FRANCHISE DISCLOSURE DOCUMENT

Pie Five Pizza Company, Inc.
A Texas Corporation
3551 Plano Parkway
The Colony, Texas 75056
(469) 384-5000
www.piefivepizza.com

The franchisee is to operate a fast-casual Pie Five®-branded restaurant featuring specialty pizzas prepared in accordance with proprietary recipes and ingredients, and other approved food items (a "Pie Five Restaurant"). The total investment necessary to begin operation of a standard Pie Five Restaurant ranges from approximately $392,500 to $585,417. This includes $53,000 to $64,000 that must be paid to us or our affiliate. Certain Pie Five Restaurants operate, under different terms, in special venues, like airports and universities, that have captive consumer markets ("Captive Market Restaurants"). The total investment necessary to begin operation of a Captive Market Restaurant ranges from approximately $442,500 to $891,000. This includes $62,000 to $67,000 that must be paid to us or our affiliate.

We may also allow you to enter into an Area Development Agreement under which you would commit to developing at least two (2) franchised standard Pie Five Restaurants within a territory and pursuant to a development schedule, each of which you and we would agree on before you sign the Area Development Agreement. When you sign the Area Development Agreement, you would pay us a development fee equal to $15,000 for each Pie Five Restaurant you commit to developing (not including the 1st one). For a standard 2-unit development commitment, your total investment under an Area Development Agreement would be $15,000, all of which 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 governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Sales, Pie Five Pizza Company, Inc., 3551 Plano Parkway, The Colony, Texas 75056, (469) 384-5000.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission ("FTC"). You can contact the FTC by calling 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: December 6, 2019

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US VIA LITIGATION ONLY WHERE OUR PRINCIPAL OFFICE IS LOCATED, WHICH CURRENTLY IS TEXAS. OUT-OF- STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO FILE SUIT IN TEXAS THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may, from time to time, use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. If we use a franchise broker or referral source, we may pay this person a fee for selling our franchise or referring you to us. You should do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	December 23, 2019
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	December 23, 2019

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of December 6, 2019.

ADDITIONAL DISCLOSURES REQUIRED
BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

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

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

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

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

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

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

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

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

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

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

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

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Attorney General's Office, Consumer Protection Division, G. Mennen Williams Building – 1st Floor, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATED THEIR FRANCHISES IN MICHIGAN.

FRANCHISE DISCLOSURE DOCUMENT
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Exhibits

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

To simplify the language in this disclosure document, "Pie Five," "we," or "us" means Pie Five Pizza Company, Inc., the franchisor. "You" means the person or legal entity who is granted the franchise. If you are a corporation, partnership, limited liability company or other business entity, certain provisions of this disclosure document (the "Disclosure Document") also apply to your owners and will be noted.

Under the terms of this Disclosure Document, we are offering you the opportunity to develop, own and operate either a standard Pie Five Restaurant or a Captive Market Restaurant (each a "Franchised Restaurant").

The Franchisor and its Predecessors, Parents and Affiliates

We are a Texas corporation incorporated on June 16, 2011. Our principal business address is 3551 Plano Parkway, The Colony, Texas 75056. We do business under the name "Pie Five" and "Pie Five Restaurants." Our agents for service of process in various states are listed in Exhibit A. In September 2011, we began offering franchises for Pie Five Restaurants. We have not previously offered franchises in any line of business, and we do not engage, and have not engaged, in any business not described in this Item 1. We have never operated a business of the type offered under this Disclosure Document, but our affiliates do.

We have no predecessors. Our parent is Rave Restaurant Group, Inc. ("Rave"), a Missouri corporation incorporated on August 26, 2011, whose principal business address is the same as ours. On September 25, 2011, we converted our corporate organization to a new holding company structure, with Pizza Inn Holdings, Inc. being the surviving entity. In the restructure, all outstanding shares of the common stock of Pizza Inn were automatically converted into identical shares of the common stock of Rave. The result is that, following the reorganization, Rave has become the same entity Pizza Inn had been prior to the reorganization, including having the same charter, bylaws, directors and general officers. As a result of the transaction, our affiliate Pizza Inn, Inc. ("Pizza Inn") became a wholly-owned subsidiary of Rave. Rave changed its name from Pizza Inn Holdings, Inc. on January 7, 2015. Rave does not offer franchises in any business and does not engage in any business other than owning us and our affiliates.

We have a wholly-owned subsidiary, Pie Five Restaurants, Inc. ("PFR"), a Texas corporation incorporated on June 16, 2011, whose principal business address is the same as ours. As of June 30, 2019, PFR operated 1 Pie Five Restaurant. PFR has not offered franchises in any line of business.

Our other affiliate, Pizza Inn, also wholly-owned by Rave, is a Missouri corporation incorporated on February 22, 1983, whose principal business address is the same as ours. Pizza Inn sells franchises for Pizza Inn restaurants and, as of June 30, 2019, there were 146 domestic franchised Pizza Inn Restaurants in the United States (87 buffet restaurants, 9 Delco restaurants, and 50 Express restaurants) and another 48 Pizza Inn-branded restaurants operating outside the United States. Pizza Inn and its predecessor began franchising Pizza Inn dine-in restaurants in 1961. Pizza Inn has not offered franchises in any line of business other than Pizza Inn Restaurants and has not engaged in any business other than operating and franchising Pizza Inn Restaurants.

Except as identified in this Item 1, we have no parents, predecessors or affiliates.

The Franchises We Offer

Under this Disclosure Document, we offer franchises for two types of Pie Five Restaurants – our standard restaurants that are in locations that are accessible to the general public and that offer our full menu, and Captive Market Restaurants that are located in venues that are generally accessible (either because of the nature of the venue or because of convenience) to persons who are at the venue for another purpose (including, for example, airports, train stations, bus stations, travel plazas, stadiums, arenas, convention centers, military facilities, schools, colleges, universities, hospitals, recreational theme parks, business or industrial foodservice venues, Native American reservations, casinos or similar locations). Captive Market Restaurants may be smaller in size and may offer a more limited or specialized menu based on the venue in which they operate.

Pie Five Restaurants are fast casual restaurants which offer counter-service sales where customers can choose the toppings to be placed on our standard 9”-10” pizzas. The pizzas are then baked in front of the customer in less than 5 minutes. The interior of a Pie Five Restaurant is designed to be aesthetically engaging with warm tones and modern décor. Pie Five Restaurants operate according to a unique and distinctive system (“System”), whose distinguishing characteristics include our décor, layout, color schemes, and designs; our menu items, recipes and food preparation and service techniques; our standards and specifications for equipment, equipment layouts, and interior and exterior accessories; and the accumulated experience reflected in our training program, operating procedures, and standards and specifications. We have described our mandatory and recommended standards, specifications, and operating procedures in our confidential operating manuals (“Manual”). We will loan one copy of the Manual to you for the term of your franchise. We may periodically change, improve, add to, and further develop the Manual and the elements of the System.

If you desire to obtain a franchise to develop and operate a Franchised Restaurant, following our acceptance of a site, you will sign a franchise agreement (a “Franchise Agreement”), the form of which will depend on whether you are developing a standard Pie Five Restaurant or a Captive Market Restaurant. Our current form of Franchise Agreement for a standard Pie Five Restaurant is attached to this Disclosure Document as Exhibit C, and our current form of Franchise Agreement for a Captive Market Restaurant is attached is Exhibit D. The Franchise Agreement will govern your development and operation of the Franchised Restaurant. You should not acquire any interest in a site for the Franchised Restaurant until we have accepted the site in writing and you have signed the Franchise Agreement.

The Franchise Agreement for a standard Pie Five Restaurant will identify the “Franchised Location” from which the restaurant will be permitted to operate. The Franchised Location for a Captive Market Restaurant will be identified by both the larger building (“Facility”) in which the restaurant will be located and the portion of the Facility in which the restaurant will be located. All references in this disclosure document to the “Franchised Restaurant” or the “Franchised Location” refer only to your operation of that portion of the Facility that is occupied by the Pie Five Restaurant.

We may, at your request and in our discretion, allow you to acquire development rights to a broad geographic area (the boundaries of which will be subject to your and our agreement) pursuant to an Area Development Agreement (“Development Agreement”), our current form of which is attached to this Disclosure Document as Exhibit B. Under the Development Agreement, you will be required to acquire franchises to develop multiple standard Pie Five Restaurants (a minimum of 2). Before you sign a Development Agreement, you and we will agree on the area in which your restaurants would be located and a schedule by which they must be opened. Each standard Pie Five Restaurant would be subject to and governed by a Franchise Agreement on our then-current form, the terms and conditions of which may be materially different than our current form, except that the amount of the Initial Franchise Fee will be determined in accordance with the Development Agreement.

You will sign the 1st Franchise Agreement at the same time you sign the Development Agreement. After that, we will forward to you a Franchise Agreement for each Franchised Restaurant developed under the Development Agreement once we have approved your proposed site for the restaurant. You must sign the applicable Franchise Agreement and return it to us along with the Initial Franchise Fee by the first to occur of our acceptance of a site for the Franchised Restaurant or 90 days prior to the required Opening Date (as defined in the Franchise Agreement). We will sign the Franchise Agreement when we authorize the Franchised Restaurant to open to the public. You should not acquire any interest in a site for a Franchised Restaurant until you have signed the Franchise Agreement and we have accepted the site in writing.

The Area Development Agreement will not give you the right to acquire franchises for Captive Market Restaurants.

Your receipt of this Disclosure Document does not mean you will be accepted as a franchisee or that you may develop or open a Franchised Restaurant. Before you may develop and open a Franchised Restaurant, among other things, we must approve you as a Pie Five franchisee (or if you already are a franchisee, approve you for expansion); you must sign the Franchise Agreement and pay the Initial Franchise Fee (as described in Item 5); we must accept the site for your proposed Franchised Restaurant in writing; and two managerial personnel must attend and successfully complete our initial training program ("MIT Program") (as described in Item 11).

Market and Competition

The market for pizza restaurants is well-developed. Your Franchised Restaurant will compete with other national and regional pizza restaurants, as well as other franchised, chain, or independent restaurants, including fast food restaurants. Some of our competitors have longer operating histories than ours. The restaurant business is highly competitive based on price, service, restaurant location and food quality and is subject to fluctuations in consumer tastes, economic conditions, population, and traffic patterns. The ability of each Pie Five Restaurant to compete depends on its location, ingress and egress, signage, parking, service, ability to attract and maintain highly motivated employees, overhead, changing local market and economic conditions, and many other factors both within and outside your control.

Although we carefully evaluate persons who wish to become our franchisees, no screening process that we implement can conclusively determine whether you will succeed as a Pie Five Restaurant operator. Similarly, completion of the MIT Program does not provide any assurance of success. You must rely on our own assessment of your suitability (in terms of energy, business skill, desire, temperament, people skills, and financial capability, among other things) and your own advisors in deciding whether to become a Pie Five Restaurant operator.

Industry-Specific Laws

We are not aware of any laws applicable to a Pie Five Restaurant that would not apply to restaurant businesses generally. You must comply with all applicable local, state, and federal laws and regulations, including those relating to health, sanitation, food handling, food preparation, waste disposal, smoking restrictions, discrimination, employment, sexual harassment and advertising. Some laws require point of sale disclosures, including statements concerning nutritional and dietary characteristics of the food served at the Franchised Restaurant. There are other laws and regulations applicable to businesses generally (such as the Americans with Disabilities Act) with which you must comply. You should consult with your attorney concerning these and other laws and ordinances that may affect the operation of the Franchised Restaurant. You must also obtain all real estate permits and licenses and operational licenses.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer and Director: Brandon Solano

Mr. Solano has served as our Chief Executive Officer and Director since October 2019. From May 2017 to May 2019, he served as Chief Marketing Officer and Digital Officer with Pei Wei Asian Diner and its affiliated companies ("Pei Wei") in Irving, Texas. Next from December 2015 to February 2017, he served as Chief Marketing Officer with Papa Murphey's Pizza and its affiliated companies ("Papa Murphey's") in Vancouver, Washington. Prior to that, from January 2015 to September 2015, he served as Chief Marketing Officer with Wendy's and its affiliated companies ("Wendy's") in Dublin Ohio. He also served with Wendy's in Dublin Ohio immediately prior to that as Senior Vice President of Marketing from July 2014 until January 2015.

Chief Operations Officer: Michael Burns

Mr. Burns became Chief Operations Officer at Rave Restaurant Group on November 25, 2019. From September 2017 through November 2019, he was Vice President of Operations at Pei Wei in Irving, Texas. From May 2013 through August 2017, he had been Regional Vice President of Bojangles' Restaurant in Charlotte, North Carolina.

Director of Operations: Aaron Archuleta

Mr. Archuleta became Director of Operation at Rave Restaurant Group on November 25, 2019. From February 2018 through November 2019, he was General Manager of Pei Wei in Irving, Texas. Also at Pei Wei, he had been Market Manager from August 2017 through February 2018 and Regional Director of Operations from August 2015 through August 2017.

Vice President of Brand Development: Brett Heinen

Mr. Heinen has served as our Vice President of Brand Development since June 2017. He also has served as Vice President of Brand Development of Rave and Pizza Inn since June 2017. From September 2016 to May 2017, Mr. Heinen served as Director of Franchise Development. From May 2015 to August 2016, he was a Partner/Vice President of Development of Rocket Chicks, LP, a Golden Chick area developer, in Houston, Texas. From March 2012 to May 2015, he served as Director of Franchise Development for Dickey's Barbecue Pit in Dallas, Texas.

Vice President of Marketing: Douglas Kwong

Douglas Kwong has served as Vice President of Marketing for Pie Five since November 2019. From October 2017 to November 2019, he worked as Director of eCommerce and Digital Marketing with Pei Wei Asian Kitchen. He joined Cicis Pizza May 2015 as Director of Digital Marketing and worked there in that role until October 2017. Prior to working with Cicis Pizza, he worked with Hilton Worldwide from September 2012 to April 2015 as Senior Manager of eCommerce.

Unless otherwise noted above, all positions with us, Rave, Pizza Inn and PFR have been in The Colony, Texas.

ITEM 3
LITIGATION

Carl A. Dissette, et al. v. Pie Five Pizza Company, Inc., et al., Case No. 16 C 11389 (United States District Court for the Northern District of Illinois). This action was filed on December 16, 2016 against us and our parent, Rave, by Carl Dissette, an individual, and three Pie Five franchisee entities in which he is the sole shareholder, B & C Resources, Inc., MBT Five, Inc. and MBT-Five Iowa, Inc. The plaintiffs also named as defendants our former President, Randall Gier, and former Franchise Sales Manager, Mark Ramage, but they were never served and were voluntarily dismissed from the case by the plaintiffs on August 7, 2017. The plaintiffs alleged various violations of the Illinois Franchise Disclosure Act, the Indiana Code, the Indiana Deceptive Franchise Practices Act, the Iowa Code, common law fraud, and breach of contract. The plaintiffs alleged that various pre-sale disclosures were false or misleading, that certain material facts were not disclosed, that various arrangements with suppliers were contrary to statute and/or not fully disclosed, and that we failed to comply with certain obligations under the terms of the franchise agreements. The plaintiffs sought unspecified damages, conditional rescission of unspecified franchise agreements, a declaratory judgment that Pie Five is subject to the implied covenant of good faith and fair dealing, punitive damages, and attorneys' fees and costs. We filed our answer to the Complaint on May 25, 2017 denying the material allegations of the Complaint, and asserting counterclaims against the plaintiffs. All claims and counterclaims were dismissed with prejudice following execution of an August 15, 2017 Settlement Agreement, pursuant to which the plaintiffs paid an agreed amount under a promissory note, and we agreed to waive the initial franchise fee and reduce the royalty fee under certain franchise agreements, allow the franchisee to purchase directly from approved suppliers, agreed to pay the costs incurred in resolving landlord claims at sites we leased to the franchisee, and modified the termination provision of certain franchise agreements.

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

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign a Franchise Agreement, you will be required to pay us, in a lump sum, an initial franchise fee (the "Initial Franchise Fee"). The Initial Franchise Fee under a Franchise Agreement for a standard Pie Five Restaurant is $30,000. The Initial Franchise Fee under a Franchise Agreement for a Captive Market Restaurant is $40,000. This fee is uniformly applied, is fully earned by us when paid, and is not refundable.

Development Fee

If you and we enter into a Development Agreement, you will be required to pay us an initial fee (a "Development Fee") when you sign the Development Agreement. The amount of the Development Fee will be equal to $15,000 times the number of Franchised Restaurants you are required to open under Franchise Agreements signed pursuant to the Development Agreement, excluding the first one. If you sign a Development Agreement for the minimum opening requirement of two (2) Franchised Restaurants, the Development Fee will be $15,000. The Development Fee will increase in $15,000 increments as the number of required Franchise Agreements increases. The Development Fee is not a deposit, and it is fully earned by us on payment and is non-refundable. However, we will apply a portion of the Development Fee, in $15,000 increments (subject to an aggregate cap on those credits equal to the amount of Development Fee), toward the Initial Franchise Fee due under each Franchise Agreement as it is signed (except the 1st one). The manner in which the Development Fee is calculated is uniformly applied.

Payments for Goods and Services

Prior to opening the Franchised Restaurant, you must purchase certain inventory and supplies from us or our approved or designated suppliers. Items 7 and 8 provide additional information regarding your initial purchase of inventory and supplies and the supplier approval process. We estimate that the cost of small wares and pre-opening inventory purchased from us or our approved or designated suppliers for a standard Pie Five Restaurant to be between $23,000 - $34,000 and for a Captive Market Restaurant to be between $22,000 - $27,000; however, the amount may vary depending, in part, on the amounts purchased, the type of inventory and small wares ordered, state and local taxes imposed and shipping costs. These amounts are not refundable.

ITEM 6
OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Royalty	6% of your Fiscal Period Gross Sales	Before 5:00 pm on the 4th day after the end of each Fiscal Period (as defined by us) by electronic funds transfer **(2)**	See Note **(3)** for a definition of Gross Sales and Note **(4)** for a definition of Fiscal Period.
Brand Fund Contribution (Standard Restaurants)	Currently, 2% of Gross Sales	Same as Royalty	You must spend and/or contribute for advertising up to 5% of the Gross Sales of the Franchised Restaurant ("Advertising Obligation"). Your Advertising Obligation may be allocated among a Brand Fund and/or local marketing (each as described in Item 11). Currently, standard Pie Five Restaurants are required to pay 2% of Gross Sales to the Brand Fund, and 3% of Gross Sales will be spent on Local Marketing. Following written notice to you, we may modify the amount (but not to exceed 6% of Gross Sales) and allocation of the Advertising Obligation; however, once a Regional Advertising Fund that covers the Franchised Location is established, we will not increase the Advertising Obligation by more than 0.5% of Gross Sales in any 24-month period and it will never exceed 6%.
Brand Fund Contribution (Captive Market Restaurants)	Currently, 0% of Gross Sales	Same as Royalty	Captive Market Restaurants are required to spend up to 5% of Gross Sales on required marketing, a portion of which (depending on the franchisee and type of captive market) may be allocated to the Brand Fund. Following written notice to you, we may modify the amount (but not to exceed 6% of Gross Sales) and allocation of the Advertising Obligation. Captive Market Restaurants are not required to contribute to a Regional Advertising Fund.
Transfer Fee – **Development Agreement**	Lesser of 10% of the Development Fee or $10,000	Upon submission of request for consent to transfer	You will not be required to pay a transfer fee if you transfer to a business entity that you form for convenience of ownership, but you will need to comply with certain conditions. This fee also applies to transfers of partial ownership interests and transfers upon death or permanent incapacity.

