Have for Initial Operational Working Capital?

Choose One:

- ____ Under \$24,999.99
- ____ \$25,000 - \$49,999.99
- ____ \$50,000 - \$74,999.00
- ____ \$75,000 - \$99,999.00
- ____ \$100,000 or more

What is

the Source of Those Funds?

Identify and Explain any Financial Partner or Other Source of Investment Capital for This Transaction, if Applicable: (A separate Request for Consideration must be submitted for any financial partner in the business is required.)

Have you filed for bankruptcy in the past seven (7) years? Yes ___ No ___

Have you ever had a vehicle repossessed? Yes ___ No ___

Do you plan on borrowing the money for the
franchise purchase? Yes ___ No ___ Don't Know ___

<u>Assets:</u>		<u>Liabilities:</u>	
Cash on hand/in banks:		Notes Payable:	
Stocks, Bonds, Securities:		Charge Card Balances:	
Home Market Value:		Home Mortgage:	
Other Real Estate:		Other Real Estate Debt:	
Automobiles Market Value:		Automobile Loans:	
Personal Property:		Student Loans:	
Other Assets:		Any other debts:	
TOTAL ASSETS:		TOTAL LIABILITIES:	

BUSINESS/MANAGEMENT INFORMATION

Will This Be Your Sole Business Venture? Yes ___ No ___

Will This Business be Your Sole Source of Income? Yes ___ No ___

Will Your Spouse/Significant Other/Partner be Active in the Business? Yes ___ No ___

If Yes, In What Capacity? _____

Will Any Other Family Members Be Involved in The Business? Yes ____ No ____

If yes please explain,

Do You have Restaurant Operations & Management Experience? Yes ____ No ____

If yes please explain,

Are You interested in Single or Multiple Location Development Opportunities?

Single ____ Multiple ____ Undecided ____

Describe Any Business You May Have Owned and Timeframe of such ownership:

Other Business Affiliations (Membership, Certifications, Officer, Director, Partner, Etc.)

What Territory are you interested in securing and why?

How Many Hours a Week Can You Dedicate to Operating This Business? _____

What Is Your Estimated Opening Date of Your Perri's Pizzeria Franchise? _____

Identify Your Strongest Business Skills

OTHER INFORMATION

How Would You Describe Your People Skills?

List three (3) character/personality qualities others would think of when your name is spoken and explain how you would apply each in the operation of your business.

Have You Ever Owned a Franchise Before? If So, Please Describe:

How Long Have You Been Looking at Franchise Opportunities?

What Is the Extent of Your Research Into Franchising, The Pizza Industry, And Perri's Pizzeria?

What Are Your Primary Reasons for Wanting to Own Your Own Business?

What Are Your Primary Concerns with Owning and Operating Your Own Business?

How Did You Become Aware of This Franchise Opportunity?

How Did You Become Interested in Perri's The Original HUGE Slice Pizzeria?

Why Do You Believe You Can Successfully Operate a Perri's Pizzeria Franchised Business?

On A Scale of 1 – 10, With 10 Being the Highest, How Committed Are You to Moving Forward with This Franchise Opportunity?

(Lowest) 1 2 3 4 5 6 7 8 9 10 (Highest)

Please Tell Us Why You Believe You Will Be a Successful Perri's Pizzeria Owner. Make Specific References to Desirable Character Traits, Your Transferable Skills, Your Work Experience, and Your Professional Goals.

Explain How Will a Perri's Pizzeria Franchise Help You Achieve Your Goals and What Benefits Do You Hope to Gain from The Perri's Pizzeria Franchise:

AUTHORIZED REQUEST

Please read the following information thoroughly, initial each paragraph and sign below.

_____ I hereby certify that all personal, financial and educational information contained in this Request for Consideration is true and correct. I hereby certify that I have not knowingly withheld any information that might adversely affect my chances of owning a Perri's Pizzeria Franchise. I understand that any omission or misstatement of this Request for Consideration shall be grounds for rejection of this Request for Consideration and if necessary relinquishment of the Perri's Pizzeria Franchise.