Type of Fee (1)	Amount	Due Date	Remarks
Transfer Fee – Franchise Agreement	$7,500 for standard Pie Five Restaurants and up to $5,000 for Captive Market Restaurants	Upon submission of request for consent to transfer	You will not be required to pay a transfer fee if you transfer to a business entity that you form for convenience of ownership, but you will need to comply with certain conditions. This fee also applies to transfers of partial ownership interests and transfers upon death or permanent incapacity.
POS/Computer System Fee	$500	Every month	For service fee associated with obtaining a hardware and software system.
Audit and Inspection Costs	Reasonable cost of the inspection or audit, including travel, lodging, meals and wages of our representatives, and our reasonable professional fees	Upon demand	For Captive Market Restaurants, payable if the audit or inspection reveals an understatement of Gross Sales of greater than 5% for the audit period. For standard Pie Five Restaurants payable if an inspection or audit is made necessary by your failure to provide required reports or supporting records or provide such reports or records on a timely basis, or if the audit or inspection reveals an understatement of Gross Sales of greater than 2% for the audit period.
Indemnification	Actual losses and expenses incurred by us and our officers, affiliates, etc.	As incurred	You must defend, indemnify and hold us and our officers, affiliates, etc. harmless with respect to any and all claims arising directly or indirectly from, as a result of, or in connection with your activities under the Franchise Agreement.
Interest	Interest on the amount owed from the due date until paid	When we do not receive any payment in full by the due date	The interest rate is the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Restaurant is located, not to exceed 18% per annum.
Late Fee	$100 (for standard Pie Five Restaurants only)	When any payment due to us from you is not received by the due date	Payable at our discretion
Collection Costs	All costs and expenses that we incur, including reasonable professional fees	Upon demand	These costs and expenses may include commissions due a collection agency and all costs associated with litigation, in addition to interest charges on these costs.
800 Number and Secret Shopper Programs	If implemented, all costs associated with the 800 number, Secret Shopper programs or other programs as we may require	As incurred	If implemented, you must participate in programs initiated to verify customer satisfaction and/or your compliance with all operational and other aspects of the System.

Type of Fee (1)	Amount	Due Date	Remarks
Market Research and Testing (standard Pie Five Restaurants only)	Proportionate cost of conducting test marketing programs (we currently estimate these costs to be $0 to $250)	As incurred	We may periodically conduct market research and testing to determine consumer trends and the salability of new food products and services. You must cooperate with us in connection with the conduct of such test marketing programs at your own expense.
New Product and Supplier Testing	A reasonable fee (which we currently estimate to be $0 to $250), not to exceed the actual cost of inspecting and testing the proposed product or evaluating the proposed supplier, including personnel and travel costs	Within 30 days after receipt of invoice	Payable if you ask us to review a new supplier or new product, whether or not we approve the supplier or product (see Item 8 for a description of the supplier approval process).
Reimbursement of Insurance Costs (applicable only to standard Pie Five Restaurants)	Cost of insurance, plus a reasonable fee for our services in procuring the insurance (not to exceed 10% of the costs of the service)	Upon demand	Payable only if you fail to obtain and maintain the minimum insurance we require, and we choose to procure the required insurance for you.
Taxes (applicable only to standard Pie Five Restaurants)	You must reimburse us for any taxes, fees, and/or assessments imposed on us by reason of our acting as franchisor or licensing the Proprietary Marks (as defined in Item 13)	Within 30 days after receipt of the invoice	
Renewal Fee	For standard Pie Five Restaurants, 25% of our then-current initial franchise fee for new Pie Five Restaurants (or, if we are not selling franchises at that time, 25% of the Initial Franchise Fee paid under the Agreement); for Captive Market	At the time that the successor franchise term (as defined in Item 17.b) is granted	

Type of Fee (1)	Amount	Due Date	Remarks
	Restaurants, $5,000		
Training Compensation Fee (applicable only to standard Pie Five Restaurants)	$20,000	As incurred	During the terms of the Franchise Agreement and Development Agreement, and for 2 years following their respective expiration or termination, you may not knowingly employ any person employed by us or any franchisee of ours as a shift leader or higher, or otherwise directly or indirectly induce that person to leave his or her employment without our prior written consent. Our consent will be conditioned upon, among other things, receipt of $20,000 to compensate us for training costs incurred.
Site Submittal Fee (applicable only to standard Pie Five Restaurants)	$2,000	As incurred	Payable for the site you submit for approval. If we do not approve the site, it will be applied as a credit for the next site you submit for approval.
Plan Review Fee (applicable only to standard Pie Five Restaurants)	$1,000	As incurred	Payable for review of your site plans only if you do not use our approved architect.
PCI Compliance Fee	Not yet assessed, but we estimate that, if assessed, the fee will be approximately $70 per month	Same as Royalty	We reserve the right to implement systems to protect the security of personally identifiable information and to charge you a fee to participate in the system.
QA Audit	Costs and expenses of QA Audit	As incurred	If you fail to obtain a passing score on any QA Audit, you will reimburse us for all costs and expenses incurred in connection with the next QA Audit.
Lost Revenue Damages (applicable only to standard Pie Five Restaurants)	Will vary under circumstances	As incurred	Payable if we terminate the Franchise Agreement, or you terminate it without cause. An amount equal to the net present value of the Royalty fees, Brand Fund contributions and Regional Advertising Fund contributions (if any) that would have become due had the Franchise Agreement not been terminated, from the date of termination to the earlier of (a) five years following termination, or (b) the scheduled expiration date of the Franchise Agreement. Calculated based on Gross Sales of the Franchised Restaurant for the 12 months preceding the termination, or if the Franchised Restaurant had not been in operation for at least 12 months, then based on the average monthly Gross Sales of all Pie Five Restaurants operating during that 12-month period.

NOTES

(1) Unless otherwise noted, all fees are imposed by, collected by, and payable to Pie Five and are not refundable and are uniformly imposed on franchisees who receive this disclosure document.

(2) You must participate in our electronic funds transfer program, which authorizes us to use a pre- authorized bank draft system. You must sign and complete the documents that we require from time to time to authorize and direct your bank or financial institution to pay and deposit directly to our account. You must furnish to us and your bank all authorizations necessary to effect payment by the methods we specify. We reserve the right to modify, at our option, the method by which you must pay the Royalty and other amounts owed to us under the Franchise Agreement upon receipt of written notice by us.

(3) "Gross Sales" include all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed, on- premise sales, other sales made or sold, at, in or upon or from the Franchised Location, and any other type of sale) related to the Franchised Restaurant, whether for cash or credit and regardless of collection in the case of credit. Gross Sales will not include: (a) any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; (b) the sale of food, beverages, or merchandise for which refunds have been made in good faith to customers; (c) the sale of equipment used in the operation of the Franchised Restaurant; (d) authorized customer promotional discounts; and (e) employee meal discounts.

(4) Currently, each "Fiscal Period" is a seven-day period beginning on Monday and ending on the following Sunday. We have the right, following written notice to you, to vary the time period that comprises a Fiscal Period.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

For Standard Pie Five Restaurants

Type of Expenditure	Amount (1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee **(2)**	$30,000	Lump Sum/Cash	No later than the date on which you sign the Franchise Agreement	Us
Grand Opening Advertising **(3)**	$15,000	As Arranged	As Arranged	Suppliers
Real Estate **(4)**	$3,500-$10,417	As Arranged	Before Opening	Landlord
Architectural Design Services **(5)**	$10,000-$20,000	As Arranged	Before Opening	Independent Architects and Engineers
Construction/Leasehold Improvements **(6)**	$150,000- $222,000	See Note 4	Before Opening	Construction Company

Type of Expenditure	Amount (1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Travel and Living Expenses While Training **(7)**	$5,000-$15,000	As Arranged	Before Beginning Training	Airlines, Hotels, Restaurants
Furnishing, Fixtures, Equipment **(8)**	$125,000- $180,000	As Arranged	As Ordered	Suppliers
Signage **(9)**	$7,000- $15,000	As Arranged	As Ordered	Suppliers
Smallwares	$17,000-$25,000	As Arranged	As Ordered	Us, our Affiliate, Suppliers
Initial Inventory **(10)**	$6,000- $9,000	As Arranged	Before Opening	Our Affiliate
Miscellaneous Opening Costs **(11)**	$12,000-$20,000	As Arranged	Before Opening	Suppliers, Utilities, etc.
Register or Point of Sale System **(12)**	$4,000 - $6,000	As Arranged	As Arranged	Supplier
Additional Funds -- 3 months **(13)**	$8,000 - $18,000	As Arranged	As Incurred	Employees, Suppliers, Utilities
Total **(14)**	$392,500-$585,417			

NOTES

(1) Costs paid to us or our affiliates are not refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where the Franchised Restaurant is located. Neither we nor our affiliates finance any part of the costs reflected in this Item 7.

(2) As described more fully in Item 5, if you enter into a Development Agreement, you must pay $15,000 for each Franchised Restaurant you agree to develop under the Development Agreement. You will be required to develop a minimum of 2 Franchised Restaurants under the Development Agreement. We will apply the Development Fee, in $15,000 increments, as a credit against the Initial Franchise Fee due under each Franchise Agreement which you sign under the Development Agreement, other than your first Franchise Agreement. The Initial Franchise Fee is $30,000, less any applicable credit from the Development Fee.

(3) You must conduct initial marketing for the Franchised Restaurant in accordance with a grand opening plan that you have prepared and to which we have consented ("Grand Opening Plan"). Under the Grand Opening Plan, you will be required to spend a minimum of $15,000 on grand opening advertising over the period beginning one month prior to opening and continuing through the second month after opening. Guidelines for grand opening activities will be included in the Manual. Within 10 days after the end of the period in which you conduct this initial marketing, you must submit appropriate documentation to verify compliance with the grand opening expenditure obligation. The amount spent on your grand opening expenditure obligation is not credited against your Advertising Obligation

(4) The cost of acquiring a location for the Franchised Restaurant will vary significantly depending on the geographic location. We expect that you will lease the land and building for the Franchised Restaurant.

Alternatively, you may wish to buy land for the Franchised Restaurant. If you chose to lease, the rent may range from $35 to $50 per square foot per year based on our affiliate's experience in the Dallas/Fort Worth market. This estimate is based on a restaurant of approximately 1,200 – 2,500 square feet. You may be required to pay the first and last month's lease payment upon signing your lease agreement.

(5) The cost of architectural design services will vary depending on the geographic location, size and condition of the premises.

(6) The cost of constructing a Pie Five Restaurant will vary depending upon the size, condition, and location of the premises, price differences between various suppliers, contractors and shipping distances from suppliers, and labor costs. This estimate is based on the buildout costs for a building shell for a Pie Five Restaurant of approximately 1,200 – 2,500 square feet in a typical in-line retail center space with construction costs ranging from approximately $55 to $88 per square foot. All construction materials and fixtures must meet our standards and specifications but may be purchased from any supplier. These costs are normally payable to third parties prior to the opening of the Pie Five Restaurant or in periodic installments, depending on the type of financing arrangement you are able to obtain. We do not undertake to assist you in arranging financing, and there is no assurance that financing will be available to you. Generally, the availability and terms of financing will depend upon many factors, including, particularly, your creditworthiness.

(7) As described in Item 11, prior to opening a Pie Five Restaurant, you (or your Operating Principal), the Franchise Restaurant's general manager, and any other managerial personnel whom we designate must attend the MIT Program. We do not charge tuition for this training program, but you are responsible for all salaries, benefits, and travel, living, and other expenses incurred by you and your employees while attending the training. The cost of these expenses will depend on the distance you must travel, the types of accommodations, the number of your employees attending training, and their wages. Training is held at a Pie Five Restaurant operated by us or our affiliates and/or our corporate office, which is currently in the Dallas/Fort Worth area.

(8) You must purchase certain items of furniture, fixtures, and equipment. The cost of purchasing equipment may vary as a result of price differences between suppliers and shipping distances from suppliers. You may purchase or lease approved brands and models of equipment from any approved supplier. Payment for these items typically will be made prior to the opening of the Franchised Restaurant or in installments over a period of time, depending on the type of financing arrangement you are able to obtain. Generally, the availability and terms of financing will depend upon many factors, including your creditworthiness.

(9) The high end of the range represents an end cap location. This estimate includes costs for a building sign, pylon sign (if allowed by landlord and local code requirements). This estimate does not take into additional cost associated with a drive thru operation or other non standard add on programs. Those costs must be determined on an individual site by site basis.

(10) The cost of an opening inventory of food, beverages, ingredients, and other supplies and materials will vary depending on shipping distances from suppliers and price differences between suppliers. As described in Item 8, these items must conform to specifications established by us and/or be purchased from us and/or approved suppliers.

(11) This item covers such miscellaneous pre-opening costs and expenses as manager and employee labor, utilities and utility deposits, lighting supplies, office supplies, security deposit, pest control, postage and shipping, storage fees, bank service charges, payroll service charges, licenses, permits and a three-month premium for typical insurance coverage. Manager and employee labor expenses vary according to the wage rate and number of employees and managers hired and trained before opening your Franchised Restaurant. This item also covers the $40 to $150 cost to participate in the ServSafe program referenced in Item 11.

(12) A description of the computer system can be found in Item 11.

(13) This is our estimate of your operating expenses for the initial 3 months of your business, including payroll costs for management, rent, insurance, and utilities. These expenses do not include advertising or royalty payments made to us. The estimate also does not take into account revenue you may take in. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience and business acumen; financing costs; local economic conditions; the local market for the Franchised Restaurant; the prevailing wage rate; competition in the market place; and the sales level reached during the initial period.

(14) We relied on the experience of our affiliate in developing and operating Pie Five restaurants to compile these estimates. Your actual costs may be affected by factors such as how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and the sales level reached during the initial period of operation. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We do not offer financing directly or indirectly for any part of the initial investment.

For Captive Market Restaurants

Type of Expenditure	Amount (1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$40,000	Lump Sum/Cash	No later than the date on which you sign the Franchise Agreement	Us
Grand Opening Advertising **(2)**	$15,000	As Arranged	As Arranged	Suppliers
Real Estate **(3)**	$3,500-$25,000	As Arranged	Before Opening	Landlord
Architectural Design Services **(4)**	$10,000-$20,000	As Arranged	Before Opening	Independent Architects and Engineers
Construction/Leasehold Improvements **(5)**	$180,000-$500,000	As Arranged	Before Opening	Construction Company
Travel and Living Expenses While Training **(6)**	$5,000-$15,000	As Arranged	Before Beginning Training	Airlines, Hotels, Restaurants
Furnishing, Fixtures, Equipment **(7)**	$140,000-$180,000	As Arranged	As Ordered	Suppliers
Signage **(8)**	$3,000 - $10,000	As Arranged	As Ordered	Suppliers
Exterior Signage and Trade Dress **(9)**	$0 - $15,000	As Arranged	As Ordered	Suppliers
Smallwares	$18,000-$21,000	As Arranged	As Ordered	Us, our Affiliate, Suppliers
Initial Inventory **(9)(10)**	$4,000 - $6,000	As Arranged	Before Opening	Our Affiliate

Type of Expenditure	Amount (1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Miscellaneous Opening Costs **(10)(11)**	$12,000-$20,000	As Arranged	Before Opening	Suppliers, Utilities, etc.
Register or Point of Sale System **(11)(12)**	$4,000 - $6,000	As Arranged	As Arranged	Supplier
Additional Funds -- 3 months **(12)(13)**	$8,000 - $18,000	As Arranged	As Incurred	Employees, Suppliers, Utilities
Total **(13)(14)**	$442,500-$891,000			

NOTES

(1) Costs paid to us or our affiliates are not refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where the Franchised Restaurant is located.

(2) You must conduct initial marketing for the Franchised Restaurant in accordance with a grand opening plan that you have prepared and to which we have consented ("Grand Opening Plan"). Under the Grand Opening Plan, you will be required to spend a minimum of $15,000 on grand opening advertising over the period beginning one month prior to opening and continuing through the second month after opening. Guidelines for grand opening activities will be included in the Manual. Within 10 days after the end of the period in which you conduct this initial marketing, you must submit appropriate documentation to verify compliance with the grand opening expenditure obligation. The amount spent on your grand opening expenditure obligation is not credited against your Advertising Obligation.

(3) It is our understanding with Captive Market Locations, generally, there are no specific costs associated with acquiring real property since the franchisee typically already has a contract with the owner of the Facility to provide foodservice at the Facility. Therefore, a franchisee should not incur additional real property costs in connection with the Franchised Restaurant.

(4) The cost of architectural design services will vary depending on the geographic location, size and condition of the premises.

(5) It is our understanding that building and site improvement costs, which include design, permits and municipality fees, at Captive Market Locations can vary dramatically. Accordingly, it is difficult to estimate the costs except in a very broad range. These costs are heavily dependent on the condition of the Facility and the venues of the location (for example, food court, in-line space, concession location, etc.) In some instances, it also may be dependent on the amount of improvements required by the owner of the Facility.

(6) As described in Item 11, prior to opening a Pie Five Restaurant, two managerial personnel must attend the MIT Program. We do not charge tuition for this training program, but you are responsible for all salaries, benefits, and travel, living, and other expenses incurred by your employees while attending the training. The cost of these expenses will depend on the distance traveled, the types of accommodations and the wages of your employees attending training. Training is held at a Pie Five Restaurant operated by us or our affiliates and/or our corporate office, which is currently in the Dallas/Fort Worth area.

(7) You must purchase certain items of furniture, fixtures, and equipment. The cost of purchasing equipment may vary as a result of price differences between suppliers and shipping distances from suppliers. You may purchase or lease approved brands and models of equipment from any approved supplier. Payment

for these items typically will be made prior to the opening of the Franchised Restaurant or in installments over a period of time, depending on the type of financing arrangement you are able to obtain. Generally, the availability and terms of financing will depend upon many factors, including your creditworthiness.

(8) The type of signage installed is governed by local ordinances regarding height and size restrictions. The typical sign package for Captive Market Locations includes only interior signs.

(9) Captive Market Restaurants are often developed as part of a food court operation in a mall, airport terminal or travel plaza in which no exterior signage is feasible. In these instances, you may not have costs for exterior signage.

(10) The cost of an opening inventory of food, beverages, ingredients, and other supplies and materials will vary depending on shipping distances from suppliers and price differences between suppliers. As described in Item 8, these items must conform to specifications established by us and/or be purchased from us and/or approved suppliers.

(11) This item covers such miscellaneous pre-opening costs and expenses as manager and employee labor, utilities and utility deposits, lighting supplies, office supplies, security deposit, pest control, postage and shipping, storage fees, bank service charges, payroll service charges, licenses, permits and a three-month premium for typical insurance coverage. Manager and employee labor expenses vary according to the wage rate and number of employees and managers hired and trained before opening your Franchised Restaurant.

(12) A description of the computer system can be found in Item 11.

(13) This is our estimate of your operating expenses for the initial 3 months of your business, including payroll costs for management, rent, insurance, and utilities. These expenses do not include advertising or royalty payments made to us. The estimate also does not take into account revenue you may take in. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience and business acumen; financing costs; local economic conditions; the local market for the Franchised Restaurant; the prevailing wage rate; competition in the market place; and the sales level reached during the initial period.

(14) We relied on the experience of our affiliate in developing and operating Pie Five restaurants to compile these estimates. Your actual costs may be affected by factors such as how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; competition; and the sales level reached during the initial period of operation. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We do not offer financing directly or indirectly for any part of the initial investment.

For Area Development Agreements

Type of Expenditure	Amount (1)	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee for Multiple Restaurants **(1)**	$15,000	Lump Sum/Cash	No later than the date on which you sign the Franchise Agreement	Us
Additional Funds -- 3 months **(2)**	$0			
Total	$15,000			

NOTES

(1) Actual costs will depend on the number of Restaurants specified in the development schedule. The development fee equals $15,000 for each Pie Five Restaurant you agree to open, minus the first one. For a standard 2-unit development commitment, your total investment under an Area Development Agreement would be $15,000, all of which must be paid to us. The development fee is non- refundable.

(2) As described further in Item 1, for each Restaurant that you develop pursuant to the terms of an Area Development Agreement, you must execute an individual Franchise Agreement, and incur the costs associated with developing a Restaurant under the terms of that Franchise Agreement. The estimate provided above does not include an estimate of any costs incurred under the terms of any individual Franchise Agreement. We do not provide an estimate in this Disclosure Document of the investment or costs associated with developing a Restaurant at any future date, which may be impacted by a number of factors, including changes to our System Standards and the prevailing market rates for goods and services.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products and Services

You may offer for sale and sell from the Franchised Restaurant only the products, services, and brands that we have designated in the Manual or otherwise in writing. You must offer all items that we designate as mandatory. We may also designate some items as optional. We may change the mandatory and optional menu items, recipes, ingredients, and other products and services in our sole discretion. We may require that you sell certain brands and prohibit you from selling other brands. You may sell products only in the varieties, weights, sizes, forms, and packages that we have designated. You must use only authorized ingredients and must follow our recipes in the preparation of menu items. You must use our designated architect in the construction of your Restaurant. You may not use the Franchised Location for the sale or display of items not authorized by us. Within 15 days after we provide written notice to you, you must begin selling any newly authorized menu items (or using any newly authorized ingredients) and cease selling any menu item that is no longer authorized (or using any ingredient that is no longer authorized); however, if the discontinued menu item or ingredient could pose a hazard to the public or prove detrimental to the system, you must cease selling or using that item or ingredient immediately.

All food, beverages, and merchandise authorized for sale at the Franchised Restaurant must be offered for sale under the name that we specify. We periodically will provide you suggested retail prices for the products and services offered at the Franchised Restaurant and, to the extent permitted by applicable law, we may require that you adhere to our suggested prices, including maximum prices. If you have a suggestion for a new menu item or ingredient or for a change to an authorized menu item or ingredient, or you wish to participate in a test market program, you must notify us before you implement any such change or commence any such program. You may not add or modify any menu item or ingredient or participate in a test market program without first obtaining our prior written approval.

Supplier Approval Process

We have the right to require that all food and non-food products, supplies, packaging, equipment and services that you purchase for use, sale or resale in the Franchised Restaurant: **(a)** meet specifications that we establish from time to time; **(b)** be purchased only from suppliers that we have consented to (which may include us or our affiliates); and/or **(c)** be purchased only from a single source or from a limited number of designated sources (which may include us or our affiliates). To the extent that we establish specifications, require our consent to suppliers or designate specific suppliers for particular items, we will publish our requirements in the Manual or otherwise in writing to the franchisees. We may create purchasing restrictions to control the quality and selection, and ensure the consistency, of menu items, ingredients, and other merchandise; to consolidate System purchases to reduce costs or ensure availability of products; or for other valid business reasons.

You may not engage in "grey market" activities in which you take advantage of any group purchasing arrangements for Pie Five Restaurants to purchase products that you then resell to purchasers outside of the System or use in a business outside of the System.

We and our affiliates may earn income on direct sales of products, ingredients, and/or supplies to you. We or our affiliates may receive rebates, commissions, or other payments from third-party suppliers based on your purchases from them, and we may, in our sole discretion, retain the rebates, commissions, or other payments.

We have entered into distribution agreements with Performance Food Group. Pursuant to these agreements, Performance Food Group is authorized to act as a distributor of virtually all food and paper products, and other items related to the System. Product orders are placed with the distributor and products are distributed to the Restaurants at least once a week.

If you would like to offer products or services that are not part of the System, or purchase from a supplier to which we have not consented, you must submit a written request for consent. Criteria for approving proposed suppliers will be made available to you on your request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products. You agree to pay to us a reasonable fee, not to exceed the actual cost of the inspection and testing the proposed product or evaluating the proposed supplier, including personnel and travel costs, whether or not the product or supplier is accepted. We have the right to grant, deny or revoke consent to products, services and suppliers in our sole discretion.

We will notify you of our decision as soon as practicable following our evaluation, not to exceed 90 days. If approval is obtained, you may contract with the accepted supplier. We reserve the right to re-inspect the facilities and products of any accepted supplier and revoke acceptance in writing upon the supplier's failure to meet any of our then-current criteria.

We estimate that the purchase of products from us, our affiliates, or our approved or designated suppliers and/or products that are subject to our standards and specifications represents approximately 80% of your overall purchases in establishing the Franchised Restaurant and 80% of your overall purchases in operating the Franchised Restaurant.

We and our affiliates derive revenue based on purchases you and other Pie Five franchisees make from vendors with whom we have or will negotiate to pay us rebates based on those purchases. For the fiscal year ended June 30, 2019, supplier incentive rebates received from third-party suppliers were based on the volume of purchases, and in total represented approximately 1.9% of retail sales.

During our last fiscal year (which ended June 30, 2019), we and our affiliates received revenue of

$3.4 million in revenue (27.7% of Rave's total revenue) from sales we and our affiliates made to Pie Five Restaurant franchisees. During that same fiscal year, we and our affiliates received $0.8 million (6.4% of Rave's total revenue) in rebates and other consideration from designated or approved vendors based on sales they made to Pie Five Restaurant franchisees.

Currently, we do not provide material benefits to you based on your use of approved or designated suppliers. We negotiate system-wide purchasing to maximize the combined purchasing power benefit of all Pie Five Restaurants and reserve the right to continue to negotiate system-wide purchasing arrangements, including pricing terms, with suppliers for the benefit of all Pie Five Restaurants. We do not currently have purchasing or distribution cooperatives, but we reserve the right to establish them.

There are no approved suppliers in which any of our officers own an interest. As of the date of this disclosure document neither we nor any of our affiliates are approved suppliers for any product.

Computer System

See Item 11 for information regarding our current minimum standards for the computer system for the Franchised Restaurant and your related obligations under the Franchise Agreement.

Insurance

During the term of the Franchise Agreement, you must maintain in full force and effect at your expense, an insurance policy or policies having, at minimum, the following coverages:

(1) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, and products liability in the amount of $2,000,000 combined single limit and fire legal liability in the amount of $100,000 combined single limit;

(2) If beer, wine or other alcoholic beverages are served at the Franchised Restaurant, liquor legal liability insurance, including personal injury and property damage coverage, in the amount of $1,000,000 combined single limit;

(3) Automobile liability coverage, including bodily injury and property damage coverage, for non-owned and hired vehicles, with coverage in amounts of not less than $1,000,000 combined single limit. If you use owned vehicles for delivery service, you must maintain owned automobile liability insurance coverage in a minimum amount of $1,000,000 combined single limit;

(4) Worker's compensation insurance in amounts provided by applicable law or, if permissible under applicable law, legally appropriate alternative coverage providing substantially similar compensation for injured workers satisfactory to us, provided that you (a) maintain an excess indemnity policy covering employer's liability and, at your election, a medical/disability policy covering medical expenses for on-the- job accidents, which policy or policies shall contain such coverage amounts reasonably acceptable to us and (b) conduct and maintain a management and safety program for your employees reasonably acceptable to us; and

(5) Such other insurance as may be required by the state or locality in which the Franchised Restaurant is located and operated.

Each insurance policy must be written by an insurance company that maintains an "A+" or better rating by the latest edition of Best's Insurance Rating Service (or another rating service designated by us). For standard Pie Five Restaurants, the insurance policy or policies must be in effect when you take possession of the Franchised Location. The insurance policy or policies must protect you, us, and our respective past, present, and future officers, directors, owners, employees, servants, representatives, consultants, attorneys, and agents. We and our affiliates must be named as additional insureds in the policy or policies (statutory policies excepted). Each policy must include a waiver of subrogation in our favor. We may require additional types of coverage or increase the minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the Manual, you must provide us with certificates of insurance evidencing the required coverage and proof of payment. The evidence of insurance must include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to us. For standard Pie Five Restaurants, if you fail to obtain and maintain insurance coverage as required by the Franchise Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance, plus a reasonable fee for our services in procuring the insurance. For Captive Market Restaurants, if you maintain a program of self- insurance, you may, following our consent, self-insure the obligations described in this paragraph.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Standard Franchise Agreement (SFA); Captive Market Franchise Agreement (CMFA); and Development Agreement (DA)	Disclosure Document Item
a. Site selection and acquisition/lease	SFA: Sections 3 and 4 CMFA: None. DA: Section 5	Items 7 and 11
b. Pre-opening purchases/leases	SFA: Sections 3, 4, 5.2 and 12.12 CMFA: Sections 3 and 10.2 DA: Sections 5 and 6	Items 5, 7 and 8
c. Site development and other pre-opening requirements	SFA: Sections 3 and 5 CMFA: Section 3 DA: Sections 3 and 5	Items 7 and 11
d. Initial and ongoing training	SFA: Section 9 CMFA: Section 7 DA: Not Applicable	Items 6, 7 and 11
e. Opening	SFA: Sections 5.2, 5.3, 10.1 and 10.2 CMFA: Sections 3, 6.1, 7.1.2 and 8 DA: Not Applicable	Item 11
f. Fees	SFA: Sections 6, 8, 9 and Summary of Key Economic Terms CMFA: Sections 4, 6 and 7 DA: Section 4 and Exhibit A	Items 5 and 6
g. Compliance with standards and policies/ Manual	SFA: Sections 11 and 12 CMFA: Sections 9 and 10 DA: Not Applicable	Items 8, 11, and 14
h. Trademarks and proprietary information	SFA: Sections 8.7, 13 and 18 CMFA: Sections 9, 11 and 15 DA: Section 11.1	Items 13 and 14
i. Restrictions on products/services offered	SFA: Sections 12.3 and 12.6 CMFA: Sections 10.3 and 10.5 DA: Not Applicable	Item16
j. Warranty and customer service requirements	SFA: Sections 12.9, 12.10 and 12.11 CMFA: Sections 10.7, 10.8 and 10.9 DA: Not Applicable	Item 11
k. Territorial development and sales quotas	SFA: Section 1.2 CMFA: None. DA: Sections 1.1, 2, 3 and Exhibit A	Item 12
l. Ongoing product/service purchases	SFA: Sections 12.3 and 12.6 CMFA: Sections 10.3 and 10.5 DA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	SFA: Sections 12.7 and 12.8 CMFA: Section 10.6 DA: Not Applicable	Item 11
n. Insurance	SFA: Section 12.12 CMFA: Section 10.10 DA: Not Applicable	Items 6, 7 and 8
o. Advertising	SFA: Section 8 CMFA: Section 6 DA: Not Applicable	Items 6 and 11
p. Indemnification	SFA: Section 23 CMFA: Section 20 DA: Section 14	Item 6
q. Owner's participation/ management/staffing	SFA: Sections 12.10 and 12.11 CMFA: Sections 10.8 and 10.9 DA: Section 7	Items 11 and 15

Obligation	Section in Standard Franchise Agreement (SFA); Captive Market Franchise Agreement (CMFA); and Development Agreement (DA)	Disclosure Document Item
r. Records and reports	SFA: Sections 6.4 and 7 CMFA: Sections 4.3 and 5 DA: Not Applicable	Item 6
s. Inspections and audits	SFA: Sections 5.1, 5.2, 7.4, 12.6.4, 12.13 and 13.3.6 CMFA: Sections 3.1, 5.4, 10.5 and 10.11 DA: Not Applicable	Items 6, 8, and 11
t. Transfer	SFA: Sections 15 and 16 CMFA: Sections 13 and 14 DA: Sections 8 and 9	Items 6 and 17
u. Renewal	SFA: Section 2.2 CMFA: Section 2.2 DA: Not Applicable	Item 17
v. Post-termination obligations	SFA: Section 20 CMFA: Section 17 DA: Section 12.4	Item 17
w. Non-competition covenants	SFA: Section 18 CMFA: Section 15.2 DA: Section 11	Item 17
x. Dispute resolution	SFA: Section 28 CMFA: Section 25 DA: Section 19	Item 17

ITEM 10
FINANCING

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

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

Except as listed below, Pie Five Pizza Company, Inc. is not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open the Franchised Restaurant, we will:

1. For standard Pie Five Restaurants, provide you with the following site selection assistance: **(A)** our site selection guidelines and, as you may request, a reasonable amount of consultation with respect thereto; and **(B)** such on-site evaluation as we may deem advisable as part of our evaluation of your request for site acceptance. (Development Agreement § 5.2, Standard Franchise Agreement § 3.2)

2. For standard Pie Five Restaurants, we will advise you in writing whether within 60 days after we receive a complete site review report (as determined by us). If we do not respond within 60 days, we will be deemed to have rejected the site. (Development Agreement § 5.4.1, Standard Franchise Agreement § 3.4.1)

3. For standard Pie Five Restaurants, review the proposed sublease, lease, or purchase contract for the accepted site to ensure that it includes the provisions we require as set forth in the Franchise Agreement. (Development Agreement § 6, Standard Franchise Agreement § 3.4) A copy of the Lease Addendum, which includes the required provisions, is attached as Exhibit E. Note we do not typically own the premises that will be leased to franchisees.

4. Provide you prototypical plans and specifications for Pie Five Restaurants that you must adapt so that your proposed plans for the Franchised Restaurant comply with all applicable ordinances, building codes and permit requirements, lease requirements and restrictions, and the Americans with Disabilities Act. You must use only registered engineers and professional and licensed contractors. You must submit the Plans to us and revise the Plans as we require. Once we consent to the Plans, you may not change the Plans without our approval. (Franchise Agreement § 5.1) For standard Pie Five Restaurants, you must use our approved architect of record. If you use an architect other than our approved architect, your architect must meet in person with our design team at the Restaurant Support Center. Additionally, you must pay to us a Plan Review Fee of $1,000 for review of your site plans if you do not use our approved architect of record. (Standard Franchise Agreement § 5.1; Captive Market Franchise Agreement § 3.1)

5. For standard Pie Five Restaurants, conduct a final inspection of the Franchised Restaurant, if we choose to conduct one, after receiving your notice that you have complied with your obligations under the Franchise Agreement, and provide you with our express written approval to open the Franchised Restaurant if we determine that you have satisfied such obligations. (Standard Franchise Agreement § 5.2.2)

6. Loan you one copy of, or provide you with electronic access to, the Manual, which contains detailed standards, specifications, instructions, forms, reports, and procedures for management and operation of the Franchised Restaurant. You may keep the Manual for as long as the Franchise Agreement remains in effect, but the Manual remains our property. We may revise the contents of the Manual, and you agree to comply with each new or changed section. (Standard Franchise Agreement § 11; Captive Market Franchise Agreement § 9). We will permit you to inspect a copy of the Manual at our offices before you purchase a franchise, if you first sign our Confidentiality Agreement (Exhibit F).

7. Provide consultation and advice to you as we deem appropriate with regard to construction or renovation and operation of the Franchised Restaurant, building layout, furnishings, fixtures and equipment plans and specifications, employee selection and training, purchasing and inventory control, and those other matters as we deem appropriate. At your reasonable request, or at our discretion, we will provide assistance in opening the Franchised Restaurant and in training your employees as we deem appropriate in light of your needs and the availability of our personnel. (Standard Franchise Agreement §§ 10.1 and 10.2; Captive Market Franchise Agreement §§ 8.1 and 8.2)

8. For standard Pie Five Restaurants, provide to you (or your Operating Principal), the Franchised Restaurant's general manager, and any other managerial personnel that we designate the MIT Program. Our training program is described below. (Standard Franchise Agreement § 9.1) For Captive Market Restaurants, provide two managerial personnel the MIT Program, which is described below. (Captive Market Franchise Agreement § 7.1)

<u>Our Obligations After Opening</u>

During the operation of the Franchised Restaurant, we will:

1. Collect, administer, and spend for advertising purposes monies paid by franchisees and company-operated Pie Five Restaurants into the Brand Fund and any Regional Advertising Fund (if established) as described below. (Standard Franchise Agreement § 8.2; Captive Market Franchise Agreement § 6.2)

2. Provide, or make available, a marketing manual, guidelines for creating a marketing plan, scripts, and branding tools. (Standard Franchise Agreement § 3.2; Captive Market Franchise Agreement § 6.3.2)

3. Periodically change the System, including modifications to the Manual, the menu, the required

equipment, the decor, the signs and the Proprietary Marks. You must accept, use, or display in the Franchised Restaurant any such System changes and make such expenditures as the System changes require. We also have the right to vary System standards, in our reasonable judgment, to accommodate circumstances of individual franchisees. (Standard Franchise Agreement § 12.2; Captive Market Franchise Agreement § 10.2)

4. Provide additional ongoing training to your managerial personnel, training personnel, and/or other previously trained and experienced staff members at the times and locations that we designate. (Standard Franchise Agreement § 9.2; Captive Market Franchise Agreement § 7.2)

5. Periodically advise and consult with you regarding the operation of the Franchised Restaurant and make available, as we believe appropriate, information regarding the System and new developments, techniques, and improvements in the areas of restaurant design, operations, management, menu-development, sales and customer service, marketing, and other areas. We may provide these services through visits by our representatives to the Franchised Restaurant or your offices, the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, training programs, telephone communications, or other forms of communications. (Standard Franchise Agreement § 10.3; Captive Market Franchise Agreement § 8.3)

6. Conduct inspections of (and photograph and record) the Franchised Location and the Franchised Restaurant, interview your employees, suppliers and customers and review your business records if we choose to do so. (Standard Franchise Agreement § 12.13; Captive Market Franchise Agreement § 10.11)

Brand Fund and Marketing

Grand Opening Plan. Under the Grand Opening Plan, you will be required to spend a minimum of $15,000 on grand opening activities over the period beginning one month prior to opening and continuing through the second month after opening. Guidelines for grand opening activities will be included in the Manual. Within 10 days after the end of the period in which you conduct this initial marketing, you must submit appropriate documentation to verify compliance with this obligation. The amount spent on grand opening activities is not credited against your Advertising Obligation.