_____ I hereby authorize Perri Franchising, Inc. to thoroughly investigate all references and information that I have listed on this Request for Consideration except where noted otherwise with regard to my references, work record, education and financial background matters related to the Purchase of a Perri's Pizzeria Franchise. In addition, I release Perri Franchising, Inc., my former employers and all other persons, corporations, partnerships and associations from any and all claims and liabilities resulting from or in any way related to such investigations or disclosures.

_____ I Hereby understand that Perri Franchising, Inc. has created a pizzeria food service concept, hereinafter referred to as the "Concept", and that they are the absolute owner thereof. The Concept is acknowledged by both parties to be the exclusive property of Perri Franchising, Inc. Perri Franchising, Inc. desires to exhibit the Concept to Second Party submitting this application, who may be a prospective purchaser, investor, consultant or publisher, and Second Party desires to examine the same with a view toward purchase thereof or to invest money therein or publish same. In consideration of the mutual covenants and obligations contained herein, the parties agree as follows: 1) On the execution of this Agreement, Perri Franchising, Inc. shall exhibit the Concept to Second Party via email, fax, telephone and/or in person; 2) Second Party will neither use any information relating to the Concept commercially, nor disclose any such information under any circumstances to any person who is not its officer, employee or spouse except as authorized by Perri Franchising, Inc. except Second Party may make reasonable disclosure to its employees, officers and spouse for the purpose of determining the commercial value of Concept; 3) Second Party will use its best efforts to keep all information relating to the Concept secret. In pursuance thereof, Second Party will require the execution of a secrecy agreement substantially identical hereto by any person to whom information relating to the Concept is disclosed, and such agreement shall be executed prior to any such disclosure; 4) Second Party will incur no obligation to purchase a Franchising Agreement by execution of this agreement; 5) If Second Party is also signing on behalf of a corporation or other legal entity, than said Second Party represents that he/she has the authority to bind the corporation or entity; 6) If there is a breach or threatened breach of this Agreement by Second Party, Perri Franchising, Inc. may seek an injunction and damages arising from said breach.

Prospective Franchisee / Second Party:

EXHIBIT “J”
TO
FRANCHISE DISCLOSURE DOCUMENT

State Effective Dates

[See Attached]

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
New York	pending

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 “K”
TO
FRANCHISE DISCLOSURE DOCUMENT

Receipts

[See Attached]

RECEIPT #1

(This copy is for the prospective franchise owner and must remain herein)

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 Perri Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

New York law requires a franchisor to provide the franchisee 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 Perri Franchising, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process)**:

Name: _____
Address: _____
Phone: _____

Name: _____
Address: _____
Phone: _____

Our agent to receive service of process is listed in Exhibit "B" to this Disclosure Document.

Issuance Date: April 28, 2022

I have received the Franchise Disclosure Document dated _____, 20__ that included the following Exhibits:

EXHIBIT "A" State Agencies and Administrators
EXHIBIT "B" Franchisor's Agent for Service of Process
EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Table of Contents to Manual
EXHIBIT "E" List of Franchisees
EXHIBIT "F" Financial Statements
EXHIBIT "G" State Addendum
EXHIBIT "H" Franchisee Organizations
EXHIBIT "I" Franchisee Request for Consideration
EXHIBIT "J" Receipts

Date: _____

FRANCHISEE: _____

State: _____

Print Name: _____

RECEIPT #2

(This copy must be signed by prospective franchise owner and returned to us)

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 Perri Franchising, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

New York law requires a franchisor to provide the franchisee 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 Perri Franchising, Inc. does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process):**

Name: _____
Address: _____
Phone: _____

Name: _____
Address: _____
Phone: _____

Our agent to receive service of process is listed in Exhibit "B" to this Disclosure Document.

Issuance Date: April 28, 2022

I have received the Franchise Disclosure Document dated _____, 20__ that included the following Exhibits:

EXHIBIT "A" State Agencies and Administrators
EXHIBIT "B" Franchisor's Agent for Service of Process
EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Table of Contents to Manual
EXHIBIT "E" List of Franchisees
EXHIBIT "F" Financial Statements
EXHIBIT "G" State Addendum
EXHIBIT "H" Franchisee Organizations
EXHIBIT "I" Franchisee Request for Consideration
EXHIBIT "J" Receipts

Date: _____ FRANCHISEE: _____

State: _____ Print Name: _____