Advertising Obligation. You will pay that portion of the Advertising Obligation as we direct to the Brand Fund ("Brand Fund Contribution") as described below. The remainder of the Advertising Obligation will be spent by you for local marketing and, for standard Pie Five Restaurants, will be paid to a Regional Advertising Fund, if established. As of the date of this Disclosure Document, your Advertising Obligation is 5% of Gross Sales. Following written notice to you, we may modify the amount (but not to exceed 6% of Gross Sales) and the allocation of your Advertising Obligation. For standard Pie Five Restaurants, though, once we establish a Regional Advertising Fund that covers the Franchised Location, we will not increase the Advertising Obligation by more than 0.5% of Gross Sales in any 24-month period and it will never exceed 6%. If we allocate any portion of your Advertising Obligation to the Brand Fund or (for standard Pie Five Restaurants) to a Regional Advertising Fund, you must pay the required amounts at the same time and in the same manner as the Royalty.

Brand Fund. As of the date of this Disclosure Document, you must contribute 2% of the Gross Sales of the Franchised Restaurant to the Brand Fund. We may use the Brand Fund Contributions and any earnings of the Brand Fund for any costs associated with advertising, marketing, public relations, promotional programs and materials (which may be national, regional or local in scope), and/or any other activities that we believe would benefit the System, including the following: advertising campaigns in various media; point-of-purchase materials; review of locally-produced ads; free standing inserts; brochures; purchasing and/or developing promotional materials; market research, including secret shoppers; sponsorships; design and maintenance of a web site; celebrity endorsements; trade shows; association dues; search engine optimization costs;

establishment of a third party facility for customizing local advertising; accounting costs; and holding an annual franchise convention. We will not use the Brand Fund for any activity whose sole purpose is the marketing of franchises or the soliciting of franchisees; however, you acknowledge that the Pie Five web site, public relations activities, community involvement activities, and other activities that may be supported by the Brand Fund may contain information about franchising opportunities. We have the right to direct all programs supported by the Brand Fund, with final discretion over creative concepts, the materials and media used in the programs, and their placement. You must participate in all advertising, marketing, promotions, research, public relations, loyalty and other programs instituted by the Brand Fund. We usually work with our in-house advertising department and may work with a regional advertising agency to develop advertising for print and radio. In spending advertising monies, we are not obligated to make expenditures for any franchisee that are equivalent or proportionate to that franchisee's contribution or to ensure that any particular franchisee benefits directly or on a pro rata basis from expenditures of the funds. We are not obligated to spend any amount on advertising in the geographic area in which your Franchised Restaurant is located.

We will not use any contributions to the Brand Fund to defray any of our general operating expenses, except for reasonable administrative costs and overhead that we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including salaries of our personnel who devote time to Brand Fund activities). We will separately account for the Brand Fund, but we do not need to segregate Brand Fund monies from our other monies.

Any point-of-sale materials produced with Brand Fund monies will be made available to you at a reasonable cost, and the proceeds of such sales will be credited to the Brand Fund. We are not required to have an independent audit of the Brand Fund completed. We will make available an unaudited statement of contributions and expenditures for the Brand Fund no sooner than 90 days after the close of our fiscal year to franchisees who make a written request for a copy. Pie Five Restaurants owned by us or our affiliates will contribute to the Brand Fund on the same basis as comparable franchisees. If we reduce the Brand Fund Contribution for franchisees, we will have the right to reduce by the same amount the required contribution for Pie Five Restaurants operated by us or our affiliates.

In the fiscal year ended June 30, 2019, of the total monies spent by the Brand Fund, approximately 5% was spent for production; approximately 14% was spent on public relation and creative agency fees; approximately 70% was spent for paid media; and approximately 18% was spent for miscellaneous expenses, including research, customer feedback programs, in-store POP and website.

Regional Advertising Fund (applicable only to standard Pie Five Restaurants). We have the right, in our sole discretion, to establish one or more regional advertising funds for Pie Five Restaurants ("Regional Advertising Funds"). We will determine the geographic area covered by a Regional Advertising Fund based on the location of Pie Five Restaurants in the area and the reach of print, radio and television media in the area. If a Regional Advertising Fund is established for a geographical area that includes the Franchised Location, you must contribute to that Regional Advertising Fund in the amount that we specify.

We or our designee will direct all advertising, marketing, and public relations programs and activities financed by the Regional Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, the geographic, market and media placement, and the allocation of advertising and marketing materials. The Regional Advertising Fund may be used to pay the costs of preparing and producing such associated materials and programs as we or our designee may determine, including video, audio, and written advertising materials; employing advertising agencies; sponsorship of sporting, charitable, or similar events; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; and supporting public relations, market research, and other advertising, promotional, and marketing activities. You must participate in all advertising, marketing, promotions, research, and public relations programs instituted by your Regional Advertising Fund.

We will separately account for each Regional Advertising Fund, but we do not need to segregate any Regional Advertising Fund monies from our other monies. We are not required to have an independent audit of the Regional Advertising Fund completed. We will make available an unaudited statement of contributions and expenditures for a Regional Advertising Fund no sooner than 90 days after the close of our fiscal year to franchisees who contribute to that Regional Advertising Fund and who make a written request for a copy.

We have not yet established any Regional Advertising Funds. Pie Five Restaurants operated by us or our affiliates in an area covered by a Regional Advertising Fund will contribute to the Regional Advertising Fund on the same basis as comparable franchisees.

With respect to the Brand Fund or a Regional Advertising Fund, while we may spend in any fiscal year an amount greater or less than the aggregate contribution of Pie Five Restaurants to the applicable Fund, generally, we believe that we will spend all advertising payments during the taxable year in which the contribution and earnings are received. If we do not spend the advertising payments in one year, we will likely spend them in the following year or distribute any surplus to then-current franchisees who contribute to the applicable Fund and restaurants operated by us or our affiliates.

Local Marketing. You must spend that portion of the Advertising Obligation not otherwise spent or contributed to the Brand Fund or a Regional Advertising Fund (currently, 3% of Gross Sales) for local marketing in authorized advertising media and for authorized advertising expenditures. We or our designee periodically will advise you of the authorized advertising media and authorized advertising expenditures.

You must conduct all marketing in a dignified manner and in accordance with the standards and requirements we specify periodically. We may provide to you a marketing manual, guidelines for creating a marketing plan, scripts, and branding tools. You may be required to pay a reasonable fee for accessing and customizing local advertising and promotional materials. All advertising and promotional materials must bear the Proprietary Marks in the form, color, location, and manner that we prescribe. We will have the final decision on all creative development of advertising and promotional messages. You also agree we own all advertising and promotional materials developed by you, and you will take all actions we specify to vest ownership in us.

You must submit to us in writing for our prior acceptance all sales promotion materials and advertising that have not been prepared, or previously accepted, by us and identify the proposed media in which you propose to place the advertising. If our written consent to the material and its proposed placement is not received within 10 days after the date that we received the material, the material may not be used. In no event will your advertising or marketing materials contain any statement or material that, in our sole discretion, may be considered: **(a)** in bad taste or offensive to the public or to any group of persons; **(b)** defamatory of any person or an attack on any competitor; **(c)** to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; **(d)** inconsistent with the public image of the System or the Proprietary Marks; or **(e)** not in accordance with any federal or state laws. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

Social Media. You may not promote, offer, or sell any products or services relating to the Franchised Restaurant through, or use any of the Proprietary Marks in, any form of electronic communications, including Internet web sites, social networking sites, applications or other future technological avenues that enable users to create and share content or to participate in social networking (collectively, "Social Media") without our prior written consent, which we may withhold for any or no reason. You must, at all times, comply with our Social Media policy, as modified periodically. Your use of any Social Media relating to the Franchised Restaurant is subject to our prior written approval. You may not establish an independent site or page on any Social Media. If we authorize you to have and/or design a site or a page on any Social Media for the Franchised Restaurant, your site and page may only be accessed from our site or page, and we may prohibit links between your site or page and any other site. Any use of Social Media by you with respect to the Franchised Restaurant constitutes advertising and promotion, and you must comply with any additional policies and standards we issue from time to time with respect to Social Media. Any copyright in your sites or pages on any Social Media will be deemed to be owned by us, and you agree to sign any documents that we reasonably deem necessary to affirm our ownership of the copyright. If necessary, you must ensure cooperation with us by any web site service provider or web site hosting company with which you do business. You must have or will have the lawful right to use any proprietary materials of others that appear on your sites or pages on Social Media. We periodically may provide to you content for your sites and pages on Social Media, including copy, news stories and photographs. We must consent to any changes to your sites and pages on Social Media.

Public and Media Relations. You may not issue any press or other media releases or other communications without our prior consent. As a franchisee of the System, you may only participate in internal and external communications activities that create goodwill, enhance our public image, and build the Pie Five brand.

Franchisee Advisory Committee. We do not currently have a franchisee advisory committee or an advertising council composed of franchisees. We reserve the right to create one.

Advertising Cooperatives. You are not required under the Area Development Agreement or the Franchise Agreements to participate in a local or regional advertising cooperative.

Computer System

For Captive Market Restaurants: You must procure and install, at your sole expense, such data processing equipment, computer hardware and software, required dedicated telephone and power lines, high speed Internet connections, modems, printers and other computer-related accessory or peripheral equipment as necessary to permit us to receive from you, within the time periods or as otherwise required by us, that information and in that format/media as we reasonably specify ("POS System"). We have the right to require that you use specific brands and models of equipment and software. Our required POS System vendor currently is Radiant Systems, Inc. We currently require you to use the NCR/Silver systems in your Franchised Restaurant. These systems record customer transactions and collect and generate gross sales for the Franchised Restaurant and sales by categories. The current cost to obtain a hardware and software system is approximately $4,000 to $6,000 with a monthly service fee of between $$200 and $400.

We will have independent access to the information and data on the POS System, daily sales, menu mix, and similar data and information, and there are no contractual limitations on our right to access that information. Neither us, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. Currently, there are no optional or required maintenance/upgrade contracts for your POS System. We estimate that the annual cost of optional or required maintenance, upgrades, or updates for your POS System is approximately $1,000.

For Standard Pie Five Restaurants: You must obtain and install, at your expense, a computerized point-of-sale system ("POS System"). Our required POS System vendor currently is Radiant Systems, Inc. We currently require you to use the NCR/Silver systems in your Franchised Restaurant. These systems record customer transactions and collect and generate gross sales for the Franchised Restaurant and sales by categories. We also reserve the right to require you to replace your existing POS System with one designated by us, at your sole cost, but not more frequently than every 5 years. We may require you to install and maintain any software or other proprietary system designated by us, at your sole cost. The current cost to obtain a hardware and software system is approximately $4,000 to $6,000 with a monthly service fee of approximately $200 to $400.

We will have independent access to the information and data on the POS System, and there are no contractual limitations on our right to access that information. Neither us, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system. Currently, there are no optional or required maintenance/upgrade contracts for your POS System. We estimate that the annual cost of optional or required maintenance, upgrades, or updates for your POS System is approximately $1,000.

You must: **(a)** maintain on the computer system only the financial and operating data specified in the Manual; **(b)** transmit data to us in the form and at the times required by the Manual; **(c)** give us unrestricted access to your computer system at all times (including IDs and passwords, if necessary) to download and transfer via modem or other connection as we determine; **(d)** maintain the computer system in good working order at your own expense; **(e)** replace or upgrade the computer system as we require (but not more than once a year); **(f)** install high speed Internet and/or communications connections as we prescribe; **(g)** ensure that your employees are adequately trained in the use of the computer system and our related policies and procedures; **(h)** engage any vendor we designate to ensure the security of your data; and **(i)** use any proprietary software or support services and other proprietary materials that we provide to you in connection with the operation of the Franchised Restaurant and if we so require, execute a license agreement and pay to us a reasonable license fee for the use of such proprietary software. You may not install any software other than authorized upgrades or make any hardware modifications to the computer system without our express written consent. Because computer designs and functions change periodically, we may desire to make substantial modifications to our computer requirements or require installation of entirely different systems during the term of the Franchise Agreement.

Minimum requirements for Internet connectivity are 10mb download and 3mb upload speeds. If this is not available at your Franchised Location, you are required to have the highest connectivity download and upload speeds available.

Selecting the Location of Your Franchised Restaurant

We do not select the specific site for your Franchised Restaurant. You select the site for your Franchised Restaurant, subject to our acceptance (note that we do not approve your site, but it must be accepted by us), which acceptance will be based on our then-current site selection and approval guidelines and requirements. We may consider the following factors in determining whether to accept a proposed site: demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the Facility and surrounding area, the proximity to other businesses (including restaurants operated or franchised), the nature of other businesses in proximity to the site and other commercial characteristics (including the rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics and a site plan of the premises and the Facility. As noted in Item 1, you should not acquire any interest in a site for your Franchised Restaurant until we have approved you as a Pie Five franchisee. For standard Pie Five Restaurants, you must select the site from within a general area mutually agreed to in writing by you and us, and you must obtain acceptance for a site within 180 days after you sign the Franchise Agreement. If we do not accept a site within that time period, we, at our option, may terminate the Franchise Agreement.

With respect to each proposed site, you must submit to us a site review report which confirms your favorable prospects for obtaining the site. For standard Pie Five Restaurants, the site review report will also consist of financial proformas, a description of the site, photographs, demographic information, site characteristics (including access and egress points and the amount of road traffic), other restaurant options in the area, and any other information that we may require, including, but not limited to, a letter of intent or other evidence satisfactory to us, In addition, we may require a site analysis prepared by a third party vendor at your expense. We reserve the right to designate the third-party vendor used to prepare the site analysis. If the site review report is acceptable, we reserve the right to conduct one on-site evaluation of the proposed site before deciding whether to give our consent. In addition, you must pay us a Site Submittal Fee of $2,000.

Within 60 days (30 days for Captive Market Restaurant sites) after receipt of a complete site review report (as determined by us), we will advise you in writing whether we have accepted the site. If we do not respond within that time period, we will be deemed to have denied acceptance of the site. For standard Pie Five Restaurant sites, if we do not accept the site, the Site Submittal Fee will be applied as a credit for the next site you submit for approval. Our acceptance or denial of acceptance of a site may be subject to reasonable conditions as determined in our sole discretion, which will be based on our then-current site selection and approval guidelines and requirements.

Our acceptance indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we accept fails to meet your expectations. Your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for a Franchised Restaurant.

Typical Time Between Agreement Signing and Opening

The length of time between signing of the Franchise Agreement and the opening of the Franchised Restaurant is typically 3 to 6 months. Factors affecting the length of time between the execution of the Franchise Agreement and the opening of the Franchised Restaurant include the sourcing of economically viable sites, site plan and permit approvals, obtaining any site licenses and government approvals, site improvements and hiring, and training managers and hourly employees.

Operations Manual

We provide information about our system standards and other guidance through manuals and bulletins, including the operations manual (the "Manual"), which may include one or more separate manuals as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, or written materials. The current Manual is comprised of approximately 250 pages and is available 100% on line. The table of contents for the current Manual is attached as Exhibit G.

Training

MIT Program. At least 6 weeks before the Franchised Restaurant opens for business, your designated personnel must attend and become certified in the MIT Program. For Captive Market Restaurants, the designated personnel are two managerial personnel. For standard Pie Five Restaurants, the designated personnel are you (or your Operating Principal), the Franchised Restaurant's general manager and any other managerial personnel whom we designate the MIT Program. Currently, all standard Pie Five Restaurant managers must attend and successfully complete the MIT Program. The length of the MIT Program is 3 weeks or 150 hours. The MIT Program will include on-the-job training and online coursework. We offer the MIT Program during the year on an as-needed basis. We will provide the MIT Program at a Pie Five Restaurant operated by us or our affiliates and/or our corporate office, which is currently in the Dallas/Fort Worth area. We will not authorize the Franchised Restaurant to open until the required employees have attended and successfully completed the MIT Program. As a prerequisite to the MIT Program, attendees must successfully complete, at your cost, a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. Evidence of successful completion of the ServSafe food safety training and certification program must be provided to us prior to our authorizing the opening of the Franchised Restaurant. Every restaurant must have two MIT Program-certified managers assigned as permanent full-time employees (typically one general manager and one assistant manager). For franchisees who own multiple restaurants, we also provide a Multi-Unit Manager Training Module to support the development of the Operating Principal, General Manager and Assistant Manager.

For Standard Pie Five Restaurant Franchisees: If you operate at least three Franchised Restaurants, you must establish a training facility at which the MIT Program will be offered ("Training Facility"). We, in our sole discretion, will provide the assistance that we consider to be reasonably necessary to assist you in establishing the Training Facility. The Training Facility must be certified by us before you commence any training at it, and we may periodically visit and evaluate the Training Facility and your trainers to ensure that they continue to meet our standards. We may revoke our certification of the Training Facility if it or your trainers cease to meet our standards. We may charge a fee in connection with the initial certification and periodic reevaluation of the Training Facility. In addition, you must reimburse us for our travel, living, food and other expenses incurred while traveling to and from, and visiting, the Training Facility as we require. Following our certification, you will train all persons who must complete the MIT Program at the Training Facility unless we advise otherwise or we revoke our certification. Prior to your establishment of a Training Facility, all managers you hire or promote are required to attend the MIT Program at a restaurant operated by us or our affiliates and/or our corporate office.

There is no training fee for the MIT Program; however, you must pay all salaries, benefits, travel, living, and other expenses incurred by you and your employees while attending the training. We have the right to dismiss from the MIT Program any person whom we believe will not perform acceptably in the position for which he/she has been hired, and you must provide a suitable replacement within 30 days of dismissal. In such event, we will have no obligation to extend the Opening Date (as defined in the standard Pie Five Restaurant Franchise Agreement), and we may charge a reasonable tuition fee[1] for the replacement. Our Vice President of Franchise Operations and Support, Scott Black, is responsible for the training program.

For Standard Pie Five Restaurants: If you (or your Operating Principal) fail to complete the MIT Program to our satisfaction, we may terminate the Franchise Agreement or permit you (or your Operating Principal) to repeat the MIT Program at the next available scheduled training session; however, we will have no obligation to extend the Opening Date. We reserve the right to charge a training fee if you (or your Operating Principal) are required to repeat the MIT Program.

The following chart summarizes the subjects taught during the MIT Program:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING (1)	HOURS OF ON-THE-JOB TRAINING	LOCATION
Employee Training	3	28	Our corporate office which is currently located in The Colony, Texas or a company-owned Pie Five Restaurant
Guest Services	2	8	Our corporate office or a company-owned Pie Five Restaurant
Marketing	1	4	Our corporate office or a company-owned Pie Five Restaurant
Inventory and Cost Control	2	10	Our corporate office or a company-owned Pie Five Restaurant
Pie Five Management	2	28	Our corporate office or a company-owned Pie Five Restaurant
Food Production	2	28	Our corporate office or a company-owned Pie Five Restaurant
POS Training	1	14	Our corporate office or a company-owned Pie Five Restaurant

[1] As with any determination that has to be "reasonable," the "reasonable tuition fee" will be determined by an examination of all of the facts and circumstances existing at the time the decision is made. In this context, the costs incurred in mounting the program and the number of expected attendees will clearly come into play, but it's impossible today to predict what all the factors that make up what a "reasonable" determination could look like 10 years from today, and the company is not intending to bind itself to any particular factors as long as the fee is "reasonable." As with any provision that's judged by a reasonableness standard (as opposed to a decision being made in the franchisor's sole discretion – which is not the case here), the franchisee can object if it disagrees with the reasonableness of the franchisor's determination. The tuition fee is not fixed because of

the long term of the franchise agreement and because the length, nature and location of the program may change from year to year. If assessed at all, the franchisor determines a tuition that is "reasonable" under all of the circumstances then existing.

SUBJECT	HOURS OF CLASSROOM TRAINING (1)	HOURS OF ON-THE-JOB TRAINING	LOCATION
Restaurant Management	2	15	Our corporate office or a company-owned Pie Five Restaurant
Totals	15	135	

NOTES

(1) All training, other than on-the-job training, consists of online coursework and exams.

Ongoing Training; Training of Replacement Personnel. We may require you and your required personnel, including your managerial personnel, training personnel, and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify. As of the date of this disclosure document, there is no charge for attending additional training in the form of regularly-schedules classes at our offices or designated training facilities if space is available; however, we have the right to charge a reasonable fee for additional training, whether mandatory or an option. You must also pay all travel, living, and other expenses incurred by you and your employees while attending any additional training programs.

We require that your replacement managerial and training personnel satisfactorily complete our training programs within the time period required by the Manual after being designated as managerial or training personnel. We reserve the right to require you to pay a tuition fee for this training.

Any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

Training Materials and Methods. Our training materials include our training manual, and on-the-job training guides, which may be made available to you via electronic access. All training materials that we provide to you remain our property. Except for the MIT Program, we have the right to provide training programs in person, on DVD, via the Internet, in printed or electronic format, or by other means, as we determine.

ITEM 12
TERRITORY

Franchise Agreement

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

For Standard Pie Five Restaurants

If you comply with the Franchise Agreement, except as provided below, during the term of the Franchise Agreement, neither we nor our affiliates will operate, or license others to operate, Pie Five

Restaurants within an agreed-upon area surrounding the Franchised Location ("Protected Area"); however, this restriction will not apply to Pie Five Restaurants in operation or under lease, construction or other commitment to open in the Protected Area as of the effective date of the Franchise Agreement. The Protected Area will be determined using our then-current standards. The Protected Area typically will be stated as a protected radius description around the Franchised Location. In a central business district, the Protected Area may be as small as several blocks. In a rural area, the Protected Area may be as much as 5 miles. We reserve to ourselves all rights to use and license the System and the Proprietary Marks other than those expressly granted under the Franchise Agreement.

We reserve to ourselves and our affiliates the rights to: **(A)** operate, and license others to operate, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Protected Area that are located in transportation facilities (including airports, train stations, subways and rail and bus stations), military bases and government offices, professional sports facilities (including stadiums and arenas), car and truck rest stops and travel centers, educational facilities, recreational theme parks, Indian reservations, casinos or any similar captive market location not reasonably available to you; **(B)** merchandise and distribute goods and services identified by some or all of the Proprietary Marks in the Protected Area through any method or channel of distribution other than through the operation of a restaurant, including, but not limited to, the Internet, wholesale, mail order and catalog; and **(C)** sell and distribute products identified by some or all of the Proprietary Marks in the Protected Area to foodservice businesses other than restaurants identified in whole or in part by the name and mark "Pie Five Restaurants," provided that those foodservice businesses are not licensed to use the Proprietary Marks in connection with their retail sales; and **(D)** offer catering services in the Protected Area whether or not in conjunction with the Proprietary Marks.

These limitations do not prohibit us or our affiliates from: **(1)** operating, or licensing others to operate, during the term of the Franchise Agreement, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location outside of the Protected Area; **(2)** operating, or licensing others to operate, after the Franchise Agreement terminates or expires, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location, including locations inside the Protected Area; **(3)** operating, or licensing others to operate, at any location, including locations inside the Protected Area, during or after the term of the Franchise Agreement, any type of foodservice business other than a restaurant identified in whole or in part by the name and mark "Pie Five Restaurant"; **(4)** developing and owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; or **(5)** purchasing, being purchased by, merging or combining with, businesses that directly compete with Pie Five Restaurants.

Our prior written consent is required before you relocate the Franchised Restaurant. Factors used to approve a request for relocation include, without limitation, whether **(a)** the need for relocation arises from adverse circumstances at the present site beyond your control; **(b)** the proposed new site meets our then- current standards for development; and **(c)** the proposed new site, in our opinion, will not adversely impact existing Pie Five restaurants.

Continuation of the limited restrictions on our ability to operate and license others to operate restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Protected Area does not depend on your achieving a certain sales volume, market penetration or other contingency. There are no other circumstances in which we can unilaterally modify your limited rights in the Franchise Agreement.

You may only sell or distribute products identified by some or all of the Proprietary Marks from the Franchised Location; you may not use any other method or channel of distribution. We do not impose any geographic restrictions on your ability to solicit customers. There are no restrictions on our ability to solicit customers, nor must we compensate you if we solicit or accept orders within your territory. We reserve the right to merchandise and distribute goods and services identified by the Proprietary Marks (or different proprietary marks) through any method or channel of distribution, including the Internet. You do not have any options, rights of first refusal or similar rights to acquire additional franchises under the Franchise Agreement.

For Captive Market Restaurants

Unlike for standard Pie Five Restaurants, you will not receive a Protected Area.

Our prior written consent is required before you relocate the Franchised Restaurant. Factors used to approve a request for relocation include, without limitation, whether **(a)** the need for relocation arises from adverse circumstances at the present site beyond your control; **(b)** the proposed new site meets our then- current standards for development; and **(c)** the proposed new site, in our opinion, will not adversely impact existing Pie Five restaurants.

You may only sell or distribute products identified by some or all of the Proprietary Marks from the Franchised Location; you may not use any other method or channel of distribution. We do not impose any geographic restrictions on your ability to solicit customers. There are no restrictions on our ability to solicit customers. We reserve the right to merchandise and distribute goods and services identified by the Proprietary Marks (or different proprietary marks) through any method or channel of distribution, including the Internet. You do not have any options, rights of first refusal or similar rights to acquire additional franchises under the Franchise Agreement.

Development Agreement

You will not receive an exclusive territory under the Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Under the Development Agreement, you will receive a Development Area, which will be mutually agreed upon by Pie Five and you. A description of the Development Area will be attached as an exhibit to the Development Agreement. The Development Area can range from a city or town to an entire metropolitan area depending on the number of Franchised Restaurants you agree to develop. You must obtain our prior written acceptance of each site for a Franchised Restaurant, which will be based on our then-current site selection and approval guidelines and requirements. We may consider the following factors in determining whether to accept a proposed site: demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the Facility and surrounding area, the proximity to other businesses (including restaurants operated or franchised), the nature of other businesses in proximity to the site and other commercial characteristics (including the rental obligations and other lease terms for the proposed site) and the size, appearance, other physical characteristics and a site plan of the premises and the Facility. As noted in Item 1, you should not acquire any interest in a site for your Franchised Restaurant until we have approved you as a Pie Five franchisee. For standard Pie Five Restaurants, you must select the site from within a general area mutually agreed to in writing by you and us, and you must obtain acceptance for a site within 180 days after you sign the Franchise Agreement. If we do not accept a site within that time period, we, at our option, may terminate the Franchise Agreement.

With respect to each proposed site, you must submit to us a site review report which confirms your favorable prospects for obtaining the site. For standard Pie Five Restaurants, the site review report will also consist of financial pro formas, a description of the site, photographs, demographic information, site characteristics (including access and egress points and the amount of road traffic), other restaurant options in the area, and any other information that we may require, including, but not limited to, a letter of intent or other evidence satisfactory to us, In addition, we may require a site analysis prepared by a third party vendor at your expense. We reserve the right to designate the third-party vendor used to prepare the site analysis. If the site review report is acceptable, we reserve the right to conduct one on-site evaluation of the proposed site before deciding whether to give our consent. In addition, you must pay us a Site Submittal Fee of $2,000.

Within 60 days (30 days for Captive Market Restaurant sites) after receipt of a complete site review report (as determined by us), we will advise you in writing whether we have accepted the site. If we do not respond within that time period, we will be deemed to have denied acceptance of the site. For standard Pie

Five Restaurant sites, if we do not accept the site, the Site Submittal Fee will be applied as a credit for the next site you submit for approval. Our acceptance or denial of acceptance of a site may be subject to reasonable conditions as determined in our sole discretion, which will be based on our then-current site selection and approval guidelines and requirements.

We reserve to ourselves the right to: **(A)** operate and license others to operate restaurants identified in whole or in part by the Proprietary Marks in the Development Area that are located in transportation facilities (including airports, train stations, subways and rail and bus stations); military bases and government offices; sports facilities (including stadiums and arenas); car and truck rest stops and travel centers; educational facilities; recreational theme parks; Indian reservations; casinos; or any similar captive market location; **(B)** merchandise and distribute goods and services identified by some or all of the Proprietary Marks in the Development Area through any method or channel of distribution, including the Internet, wholesale, mail order and catalog, other than through the operation of restaurant; **(C)** sell and distribute products identified by some or all of the Proprietary Marks in the Development Area to foodservice businesses other than restaurants identified in whole or in part by the name and mark "Pie Five Restaurants," provided those foodservice businesses are not licensed to use the Proprietary Marks in connection with their retail sales; **(D)** offer catering services in the Development Area whether or not in conjunction with the Proprietary Marks; **(E)** develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and **(F)** purchase, be purchased by, merge or combine with, businesses that directly compete with Pie Five Restaurants.

Except as reserved in the paragraph above, we will not, during the term of the Development Agreement, operate or franchise others to operate restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Development Area, provided you are in compliance with the terms of the Development Agreement and any other agreements with us or our affiliates and you are current on all obligations due to us and our affiliates. The Development Agreement does not prohibit us or our affiliates from: **(1)** operating or licensing others to operate, during the term of the Development Agreement, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location outside of the Development Area; **(2)** operating or licensing others to operate, after the Development Agreement terminates or expires, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location, including locations inside the Development Area; and **(3)** operating and licensing others to operate at any location, during or after the term of the Development Agreement, any type of foodservice business other than a restaurant identified in whole or in part by the name and mark "Pie Five Restaurant."

If we acquire another system that has restaurants in the Development Area, we reserve the right to continue to operate them, either directly or through franchisees, provided the restaurants are not identified by the Proprietary Marks.

Continuation of the limited restrictions on our ability to operate and license others to operate restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Development Area does not depend on your achieving a certain sales volume, market penetration or other contingency. However, if you are in default of the Development Agreement (which may include, but is not limited to, a default for failing to comply with the Development Schedule) or any Franchise Agreement and fail to cure the default within the applicable cure period (if any), we may terminate the Development Agreement and your limited rights in the Development Area. There are no other circumstances in which we can unilaterally modify your limited rights in the Development Area.

There are no restrictions on the areas in which you or we may advertise or solicit customers, nor must we compensate you if we solicit or accept orders from inside the Development Area. We reserve all rights to use and license the Pie Five system other than those we expressly grant under the Development Agreement and Franchise Agreement. The rights we reserve include the right to use any other channel of distribution, including the Internet, to make sales in the Development Area using the Proprietary Marks or different proprietary marks.

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Our affiliate, Pizza Inn, operates and offers franchises for a system relating to the development, establishment and operation of restaurants that feature high quality pizzas, pasta, salads and desserts in a family friendly buffet format and a nontraditional express format (collectively “Pizza Inn Restaurants”). Pizza Inn Restaurants are operated under the marks “Pizza Inn” and “Pizza Inn Express.” Pizza Inn and its franchisees may solicit or accept orders within Pie Five franchisees’ territories. Any potential conflict between the franchisees of each system will be resolved on a case by case basis. The principal business address of Pizza Inn is the same as ours. We have no plans to maintain physically separate offices. To the extent training occurs in our corporate offices, there may be overlap regarding training facilities. Other training will take place in each system’s respective training restaurants.

ITEM 13
TRADEMARKS

We grant you the right to operate a retail restaurant under the “Pie Five” name and mark and to use the Proprietary Marks in the operation of your Franchised Restaurant. By Proprietary Marks, we mean the “Pie Five” name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols, and designs that we have designated, or may in the future designate, for use with the System. We have the right, upon reasonable notice to you, to change, discontinue, or substitute any of the Proprietary Marks and adopt new Proprietary Marks for use with the System without any liability for any diminishment of the System. You must implement any such change at your expense within the time that we specify.

In addition to other registered trademarks, the following principal trademarks have been registered by Pizza Inn with the United States Patent and Trademark Office (“USPTO”) on the Principal Register, and all required affidavits of continued use have been filed and accepted:

Mark	Registration Number	Registration Date
pie five PIZZA CO.	4418990	10/15/13
PIE FIVE	4254535	12/04/12
PIE FIVE PIZZA	4234649	10/30/12
PIE FIVE PIZZA craft pizza so fresh so fast	5,814,292	7/23/2019

We have entered into a license agreement with Pizza Inn which grants us a perpetual license to use, and license others to use, the Proprietary Marks. Pizza Inn has agreed in that license agreement that the expiration or termination of that agreement will only terminate our ability to enter into new franchise agreements but will not affect the continued use of the Proprietary Marks by any then-existing franchisee.

Pizza Inn has applied to register the trademarks identified in the table below with the USPTO on the Principal Register:

Mark	Serial Number	Application Date
SO FRESH. SO FAST.	87457573	05/19/17

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.

We will provide you guidelines for the use of the Proprietary Marks. You must follow our guidelines and rules when you use the Proprietary Marks. You cannot use the Proprietary Marks in any manner not authorized by us or in any corporate or legal name. You cannot use any other trade names, service marks, or trademarks in conjunction with the Franchised Restaurant.

There are no presently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court relating to the principal Proprietary Marks. There are no pending infringement, opposition or cancellation proceedings or material litigation involving the principal Proprietary Marks. We are a party to an agreement with Addler Logos, LLC ("Addler") under which we agree not to use our pie logo alone. The agreement will be in effect as long as Addler and we continue to use our respective trademarks in commerce. If either Addler or us abandon our respective pie logo trademark or cease to use it, the agreement will terminate. Other than this agreement, there are no agreements currently in effect that significantly limit our right to use or license the use of the Proprietary Marks in any manner material to you. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Proprietary Marks in any state.

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Proprietary Marks. The Franchise Agreement does require that you notify us promptly of any unauthorized use of the Proprietary Marks and any challenge by any person or entity to the validity of, our ownership of, or our right to use, any of the Proprietary Marks. We have the right, but not the obligation, to initiate, direct, and control any litigation or administrative proceedings relating to the Proprietary Marks, including any settlement. You must sign all documents and provide any other assistance we believe is necessary for the defense or prosecution of any such litigation or proceeding. You may not, directly or indirectly, contest, or aid in contesting, the validity, or our ownership, of the Proprietary Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or copyrights, nor do we have any pending patent applications, that are material to your Franchised Restaurant or the System; however, we claim copyright protection in the Manual and certain forms, architectural engineering and construction plans, advertising materials, product specifications, computer programs, newsletters, training materials, and operations and accounting materials. We have not registered those materials with the United States Registrar of Copyrights.

The Manual and these other materials contain our detailed standards, specifications, instructions, forms, reports, and procedures for the management and operation of the Franchised Restaurant. You must treat the Manual, training materials, and any other manuals or materials created or approved by us for use with the

System as secret and confidential. You may not copy, duplicate, or otherwise reproduce the Manual or other materials provided by us. In addition, you may not make any confidential information or materials supplied by us available to any unauthorized person without our prior written consent.

You may not communicate, divulge, or use for any purpose other than the operation of the Franchised Restaurant any confidential information, knowledge, trade secrets, or know-how that may be communicated to you or that you may learn by virtue of the Franchise Agreement or the operation of the Franchised Restaurant. You may divulge confidential information only to your professional advisers, your employees who must have access to the information to develop or operate the Franchised Restaurant, your contractors, and your landlord, provided that you obtain our prior consent. All information, knowledge and know-how relating to us, our business plans, or the System are deemed confidential, except information that you can demonstrate came to your attention by lawful means prior to our disclosure, or that, at the time of our disclosure to you, had become a part of the public domain. At our request, you must require your employees and any other person or entity to whom you wish to disclose any confidential information to sign agreements providing that they will maintain the confidentiality of the disclosed information. The agreements must be in a form satisfactory to us and must identify us as a third-party beneficiary with the independent right to enforce the agreements.

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

You are not obligated to participate personally in the day-to-day operation of the Franchised Restaurant, but we recommend that you do so. Each Franchised Restaurant must, however, at all times, be under the personal, on-premises supervision of one of the following designated individuals, who must meet our applicable training qualifications for their position: the Operating Principal (for standard Pie Five Restaurants), a general manager, an assistant manager, or, for specific limited periods of time, as authorized by us, a shift leader, none of whom is required to have an equity interest in you. You must notify us of any time your general manager changes. At all times that a Franchised Restaurant is open for business, at least one person must be on site who has been trained in ServSafe and completed any other locally-required safety or health training. Captive Market Restaurants are not expressly required under the Franchise Agreement to place any restrictions (such as confidentiality or noncompetition restrictions) on your manager, but standard Pie Five Restaurants are so required.

For Standard Pie Five Restaurants

If you are a business entity, you must appoint an individual to serve as your Operating Principal. The Operating Principal must be accepted by us, must live within a reasonable driving distance of the Franchised Restaurant, must devote full-time and best efforts to supervising the operation of the Franchised Restaurant and any other Pie Five Restaurants that you operate, and must be an Owner (as defined below). The Operating Principal must complete the MIT Program, have authority over all business decisions related to the Franchised Restaurant, and have authority to bind you in your dealings with us. We will provide all services to, and communicate primarily with, the Operating Principal. You must obtain our prior written consent before you change the Operating Principal. If the Operating Principal no longer qualifies as such, you must designate another qualified person to act as the Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. We will advise you whether we have consented to the new Operating Principal within a reasonable time after receipt of your notice. If we do not consent, you will have 15 days from your receipt of our decision to designate another person to act as Operating Principal who satisfies the preceding qualifications.

The Operating Principal must remain active in overseeing the operations of the Franchised Restaurant, including without limitation, regular, periodic visits to the Franchised Restaurant and sufficient communications with us to ensure that the Franchised Restaurant's operations comply with the operating standards as detailed by us from time to time in the Manual or otherwise in written or oral communications.

If you are a business entity, all holders of direct or indirect equity interests of 10% or more (5% or more for Captive Market Restaurants) must jointly and severally guarantee your payment and performance of your obligations under the Franchise Agreement and must bind themselves to the terms of the Franchise Agreement by executing the guarantee attached to the Franchise Agreement. All direct or indirect holders of less than 10% ("Minority Owners") of standard Pie Five Restaurants must bind themselves to the confidentiality and noncompetition restrictions of the Franchise Agreement by executing the guarantee attached to the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Franchised Location solely for the operation of the Franchised Restaurant and maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Franchised Restaurant at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manual or as we otherwise specify in writing (subject to the requirements of local laws and licensing requirements). Captive Market Restaurants will not, however, be required to operate the Franchised Restaurant when the adjacent foodservice businesses are not operating. You must offer and sell from the Franchised Restaurant all goods and services that we authorize you to offer and sell. We have the right to change the types of authorized goods and services, and there are no limits on our right to make such changes. You may offer for sale and sell from the Franchised Restaurant only the products and services that we have approved in the Manual or otherwise in writing. (See Items 8 and 9 for additional information regarding authorized products and services.) We do not limit the customers to whom you may sell goods or services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION STANDARD FRANCHISE AGREEMENT

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	10 years from the date the Franchised Restaurant opens.
b. Renewal or extension of the term	Section 2.2	You will have the option to obtain two successor franchise terms, each of which will be for a period of 5 years, unless we decide to stop franchising the Pie Five concept or we decide to withdraw the Pie Five concept from the geographical market in which the Franchised Restaurant is located.
c. Requirements for you to renew or extend	Section 2.2	The renewal of the Standard Franchise Agreement is accomplished by the execution of our then-current form of Franchise Agreement, the terms of which likely will differ materially from your original Franchise Agreement, including, without limitation, those relating to royalty fees and advertising obligations. Conditions include: providing timely notice; substantial compliance with expiring Franchise Agreement; not be in default under any agreement with us or our affiliates; not be in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to the Franchised Restaurant or any agreement with any vendor or supplier to the Franchised Restaurant; have the right to continue

Provision	Section In Franchise Agreement	Summary
		operating at the Franchised Restaurant for the full term of the successor franchise agreement ; renovate and modernize the Franchised Restaurant to reflect the then-current image of Pie Five Restaurants; sign a general release; complete any additional training that we require; and pay a renewal fee.
d. Termination by you	Not Applicable	Except as permitted under applicable law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 19	We may terminate upon default, which includes, but is not limited to, remaining in default beyond any applicable cure period under any agreement with us or our affiliates, including any Development Agreement.
g. "Cause" defined - curable defaults	Section 19.2	You have 30 days (10 days for any monetary default) to cure defaults other than those discussed in Section 19.1, 19.2.2 and 19.2.3 of the Franchise Agreement.
h. "Cause" defined – non-curable defaults	Section 19.1	Non-curable defaults include: failure to complete the MIT Program; failure to open the Franchised Restaurant by the Opening Date; insolvency; bankruptcy; execution levied against your business or property; foreclosure; material breach of covenants; material misrepresentation; conviction or no contest plea to a crime that is likely to harm the System's reputation or our goodwill; transfer without obtaining our prior written consent; default beyond the applicable cure period under any agreement with us or our affiliates, any real estate lease, equipment lease, or financing instrument relating to the Franchised Restaurant or any agreement with any vendor or supplier to the Franchised Restaurant; refuse to permit audit; conditions that seriously jeopardize public health or safety; loss of right to operate at the Franchised Location and, if applicable, failure to secure our acceptance of another site within required time period; failure to operate the Franchised Restaurant for 3 or more consecutive days, or 5 total days; and Receipt of 2 or more notices of default within any 12-month period.
i. Your obligations on termination/non-renewal	Section 20	Obligations include: immediately cease to operate the Franchised Restaurant and refrain from holding yourself out as a present or former franchisee of the System; cease to use the System, the Proprietary Marks, and the Manual; pay all sums due to us, our affiliates, and your suppliers; cease to use in any manner the confidential methods, procedures, and techniques associated with the System; continue to abide by the covenants; cease to use the Proprietary Marks and all other distinctive signs and names associated with the System; cancel any assumed name or equivalent registration and any domain name registration containing the Proprietary Marks; complete de-identification (if we do not exercise our option to purchase); deliver to us the Manual and all training materials, marketing materials, records, files, instructions, and correspondence containing confidential information; deliver to us all customer

Provision	Section In Franchise Agreement	Summary
		information you have compiled and uninstall any software that we have provided; and assign all Listings (as defined in the Franchise Agreement) associated with the Proprietary Mark or the Franchised Restaurant, if we so elect.
j. Assignment of contract by us	Section 15	There are no restrictions on our right to assign.
k. "Transfer" by you- defined	Section 16.1	Includes sale, assignment, transfer, conveyance, give away, pledge, mortgage, or other encumbrance of any interest in the Franchise Agreement, the Franchised Restaurant, the Franchised Location, the lease for the Franchised Restaurant, the assets of the Franchised Restaurant, any ownership interests in you (if you are a business entity), or any other assets pertaining to your operations under the Franchise Agreement.
l. Our approval of transfer by you	Section 16.2	If you propose to undertake a Transfer, you must obtain our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld.
m. Conditions for our approval of transfer	Sections 16.3, 16.4	If you propose to undertake a Transfer, the conditions for our approval include: compliance with the Franchise Agreement and any other agreement with us, our affiliates, any lenders that have provided financing pursuant to an arrangement with us, and your major suppliers; payment of applicable transfer fee (see Item 6); simultaneous Transfer of your Area Development Agreement (if still in effect); submit a copy of all contracts, all other agreements or proposals, and all other information requested by us; qualified transferee; sign assignment agreement and any other agreements that we require to reflect the Transfer; sign, at our option, any amendments to the Franchise Agreement that we require and/or our then-current standard form of franchise agreement for a term ending on the expiration date of the Franchise Agreement; modernize and upgrade the Franchised Restaurant; sign general release; reasonable sales price and other proposed terms; and execute guarantee. In addition, transferee and those of transferee's employees whom we designated must complete the MIT Program. If you propose to transfer a partial interest in your company or business, conditions include: provide notice; submit copies of all proposed contracts and other information that we request; pay transfer fee (see Item 6); compliance with Franchise Agreement and any other agreement with us, our affiliate, any lenders that have provided financing pursuant to an arrangement with us and your major suppliers; sign assignment agreement and any other agreements we require to reflect the Transfer; sign, at our option, any amendments to the Franchise Agreement that we require and/or our then- current standard form of franchise agreement for a term ending on the expiration date of the Franchise Agreement; sign general release; and

Provision	Section In Franchise Agreement	Summary
		comply with governing documents requirement.
n. Our right of first refusal to acquire your business	Section 16.9	We have the right, exercisable within 30 days after we receive your notice of transfer, to send written notice to you that we intend to purchase the interest proposed to be transferred. Our right of first refusal will not apply to transfers for convenience of ownership or transfers to your spouse or adult son or daughter, provided that the transferee meets all criteria for new franchisees.
o. Our option to purchase your business	Section 21	We have the right, exercisable within 30 days after the later of the effective date of termination or expiration or the date you cease operating the Franchised Restaurant, to purchase some or all of the Assets used in the Franchised Restaurant. We have the unrestricted right to assign this option to purchase your business. The purchase prices of the Assets will be their fair market value determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the Assets. We may exclude from the Assets purchased any equipment, vehicles, furnishings, fixtures, signs, and inventory that do not meet our then-current standards.
p. Your death or disability	Section 15.6	If the transfer is a transfer of ownership interests in you after the death or permanent incapacity of an owner or minority owner, that person's executor, administrator, or personal representative must apply to us within 3 months for consent to transfer the person's interest. All conditions of transfer apply (see m. above). If the interest is not disposed of within 6 months after the date of death or appointment of a personal representative, we may terminate the Franchise Agreement.
q. Non- competition covenants during the term of the franchise	Section 18.2	No interest in any restaurant business: (1) whose sales of pizza or Italian-style food products are reasonably likely to account for 20% or more of the sales of the restaurant business in any calendar month; or (2) whose method of operation or trade dress is similar to that used in the System (either, a "Competitive Business"). In addition, you may not divert any business or customer to any Competitive Business or employ any person who is then employed by us or another Pie Five franchisee (as a shift leader or higher) or induce such person to leave his/her employment.
r. Non-competition covenants after the franchise is terminated or expires	Section 18.3	For 2 years following the expiration or termination of the Franchise Agreement, no interest in any Competitive Business that is located within 5 miles of the Franchised Location, within the Protected Area, within 5 miles of the border of the Protected Area or within 5 miles of any other Pie Five Restaurant. In addition, you may not, for 2 years after expiration, termination, or transfer of the Franchise Agreement, sell, assign, lease, or transfer the Franchised Location to any person or entity that intends to operate a Competitive Business at the Franchised Location.

Provision	Section In Franchise Agreement	Summary
s. Modification of the agreement	Section 26	No modification generally without signed agreement, but we may modify the System.
t. Integration/merger clause	Section 26	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable. T Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	Section 28.2	Subject to state law, you can only file suit in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas), and we may file suit in Collin County, Texas, the jurisdiction where our principal offices are located, where you reside or do business, where the Protected Area or the Franchised Restaurant is or was located or where the claim arose.
w. Choice of law	Section 28.1	Subject to state law, Texas law applies, except that Section 18 (Covenants) will be governed by the laws of the state in which the Franchised Restaurant is located.

CAPTIVE MARKET FRANCHISE AGREEMENT

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	10 years from the date the Franchised Restaurant opens
b. Renewal or extension of the term	Section 2.2	You will have the option to obtain a successor term on the same terms and conditions as this Agreement for a period equal to the shorter of 5 years or the remaining term of your foodservice contract.
c. Requirements for you to renew or extend	Section 2.2	The renewal of the Captive Market Franchise Agreement is accomplished by executing an acknowledgment of renewal. Conditions include: (a) during the Term, you have substantially complied with the Franchise Agreement and the System, (b) you renovate and modernize the Restaurant to reflect the then- current image of Pie Five Restaurants (c) you sign a general release, in a form we prescribe, of any and all claims against us, our affiliates and our past, present and future officers directors, shareholders and employees arising out of or relating to the Restaurant, (d) your employees designated by us successfully complete any

Provision	Section In Franchise Agreement	Summary
		additional training courses that we then require, and (e) you pay us a renewal fee of $5,000. The Franchise Agreement does not require you to sign our then-current form of Franchise Agreement. The Franchise Agreement does not require you to sign our then-current form of Franchise Agreement.
d. Termination by you	Not Applicable	Except as permitted under applicable law
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 16	We may terminate upon default, which includes, but is not limited to, remaining in default beyond any applicable cure period under any agreement with us or our affiliates.
g. "Cause" defined - curable defaults	Section 16	You have 30 days (10 days for any monetary default) to cure defaults.
h. "Cause" defined –non-curable defaults	Section 16	Non-curable defaults include: If you have received 2 or more notices of default within the previous 12 months, we will be entitled to send you a notice of termination upon your next default within that 12-month period, without providing you an opportunity to remedy the default.
i. Your obligations on termination/non-renewal	Section 17	Obligations include: immediately cease to operate the Franchised Restaurant and refrain from holding yourself out as a present or former franchisee of the System; cease to use the System, the Proprietary Marks, and the Manual; pay all sums due to us, our affiliates, and your suppliers; cease to use in any manner the confidential methods, procedures, and techniques associated with the System; continue to abide by the covenants; cease to use the Proprietary Marks and all other distinctive signs and names associated with the System; cancel any assumed name or equivalent registration and any domain name registration containing the Proprietary Marks; complete de-identification (if we do not exercise our option to purchase); deliver to us the Manual and all training materials, marketing materials, records, files, instructions, and correspondence containing confidential information; deliver to us all customer information you have compiled and uninstall any software that we have provided.
j. Assignment of contract by us	Section 13	There are no restrictions on our right to assign.
k. "Transfer" by you- defined	Section 14.1	Includes sale, assignment, transfer, conveyance, give away, pledge, mortgage, or other encumbrance of any interest in the Franchise Agreement, the Franchised Restaurant, the Franchised Location, the lease for the Franchised Restaurant, the assets of the Franchised Restaurant, any ownership interests in you (if you are a business entity), or any other assets pertaining to your operations under the Franchise Agreement.
l. Our approval of transfer by you	Section 14.2	If you propose to undertake a Transfer, you must obtain our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld.

Provision	Section In Franchise Agreement	Summary
m. Conditions for our approval of transfer	Sections 14.2	We may require that a transfer fee (not to exceed $5 000) be paid. We have the right to communicate with and counsel you and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we consent to the Transfer.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Section 18	Upon the expiration or termination of this Agreement for any reason, we will give written notice to you, within 10 days after the later of the effective date of termination or expiration or the date you cease to operate the Restaurant, if we intend to exercise our option to purchase from you some or all of the equipment and/or the nonperishable inventory used in the Restaurant. We will have the unrestricted right to assign this option to purchase. The purchase price for the inventory will be the price paid by you. The purchase price for the equipment will be its fair market value, determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the equipment. If we and you are unable to agree on the fair market value of the equipment within 30 days after your receipt of our notice of our intent to exercise our option to purchase, the fair market value will be determined by one professionally certified appraiser appointed by us.
p. Your death or disability	Not Applicable	Not Applicable
q. Non- competition covenants during the term of the franchise	Section 15.2	You covenant and agree that during the Term you will not, either directly or indirectly, for yourself or through on behalf of or in conjunction with any person, firm, partnership, corporation or other entity own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, or have any interest in, either directly or indirectly, any foodservice operation at the Facility: (a) whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month, or (b) whose method of operation or trade dress is similar to that used in the System ("Competitive Business"). This restriction will not apply to the existing Competitive Businesses if any, which are identified in Appendix A.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.2	For a period of 12 months following that termination you will not, either directly or indirectly, for yourself or through on behalf of or in conjunction with any person, firm, partnership, corporation or other entity own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, or have any interest in, either directly or indirectly, any foodservice operation at the Facility: (a) whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month, or (b) whose method of operation or trade dress is similar to that used in the System ("Competitive Business"). This

Provision	Section In Franchise Agreement	Summary
		restriction will not apply to the existing Competitive Businesses if any, which are identified in Appendix A.
s. Modification of the agreement	Section 23	No modification generally without signed agreement, but we may modify the System.
t. Integration/merger clause	Section 23	Only the terms of the Franchise Agreement, the documents referred to in the Franchise Agreement, and the attachments to the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document the Franchise Agreement, the documents referred to in the Franchise Agreement, and the attachments to the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	Section 25.2	Subject to state law, you can only file suit in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas), and we may file suit in Collin County, Texas, the jurisdiction where our principal offices are located, where you reside or do business, where the Protected Area or the Franchised Restaurant is or was located or where the claim arose.
w. Choice of law	Section 25.1	Subject to state law, Texas law applies, except that Section 18 (Covenants) will be governed by the laws of the state in which the Franchised Restaurant is located.

THE DEVELOPMENT AGREEMENT

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

Provision	Section In Development Agreement	Summary
a. Length of the franchise term	Section 1.2	The Development Term begins on the effective date of the Development Agreement and terminates on the first to occur of: (a) the date that the last Franchised Restaurant is required to be opened pursuant to the Development Schedule; or (b) the date that the last Franchised Restaurant required by the Development

Provision	Section In Development Agreement	Summary
		Schedule opens for business.
b. Renewal or extension of the term	Section 1.3	You will be allowed to extend the Development Term, subject, in each case, to, among other things, our agreeing on a new Development Schedule for the extension term and you paying a new Development Fee. The length of the extension term will depend on the number of Franchised Restaurants that you and we agree will be opened during the extension term.
c. Requirements for you to renew or extend	Section 1.3	The renewal of the Development Agreement is accomplished by an amendment to the existing agreement to reflect the new agreed upon Development schedule. You must have complied with the Development Schedule and complied with all other obligations; you must give us written notice by the earlier of (i) 30 days following the opening of the Franchised Restaurant which causes you to achieve 80% of the openings required under the Development Schedule or (ii) 30 days following the opening of your second-to-last Franchised Restaurant required by the Development Schedule; you and we must agree on a new Development Schedule; you must pay a new Development Fee; and you and your owners must sign a general release. The Development Agreement does not require that you sign our then-current form of Development Agreement. We will document the extension of the Development Term by amending the Development Schedule accordingly. The form of franchise agreement (including the fees to be paid) to be signed during the extended term will be the standard form in general use at the time we accept a site for a Franchised Restaurant, the terms of which likely will differ materially from your original Franchise Agreement, including, without limitation, those relating to royalty fees and advertising obligations.
d. Termination by you	Not Applicable	Except as permitted under applicable law
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 12.1	We may terminate upon default, which includes, but is not limited to, remaining in default beyond any applicable cure period under any agreement with us or our affiliates, including any Franchise Agreement.
g. "Cause" defined - curable defaults	Section 12.2	You have 30 days (10 days for any monetary default) to cure defaults other than those discussed in Sections 12.1, 12.2.2 and 12.2.3 of the Development Agreement.

Provision	Section In Development Agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 12.1.1 – 12.1.11 and 12.2.3	Non-curable defaults include: failure to comply with the Development Schedule (including failure to meet Site Acceptance Dates or Opening Dates); commencement of construction before you sign the Franchise Agreement for that location; insolvency; bankruptcy; execution levied against your business or property; material breach of Section 11 (Covenants); transfer without approval; material misrepresentation; falsification of reports; conviction or no contest plea to a crime likely to harm the System or our goodwill; default beyond cure period under any agreement with us or our affiliates, real estate lease, equipment lease or financing instrument relating to a Franchised Restaurant or any agreement with any vendor or supplier to a Franchised Restaurant; receipt of 2 or more notices of default within any 12 month period.
i. Your obligations on termination/non-renewal	Section 12.4	Obligations include, but are not limited to: loss of right to develop; termination of exclusive rights in Development Area; return of materials to us; continued observance of covenants; payment of amounts due to us and our affiliates; and forfeiture of Development Fee. Termination or expiration of the Development Agreement does not allow us to terminate unit franchise agreements between us and you or your affiliates.
j. Assignment of contract by us	Section 8	There are no restrictions on our right to assign.
k. “Transfer” by you-defined	Section 9	Includes sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance of any ownership interest in you (if you are a business entity), the Development Agreement or any other assets pertaining to your operations under the Development Agreement.
l. Our approval of transfer by you	Section 9	If you propose to undertake a Transfer, you must obtain our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld.
m. Conditions for our approval of transfer	Sections 9.3, 9.4	If you propose to transfer all or substantially all of your interest in the Development Agreement, conditions include: compliance with the Development Agreement and any other agreement with us, our affiliates, any lenders that have provided financing pursuant to an arrangement with us and your major suppliers; payment of applicable transfer fee (see Item 6); simultaneous transfer of same interest with respect to all agreements with us in Development Area; qualified transferee; sign assignment agreement and any other agreements that we require to reflect the transfer; sign, at our option, any amendments to the Development Agreement and/or our then- current standard form of development agreement for a term ending on the expiration date of the Development Agreement; sign general release; sign guarantee; and reasonable sales price. If you propose to transfer a partial interest in your company or business, conditions include: provide notice; submit copies of

Provision	Section In Development Agreement	Summary
		all proposed contracts and other information that we request; pay applicable transfer fee (see Item 6); compliance with Development Agreement and any other agreement with us, our affiliate, any lenders that have provided financing pursuant to an arrangement with us and your major suppliers; sign general release; and if applicable, sign guarantee; and comply with governing documents requirements.
n. Our right of first refusal to acquire your business	Section 9.9	We have the right, exercisable within 30 days after we receive your notice of transfer, to send written notice to you that we intend to purchase the interest proposed to be transferred. Our right of first refusal will not apply to transfers for convenience of ownership or transfers to your spouse or adult son or daughter as a result of death or permanent incapacity, provided that the transferee meets all criteria required for new franchisees.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Section 9.6	If the transfer is a transfer of ownership interests in you after the death or permanent incapacity of an owner or minority owner, that person's executor, administrator or personal representative must apply to us within 3 months for consent to transfer the person's interest. All conditions of transfer apply (see m. above). If the interest is not disposed of within 6 months after the event, we may terminate the Development Agreement.
q. Non- competition covenants during the development term	Section 11.2	No interest in any restaurant business: **(1)** whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month; or **(2)** whose method of operation or trade dress is similar to that used in the System (either, a "Competitive Business"). In addition, you may not divert any business or customer to any Competitive Business or employ any person who is then employed by us or another Pie Five franchisee (as a shift leader or higher) or induce such person to leave his/her employment.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.3	For 2 years following the expiration, termination or transfer of the Development Agreement, no interest in any Competitive Business that is located within 5 miles of the border of the Development Area or within 5 miles of any other Pie Five Restaurant. In addition, you may not, for 2 years after expiration, termination or transfer of the Development Agreement, sell, assign, lease or transfer any Authorized Site to any person or entity that intends to operate a Competitive Business at that Authorized Site.
s. Modification of the agreement	Section 17	No modification generally without signed agreement, but we may modify the System.

Provision	Section In Development Agreement	Summary
t. Integration/merger clause	Section 17	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	Section 19.2	Subject to state law, you can only file suit in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas), and we may file suit in Collin County, Texas, the jurisdiction where our principal offices are located or in the jurisdiction where you reside or do business or where the Development Area or any Franchised Restaurant is or was located or where the claim arose.
w. Choice of law	Section 19.1	Subject to state law, Texas law applies, except Section 11 (Covenants) will be governed by the laws of the state in which the Development Area is located. If the Development Area is located in more than one state, Section 11 will be governed by the laws of the applicable state that would uphold those provisions of the Agreement.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that you are considering buying; or (2) a franchisor supplements the information provided in 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 Restaurants. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brandon Solano, CEO, Pie Five Pizza Company, Inc., 3551 Plano Parkway, The Colony, Texas 75056, (469) 384-5000, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
Fiscal Years 2017 to 2019(1)

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net change
Franchised	2017	57	71(2)	+14
	2018	71	72	+1
	2019	72	57	-15
Company-Owned	2017	31	13	-18
	2018	13	1	-12
	2019	1	1	0
Total Outlets	2017	88	84	-4
	2018	84	73	-11
	2019	73	58	-15

NOTES

(1) In each case, the numbers shown in all tables in this Item 20 for 2017-2019 are as of our fiscal year end (the last Sunday of June for each year).

(2) This includes 3 Captive Market Restaurants that opened during our 2017 fiscal year.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than Pie Five)
For Years 2017 to 2019

State	Year	Number of Transfers
Delaware	2017	0
	2018	0
	2019	1
North Carolina	2017	1
	2018	0
	2019	0
Texas	2017	0
	2018	2
	2019	3
Iowa	2017	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than Pie Five)
For Years 2017 to 2019

State	Year	Number of Transfers
	2018	1
	2019	0
Total Outlets	**2017**	1
	2018	3
	2019	4

Table No. 3
Status of Franchised Outlets
For Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired from Corporate	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	0	1
Arkansas	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
California	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Colorado	2017	3	1	0	0	0	4	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Delaware	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
District of Columbia	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
Florida	2017	4	1	0	0	0	3	2
	2018	2	2	0	0	0	1	3
	2019	3	0	0	0	0	2	1
Georgia	2017	0	0	0	0	2	0	2
	2018	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired from Corporate	Ceased Operations – Other Reasons	Outlets at End of the Year
	2019	2	2	2	0	0	0	2
Illinois	2017	1	2	0	0	0	2	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Indiana	2017	2	2	0	0	0	0	4
	2018	4	0	0	0	0	4	0
	2019	0	0	0	0	0	0	0
Iowa	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Kansas	2017	13	0	0	0	0	3	10
	2018	10	0	0	0	0	1	9
	2019	9	1	0	0	0	2	8
Kentucky	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Maryland	2017	5	3	0	0	0	0	8
	2018	8	0	0	0	0	1	7
	2019	7	0	0	0	0	0	7
Michigan	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Mississippi	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	0	1
Missouri	2017	3	4	0	0	0	2	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	1	4
Nebraska	2017	2	0	0	0	0	1	1
	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
New Jersey	2017	0	0	0	0	0	0	0
	2018	0	2	0	0	0	0	2
	2019	2	0	0	0	0	2	0
North Carolina	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	1	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Acquired from Corporate	Ceased Operations – Other Reasons	Outlets at End of the Year
Oklahoma	2017	2	2	0	0	0	0	4
	2018	4	1	0	0	0	0	5
	2019	5	1	0	0	0	1	5
Pennsylvania	2017	0	2	0	0	0	0	2
	2018	2	0	0	0	0	2	0
	2019	0	0	0	0	0	0	0
Rhode Island	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	1	0
Tennessee	2017	9	0	0	0	0	2	8
	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
Texas	2017	2	3	0	0	4	0	9
	2018	9	1	0	0	12	3	19
	2019	19	3	0	0	1	10	13
Virginia	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	1	0
Total	**2017**	**57**	**25**	**0**	**0**	**6**	**17**	**71**
	2018	**71**	**7**	**0**	**0**	**12**	**18**	**72**
	2019	**72**	**8**	**0**	**0**	**0**	**23**	**57**

NOTES

(1) Adjustments in Georgia and Texas were made to previous years in the 'Acquired from Corporate' column to properly reflect 'Outlets Sold to Franchisees' in Table No 4.

Table No. 4
Status of Company-Owned Outlets
For Years 2017 to 2019 (1)(2)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Arizona	2017	1	0	0	1	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Georgia	2017	2	0	0	0	2	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Illinois	2017	7	0	0	7	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Minnesota	2017	2	0	0	2	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Texas	2017	19	0	0	2	4	13
	2018	13	1	0	1	12	1
	2019	1	0	1	0	1	1
Utah	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Total	**2017**	**31**	**0**	**0**	**12**	**6**	**13**
	2018	**13**	**1**	**0**	**1**	**12**	**1**
	2019	**1**	**0**	**1**	**0**	**1**	**1**

NOTES

(1) The numbers for 2017-2019 are as of our fiscal year end (the last Sunday of June for each year).

(2) If multiple events occurred affecting a Pie Five Restaurant, this table shows the event that occurred last in time.

Table No. 5
Projected Openings as of June 30, 2019

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in Fiscal Year 2020	Projected New Company-Owned Outlets in Fiscal Year 2020
California	0	0	0
Florida	0	0	0
Kansas	1	1	0
New Jersey	0	0	0
New York	0	0	0
Oklahoma	0	1	0
Tennessee	0	1	0
Texas	2	2	0
Total	3	5	0

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit J are the audited consolidated financial statements of our parent company, Rave (formerly known as Pizza Inn Holdings, Inc.), as of June 30, 2019, June 24, 2018, and June 25, 2017. Also attached are unaudited, internally prepared financial statements for the 3-month period ended September 29, 2019.

Rave has agreed absolutely and unconditionally to guarantee to assume the duties and obligations of Pie Five under the franchise agreements should Pie Five become unable to perform its duties and obligations. A copy of Rave's Guarantee is attached as Exhibit K to this disclosure document.

ITEM 22
CONTRACTS

The following agreements related to a Franchised Restaurant are attached as exhibits to this disclosure document:

Exhibit B	Area Development Agreement
Exhibit C	Franchise Agreement (for standard Pie Five Restaurant)
Exhibit D	Franchise Agreement (for Captive Market Restaurant)
Exhibit E	Lease Addendum
Exhibit F	Confidentiality Agreement

ITEM 23
RECEIPT

The last two pages of this disclosure document are detachable receipt pages. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A

LIST OF STATE AGENCIES/ AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight (866) 275-2677 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 1515 K Street, Suite 200 Sacramento, California 95814-4052 (916) 445-7205 One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs Securities Compliance Branch P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 548-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations & Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 539-1600	Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8000	Secretary of State of the State of New York One Commerce Plaza 99 Washington Avenue, 6th floor Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Blvd. Ave., Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910	North Dakota Securities Commissioner State of North Dakota 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	
RHODE ISLAND	Department of Business Regulation Securities Division 1511 Pontiac Avenue, Bldg. 69-1 Cranston, Rhode Island 02920 (401) 462-9645	Director Department of Business Regulation John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, Rhode Island 02920
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501-3185 (605) 773-3563	Director, Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501-3185
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street. 9th Floor Richmond, Virginia 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road, S.W. Tumwater, Washington 98501
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703 (608) 266-3431	Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Street, 4th Floor Madison, Wisconsin 53703

EXHIBIT B

AREA DEVELOPMENT AGREEMENT

PIE FIVE PIZZA

AREA DEVELOPMENT AGREEMENT

____
Area Developer

____
Effective Date

AREA DEVELOPMENT AGREEMENT
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PIE FIVE PIZZA
AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made as of this _____ day of ___________________ ("Effective Date") by and between Pie Five Pizza Company, Inc. ("Pie Five", "we" or "us"), a Texas corporation with a principal business address at 3551 Plano Parkway, The Colony, Texas 75056, and ____ ("Area Developer", "you" or "your"), a ___________________________ with a principal business address at ___________________________.

RECITALS

We and our affiliates have developed a distinctive format, appearance and set of specifications and operating procedures (collectively, "System") relating to the development, establishment and operation of fast casual restaurants that feature specialty pizzas prepared in accordance with our recipes and ingredients, and other food items that we may specify from time to time ("Pie Five Restaurants").

The distinguishing characteristics of the System include, but are not limited to, our décor, layout, color schemes and designs (collectively, "Trade Dress"); our menu items, recipes and food preparation and service techniques; our standards and specifications for equipment, equipment layouts and interior and exterior accessories; and the accumulated experience reflected in our training program, operating procedures and standards and specifications. We may periodically change, improve, add to and further develop the elements of the System.

The System is identified by means of the "Pie Five Pizza" name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, "Proprietary Marks") that have been designated, or may in the future be designated, for use with the System. We have the exclusive right to use, and permit our franchisees to use, the Proprietary Marks. We may modify the Proprietary Marks, including the principal Proprietary Marks.

You desire to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop franchised Pie Five Restaurants ("Franchised Restaurants") within a certain geographic area described in attached Exhibit A ("Development Area").

You understand and acknowledge the importance of our high and uniform standards of quality, operations and service and the necessity of developing and operating the Franchised Restaurants in strict conformity with this Agreement and our confidential operating manuals ("Manual").

We are willing to grant you the opportunity to develop Franchised Restaurants in the Development Area, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of our grant to you of the right to develop Franchised Restaurants in the Development Area during the term of this Agreement, as well as the mutual covenants, agreements and obligations set forth below, the parties agree as follows:

1. DEVELOPMENT RIGHTS AND OBLIGATIONS

1.1 Grant and Development Area. We hereby grant to you, subject to the terms and conditions of this Agreement, the right to develop Franchised Restaurants within the Development Area during the Development Term (as defined below). You may only develop a Franchised Restaurant at a specific location in the Development Area accepted by us ("Authorized Site").

1.2 Development Term. The Development Term begins on the Effective Date and terminates on the first to occur of: (a) the date that the last Franchised Restaurant is required to be opened pursuant to the development schedule in attached Exhibit A ("Development Schedule"); or (b) the date that the last Franchised

Restaurant required by the Development Schedule opens for business, unless this Agreement is terminated at an earlier date as provided in Section 12.

1.3 Extension of Term. Provided you have been in compliance with the Development Schedule and your other obligations under this Agreement throughout the Development Term (regardless of whether we exercised our right to issue a notice of default or termination), you may, at your option and subject to your compliance with the provisions of this Section, extend the Development Term for a successive term as follows:

1.3.1 If you wish to exercise your option to extend the Development Term, you must provide us with written notice by the earlier of **(a)** 30 days following the opening of the Franchised Restaurant which causes you to achieve 80% of the openings required under the Development Schedule or **(b)** 30 days following the opening of your second- to-last Franchised Restaurant required by the Development Schedule.

1.3.2 Within 15 days after our receipt of your notice, we will advise whether, and on what basis, if any, we believe that you have failed to qualify for an extension.

1.3.3 By not later than the last day of the Development Term: **(a)** you and we must agree on a new development schedule for the extended term; **(b)** you and your owners must have executed a general release, in a form designated by us, of any and all claims against us and our affiliates, and our and their respective members, managers, officers, directors, employees and agents; and **(c)** you must have paid a new Development Fee for the extended term, based on the development fee calculation then commonly used with Pie Five developers.

1.3.4 The form of Franchise Agreement (including the fees to be paid) to be signed during the extended term will be the standard form in general use at the time that we accept a site for a Franchised Restaurant.

1.3.5 The length of the extension term will depend on the number of Franchised Restaurants that you and we agree will be opened during the extension term. If you are not entitled to an extension of the Development Term or if you and we do not timely complete the requirements described in Section 1.3.3, the Development Term will expire as provided in Section 1.2.

1.4 Development Rights Only. This Agreement is not a license or franchise agreement. It does not give you the right to operate Pie Five Restaurants or use the System or the Proprietary Marks, nor does it give you any right to license others to operate Pie Five Restaurants. This Agreement only gives you the opportunity to enter into Franchise Agreements for the operation of Franchised Restaurants at Authorized Sites. Each Franchised Restaurant developed pursuant to this Agreement must be established and operated only in strict accordance with a separate Franchise Agreement.

1.5 Forms of Agreement. Over time, we may enter into agreements with other area developers and franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other area developers and franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

2. LIMITED TERRITORIAL PROTECTION

2.1 The System (including the products sold under the Proprietary Marks) has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which are not practically available to you. Accordingly, we reserve to ourselves and our affiliates the rights to: **(a)** operate and license others to operate restaurants identified in whole or in part by the Proprietary Marks in the Development Area that are located in transportation facilities (including airports, train stations, subways and rail and bus stations); military bases and government offices; sports facilities (including stadiums and arenas);

car and truck rest stops and travel centers; educational facilities; recreational theme parks; Indian reservations; casinos; or any similar captive market location; **(b)** merchandise and distribute goods and services identified by some or all of the Proprietary Marks in the Development Area through any method or channel of distribution, including the Internet, wholesale, mail order and catalog, other than through the operation of a restaurant; **(c)** sell and distribute products identified by some or all of the Proprietary Marks in the Development Area to foodservice businesses other than restaurants identified in whole or in part by the name and mark "Pie Five Restaurants," provided those foodservice businesses are not licensed to use the Proprietary Marks in connection with their retail sales; **(d)** offer catering services in the Development Area whether or not in conjunction with the Proprietary Marks; **(e)** develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and **(f)** purchase, be purchased by, merge or combine with, businesses that directly compete with Pie Five Restaurants.

2.2 Except as reserved in the preceding paragraph, we will not, during the Development Term, operate or franchise others to operate restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Development Area, provided you are in compliance with the terms of this Agreement and any other agreements with us or our affiliates and you are current on all obligations due to us and our affiliates. This Section 2 does not prohibit us or our affiliates from: **(a)** operating, or licensing others to operate, during the Development Term, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location outside of the Development Area; **(b)** operating, or licensing others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location, including locations inside the Development Area; and **(c)** operating or licensing others to operate at any location, during or after the Development Term, any type of foodservice business other than a restaurant identified in whole or in part by the name and mark "Pie Five Restaurant."

2.3 If we acquire another system that has restaurants in the Development Area, we reserve the right to operate them, either directly or through franchisees, provided the restaurants are not identified by the Proprietary Marks.

2.4 The restrictions contained in this Section 2 do not apply to restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in operation, under lease or construction or other commitment to open in the Development Area as of the Effective Date.

3. DEVELOPMENT SCHEDULE

3.1 Your Development Obligations. During the Development Term, you must develop, open and continuously operate in the Development Area the number of Franchised Restaurants specified in the Development Schedule. For each Franchised Restaurant to be developed during the Development Term, you must obtain our written acceptance of the site by the applicable site acceptance date listed in the Development Schedule ("Site Acceptance Date") and develop and open the Franchised Restaurant by the applicable opening date listed in the Development Schedule ("Opening Date"). Your strict compliance with the Development Schedule is essential to this Agreement. Any failure by you in fulfilling your obligations to obtain site acceptance for a Franchised Restaurant by the applicable Site Acceptance Date or develop and open a Franchised Restaurant by the applicable Opening Date will constitute a material, non-curable breach of this Agreement, which will permit us to terminate this Agreement immediately by giving you written notice of termination. **TIME IS OF THE ESSENCE.**

3.2 Effect of Sale of Franchised Restaurant. If, during the Development Term, you sell (and we consent to the sale of) a Franchised Restaurant developed pursuant to this Agreement and you are not in default of the Franchise Agreement for that Franchised Restaurant, we will continue to count that Pie Five Restaurant as a Franchised Restaurant under the Development Schedule, provided that the restaurant continues to be operated pursuant to a franchise agreement with us or our affiliates.

3.3 Affiliated Entity. At your request, we will permit the Franchise Agreement for any Franchised Restaurant in the Development Area to be executed by a business entity formed by you to develop and operate the Franchised Restaurant ("Affiliated Entity"), provided all of the following conditions are met: **(a)** you or your Owners and Minority Owners (as defined in Section 7.1.2) own at least 51% of the ownership interests in the Affiliated Entity; **(b)** the Affiliated Entity conducts no business other than the operation of the Franchised Restaurant; **(c)** you and your Owners agree to assume full and unconditional liability for, and agree to perform all obligations, covenants and agreements contained in, the Franchised Agreement and your Minority Owners agree to be bound by the confidentiality and noncompetition restrictions contained in the Franchise Agreement; and **(d)** the Affiliated Entity and all those with ownership interests in the Affiliated Entity meet our financial, operational and other standards, as determined by us in our sole discretion, and you provide us all reasonably requested information to permit us to make such a determination.

4. DEVELOPMENT FEE

4.1 Development Fee. You must pay to us, at the time that this Agreement is executed, a development fee equal to $15,000 for each Franchised Restaurant that you have agreed to develop in the Development Area during the Development Term ("Development Fee"). We will apply the Development Fee as a credit against the initial franchise fee due under each Franchise Agreement (subsequent to the first Franchise Agreement) which you execute pursuant to this Agreement, subject to a maximum credit under each Franchise Agreement of $15,000. The total amount of the Development Fee paid by you is set forth in Exhibit A. You acknowledge and agree that the Development Fee is fully earned by us when paid, it is not refundable, and, except as provided in this Section, is not credited against any other fees to be paid to us.

4.2 Initial Franchise Fee. The initial franchise fee ("Initial Franchise Fee") is $30,000 for each Franchised Restaurant required to be developed under this Agreement, less any applicable credit from the Development Fee. The Initial Franchise Fee for the first Franchised Restaurant to be developed pursuant to this Agreement must be paid at the time this Agreement is executed. The Initial Franchise Fee for the subsequent Franchised Restaurants to be developed pursuant to this Agreement must be paid as provided in Section 5.5.

5. DEVELOPMENT PROCEDURES

5.1 Your Responsibility. You assume all cost, liability and expense for locating, obtaining and developing sites for Franchised Restaurants and constructing and equipping Franchised Restaurants at Authorized Sites as required by our standards. You may not make any binding commitments to purchase or lease a site until we have accepted the site in writing. If requested by us, you will develop and submit to us a business plan for the length of the Development Term. The business plan must outline the actions you will take to ensure the development and management of Franchised Restaurants in accordance with our standards. If prepared, during the Development Term, you agree to revise the business plan as requested by us and further agree to implement that business plan as approved byus.

5.2 Site Selection Assistance. We will provide you with the following site selection assistance: **(a)** our site selection guidelines and, as you may request, a reasonable amount of consultation with respect thereto; and **(b)** such on-site evaluation as we may deem advisable as part of our evaluation of your request for site acceptance, provided that you must pay all travel, living and other expenses incurred by our representatives if we provide this assistance at your request.

5.3 Site Information and Evaluation. For each proposed site, you must submit to us a site review report consisting of financial pro formas, a description of the site, photographs, demographic information, site characteristics (including access and egress points and the amount of road traffic), other restaurant options in the area, and any other information that we may require, including, but not limited to, a letter of intent or other evidence satisfactory to us, which confirms your favorable prospects for obtaining the site and pay a Site Submittal Fee of $2,000. In addition, we may require a site analysis prepared by a third party vendor at your expense. We reserve the right to designate the third party vendor used to prepare the site analysis. If the site review report is acceptable, we reserve the right to conduct an on-site evaluation of the proposed site before deciding whether to accept the site.

5.4 Site Acceptance.

5.4.1 Within 60 days after our receipt of a complete site review report (as determined by us), we will review that information, evaluate the proposed site and advise you in writing whether we have accepted the site. If we do not respond within that time period, we will be deemed to have rejected the site. If we do not accept the site, the Site Submittal Fee will be applied as a credit for the next site you submit for approval. Our acceptance or rejection of a site may be subject to reasonable conditions as determined in our sole discretion.

5.4.2 You acknowledge that, in order to preserve and enhance the reputation and goodwill of all Pie Five Restaurants and the goodwill of the Proprietary Marks and the Trade Dress, all Pie Five Restaurants must be properly developed, operated and maintained. Accordingly, you agree that we may refuse to accept a site for a proposed Franchised Restaurant unless you demonstrate sufficient financial capabilities, in our sole judgment, applying standards consistent with criteria that we use to establish restaurants in other comparable market areas, to properly develop, operate and maintain the proposed Franchised Restaurant. To that end, you must provide us with such financial statements and other information regarding you and the development and operation of the proposed Franchised Restaurant, including, without limitation, investment and financing plans for the proposed Franchised Restaurant, as we may reasonably require.

5.4.3 Our acceptance of a site does not constitute a representation or warranty of any kind, express or implied, of the site's suitability for a Pie Five Restaurant or any other purpose. Our acceptance indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we accept fails to meet your expectations. Your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for a Franchised Restaurant.

5.5 Execution of Franchise Agreements. We will prepare and forward to you a Franchise Agreement for each Franchised Restaurant developed under this Agreement. The form of Franchise Agreement will be the then-current standard form in general use at that time. You must sign the Franchise Agreement and return it to us along with the Initial Franchise Fee by the first to occur of our acceptance of a site for the Franchised Restaurant or 90 days prior to the required Opening Date. Notwithstanding the foregoing, you will sign the Franchise Agreement and pay the Initial Franchise Fee for the first Franchised Restaurant developed pursuant to this Agreement at the same time you sign this Agreement. We will countersign the Franchise Agreement when we authorize the opening of the Franchised Restaurant. Nevertheless, the Franchise Agreement for each Franchised Restaurant as signed by you will govern the development, construction and opening of the Franchised Restaurant. While developing the Franchised Restaurant, you must have in place the insurance required by the Franchise Agreement.

6. LEASE PROVISIONS

You must obtain our consent to the proposed sublease, lease or purchase contract (collectively, "lease") for each Authorized Site. You agree that any lease must, in form and substance, be satisfactory to us and contain provisions required by us as we may set forth in writing or otherwise. We reserve the right to require that you and the landlord at the Authorized Site enter into an addendum to modify the terms of the lease to comply with those provisions. The lease may not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Our consent to the lease does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms, and we do not assume any liability or responsibility to you or to any third parties due to such approval. You must deliver a copy to us of the fully signed lease within 5 days after its execution. You also agree that any lease for the Authorized Site must: (a) be for an aggregate term of (at least) 10 years in a combination of initial term and renewals; and (b) contain terms and conditions that are commercially reasonable in our sole opinion.

7. YOUR ORGANIZATION

7.1 Governing Documents.

7.1.1 If you are (or Transfer your interests in this Agreement to) a business entity, during the Development Term, your governing documents must provide that your activities are limited exclusively to the development of Pie Five Restaurants and other restaurants operated by you that are franchised by us or our affiliates and that no Transfer (as defined in Section 9) of an ownership interest may be made except in accordance with Section 9. Any stock or other ownership certificates that you issue must bear a conspicuous printed legend to that effect.

7.1.2 You must furnish us with a list of holders of direct or indirect equity interests of 10% or more ("Owners") and holders of direct or indirect equity interests of less than 10% ("Minority Owners") and their percentage interests, as well as copies of your governing documents (and any amendments thereto) and any other corporate documents, books or records that we may request. Your Owners and Minority Owners and their respective equity interests as of the Effective Date are identified in Exhibit A. You must promptly update this information as changes occur.

7.1.3 You must appoint an individual to serve as your Operating Principal. The Operating Principal must be accepted by us, must live within a reasonable driving distance of the Development Area, must devote full-time and best efforts to supervising the development and operation of the Franchised Restaurants and must be an Owner. The Operating Principal as of the Effective Date is identified in Exhibit A. The Operating Principal must complete our manager in training program, have authority over all business decisions related to this Agreement and have the authority to bind you in your dealings with us. We will provide all services to, and communicate primarily with, the Operating Principal. You must obtain our prior written consent before you change the Operating Principal. If the Operating Principal no longer qualifies as such, you must designate another qualified person to act as the Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. We will advise you whether we have consented to the new Operating Principal within a reasonable time after receipt of your notice. If we do not consent, you will have 15 days from your receipt of our decision to designate another person to act as Operating Principal who satisfies the preceding qualifications.

7.2 Guarantees. All Owners must jointly and severally guarantee your payment and performance under this Agreement and must bind themselves to the terms of this Agreement pursuant to the Guarantee and Assumption of Area Developer's Obligations ("Guarantee") attached as Exhibit B. All Minority Owners must bind themselves to the confidentiality and noncompetition restrictions of this Agreement pursuant to the Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all Owners and Minority Owners execute the Guarantee and/or to limit the scope of the Guarantee. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

You acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) execute the Guarantee. Accordingly, if any Owner or Minority Owner is not an individual, we will have the right to have the Guarantee executed by individuals who have only an indirect ownership interest in you. (By way of example, if an Owner or Minority Owner is a corporation, we have the right to require that the Guarantee be executed by individuals who have an ownership interest in that corporation.)

If you, any guarantor or any parent, subsidiary or affiliate of yours holds any interest in other businesses that are franchised by us or our affiliates, at our request, the party who owns that interest will execute, concurrently with this Agreement, a form of cross-guarantee to us and our affiliates for the payment of all obligations for such businesses, unless waived in writing by us in our sole discretion. For purposes of this Agreement, an affiliate of yours is any company controlled, directly or indirectly, by you or your parent or subsidiary.

8. TRANSFERS BY US

We have the unrestricted right to transfer or assign ownership interests in us and all or any part of our interest in this Agreement to any person or legal entity without your consent. You agree that we will have no liability after the effective date of transfer or assignment for the performance of, or any failure to perform, any obligations transferred. We also have the right to delegate to others the performance of any of our duties under this Agreement.

9. TRANSFERS BY YOU

9.1 Definition of Transfer. For purposes of this Agreement, "Transfer" means any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any ownership interests in you (if you are a business entity), this Agreement or any other assets pertaining to your operations under this Agreement.

9.2 No Transfer Without Our Consent. You acknowledge that this Agreement is personal to you and we have selected you as an area developer based on our reliance on your (and your Owners' and Minority Owners') character, skill, aptitude and business and financial capacity. Neither you nor any of your Owners or Minority Owners may undertake any Transfer or permit any Transfer to occur without obtaining our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld. We have the right to communicate with and counsel you and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we consent to a Transfer.

9.3 Transfer Generally. Except as otherwise provided in this Section 9, if you propose to undertake a Transfer, the following conditions apply (unless waived by us);

9.3.1 You must:

Be in compliance with all obligations to us under this Agreement and any other agreement you have with us, our affiliates, any lenders that have provided financing pursuant to an arrangement with us and your major suppliers as of the date of the request for our consent to the Transfer.

Pay to us a transfer fee equal to the lesser of 10% of the Development Fee or $10,000 to reimburse us for our reasonable costs and expenses incurred in reviewing and documenting the Transfer, including legal and accounting fees.

Make the Transfer only in conjunction with a simultaneous Transfer of the same interest with respect to all agreements with us in the Development Area.

Advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, submit a copy of all contracts and all other agreements or proposals and submit all other information requested by us relating to the proposed Transfer.

9.3.2 The proposed transferee (and if the proposed transferee is a business entity, all persons that have any direct or indirect interest in the transferee as we may require) must demonstrate to our satisfaction extensive experience in high quality restaurant operations of a character and complexity similar to Pie Five Restaurants; must meet the managerial, operational, experience, quality, character and business standards for a developer promulgated by us from time to time; must possess a good character, business reputation and credit rating; must have an organization whose management culture is compatible with our management culture; and must have adequate financial resources and working capital to meet the development obligations under this Agreement. If the proposed transferee is an existing Pie Five area developer or franchisee, he must not be in default under his agreements with us and must have substantially complied with our operating standards.

9.3.3 You and the proposed transferee must sign, at our option, an assignment agreement and any other agreements that we require to reflect the Transfer. In addition, the proposed transferee also must sign, at our option, any amendments to this Agreement that we require and/or our then-current standard form of development agreement for a term ending on the expiration of the Development Term.

9.3.4 You, your Owners and the transferee must execute a general release, in a form prescribed by us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and your Owners will remain liable to us for all obligations arising before the effective date of the Transfer and, at our request, you and your Owners must sign a written guarantee pursuant to which you and your Owners will remain personally liable for all obligations to us incurred before the effective date of the Transfer and for a period of 2 years following the effective date of the Transfer.

9.3.5 The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the prospects of timely completing the Development Schedule or the future viability of the transferred Franchised Restaurants.

9.3.6 If the transferee is a business entity, those persons with an ownership interest in the transferee must execute our then-current form of Guarantee.

9.4 Transfer of Partial Ownership Interest. If you propose to admit a new Minority Owner, remove an existing Owner or Minority Owner or change the distribution of ownership interests among the Owners and Minority Owners shown on Exhibit A, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. You must also pay to us a transfer fee as provided in Section 9.3.1(b). We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions, including the conditions in Sections 7.1,9.3.1(a), 9.3.4 and 9.3.6. Any new Owner or Minority must submit a personal application and execute our then-current form of Guarantee.

9.5 Transfer for Convenience of Ownership. If you are an individual or a partnership, we will consent to the Transfer of this Agreement to a business entity that you form for the convenience of ownership, provided that: **(a)** the entity has and will have no business other than the development and operation of Pie Five Restaurants; **(b)** you comply with the requirements in Sections 7.1, 9.3.1(a), 9.3.3, 9.3.4 and 9.3.6; **(c)** the Owners and Minority Owners hold equity interests in the new entity in the same proportion shown on Exhibit A; and **(d)** the top-level management of your organization does not change. You will not be required to pay a transfer fee for a Transfer under this Section 9.5.

9.6 Transfer upon Death or Permanent Incapacity. If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of an Owner or Minority Owner, that person's executor, administrator or personal representative must apply to us in writing within 3 months after the death or declaration of permanent incapacity for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 9.3 and 9.4, as applicable. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 9.3 or 9.4, the executor may Transfer the decedent's interest to another successor that we have accepted, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 9.6 within 6 months after the date of death or appointment of a personal representative, we may terminate this Agreement under Section 12.1.

9.7 Securities Offerings. If you are a business entity, ownership interests in the business entity may be sold, by private or public offering, only with our prior consent (whether or not our written consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section 9.3 or 9.4, as applicable, prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel (addressed to us and in a form acceptable to us) that the offering documents properly use the Proprietary Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 14 will also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public or private offering of your securities.

9.8 Non-Conforming Transfers. Any purported Transfer that is not in compliance with this Section 9 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

9.9 Right of First Refusal. We have the right, exercisable within 30 days after receipt of the notice specified in Section 9.2, to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers under Section 9.5 or Transfers to your spouse, son or daughter (including Transfers to your spouse, son or daughter as a result of death or permanent incapacity as described in Section 9.6), provided that the transferees meet all criteria required of new franchisees.

9.9.1 If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest (or, if the parties cannot agree on the cash equivalent, as provided in the next sentence, within 60 days after the appraiser's determination). If we cannot reasonably be expected to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser, and the appraiser's determination will be final. Any material change in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

9.9.2 If a Transfer is proposed to be made by gift, we will designate, at our expense, one independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraiser's determination of fair market value.

9.9.3 If we elect not to exercise our rights under this Section, the transferor may not complete the Transfer until he has complied with this Section 9. Closing of the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide to us copies of all fully-executed agreements and any other information we request relating to the Transfer.\

10. GENERAL RELEASE

You (on behalf of yourself and your parent, subsidiaries and Affiliated Entities) and all Owners (collectively, "Releasors") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “claims”), which any Releasor now owns or holds or may in the future own or hold based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the date of this Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and us or our parent, subsidiaries or affiliates, the sale of any franchise to any Releasor, the development and operation of the Franchised Restaurants and the development and operation of all other restaurants operated by any Releasor that are franchised by us or our parent, subsidiaries or affiliates. Releasors expressly agree that fair consideration has been given by us for this release and they fully understand that this is a negotiated, complete and final release of all claims.

Notwithstanding the foregoing, claims from representations in the Pie Five Franchise Disclosure Document, or its exhibits or amendments, are expressly excluded from this release.

11. COVENANTS

11.1 Confidential Information. During and after the Development Term, you may not communicate, divulge or use for any purpose other than the development and/or operation of the Franchised Restaurants, any confidential information, knowledge, trade secrets or know- how which may be communicated to you or which you may learn by virtue of this Agreement or the operation of the Franchised Restaurants. You may divulge confidential information only to your professional advisers, your employees who must have access to the information to develop or operate the Franchised Restaurants and your contractors and your landlords, provided that you obtain our prior consent. All information, knowledge and know-how relating to us, our business plans or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure, or that, at the time of our disclosure to you, had become a part of the public domain. At our request, you will require your employees and any other person or entity to whom you wish to disclose any confidential information, to sign agreements providing that they will maintain the confidentiality of the disclosed information. The agreements must be in a form satisfactory to us and must identify us as a third-party beneficiary with the independent right to enforce the agreements.

11.2 Restrictions During the Development Term. You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and confidential information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and confidential information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Pie Five Restaurants if franchisees were permitted to hold interests in competitive businesses; and **(e)** restrictions on your right to hold interests in, or perform services for, competitive businesses will not hinder your activities. Accordingly, you agree that, during the Development Term, you will not, without our prior written consent, either directly or indirectly through any other person or entity:

11.2.1 Divert or attempt to divert any business or customer, or potential business or customer, of any Pie Five Restaurant to any Competitive Business (as defined in Section 11.2.3);

11.2.2 Employ or seek to employ any person who is then employed by us or by any other Pie Five franchisee as a shift leader or higher, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent which consent will be conditioned upon, among other things, receipt of $20,000 to compensate for training costs incurred; or

11.2.3 Own, manage, engage in, advise, make loans to, be employed by, assist or have any interest in any restaurant business: **(a)** whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month; or **(b)** whose method of operation or trade dress is similar to that used in the System ("Competitive Business").

11.2.4 During the Development Term, there is no geographical limitation on these restrictions.

11.3 Restrictions After Termination, Expiration or Transfer. In light of your acknowledgments and agreements as set forth in Section 11.2, you agree as follows:

11.3.1 For a period of 2 years following the expiration or termination of this Agreement or a Transfer to a new area developer to which we have consented, you covenant and agree that you will not own, manage, engage in, advise, make loans to, be employed by, assist or have any interest in any Competitive Business that is (or is intended to be) located at or within 5 miles of the border of the Development Area or within 5 miles of any other Pie Five Restaurant.

11.3.2 For a period of 2 years following the expiration, termination or Transfer of this Agreement or a Transfer to a new area developer to which we have consented, you further covenant and agree that you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer any Authorized Site to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at that Authorized Site. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in any Authorized Site, must include restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at that Authorized Site for this 2- year period, and you must take all steps necessary to ensure that these restrictive covenants become a matter of public record.

11.4 Modification. We will have the right, in our sole discretion, to reduce the scope of any covenant in this Section 11 effective immediately upon your receipt of written notice, and you agree that you will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 17. If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the 2-year period following expiration or termination of this Agreement or a Transfer to a new area developer to which we have consented, you fail to comply with your obligations under this Section, that period of noncompliance will not be credited toward your satisfaction of the 2-year obligation. Following the resolution of any dispute regarding the enforceability of this Section that is resolved in our favor, the 2-year period (or such other period as may be deemed reasonable by the court) will run from the date of the resolution.

11.5 Applicability. The restrictions contained in this Section 11 apply to you and all Owners and Minority Owners. With respect to each Owner and Minority Owner, these restrictions apply until 2 years after the expiration, transfer, or termination of this Agreement. This Section 11 does not prohibit you from having: **(1)** interests in any Pie Five Franchise Agreement that remains in effect; or **(2)** ownership of less than 5% of the outstanding equity securities of any publicly-held corporation, as defined in the Securities and Exchange Act of 1934.

11.6 Enforcement. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 11. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 11, including reasonable attorneys' fees. You acknowledge that a violation of the terms of this Section 11 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 11. Such injunctive relief will be in addition to any other remedies that we may have.

11.7 Survival. The terms of this Section 11 will survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 11 will be construed as independent of any other provision of this Agreement.

12. DEFAULT AND TERMINATION

12.1 Grounds for Termination. In addition to the grounds for termination stated elsewhere in this Agreement, we may terminate this Agreement, and the rights granted by this Agreement, upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

12.1.1 You fail to obtain our written acceptance of a site by the applicable Site Acceptance Date or fail to develop and open a Franchised Restaurant by the applicable Opening Date.

12.1.2 At any time during the Development Term, you fail to have open and operating the number of Franchised Restaurants required by the Development Schedule.

12.1.3 You begin construction of a Franchised Restaurant before you execute the Franchise Agreement for that location.

12.1.4 You are insolvent or unable to pay your creditors (including us); file a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against you a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization that is not dismissed within 60 days of the filing; you make an assignment for the benefit of creditors; or a receiver or trustee is appointed for you and not dismissed within 60 days of the appointment.

12.1.5 Execution is levied against your business or property; suit to foreclose any lien or mortgage against the premises or equipment of any Franchised Restaurant developed hereunder is instituted against you and is not dismissed within 60 days; or the real or personal property of any Franchised Restaurant developed hereunder must be sold after levy thereupon by any sheriff, marshal or constable.

12.1.6 There is a material breach of any obligation under Section 11.

12.1.7 Any Transfer that requires our prior written consent occurs without your having obtained that prior written consent.

12.1.8 We discover that you made a material misrepresentation or omitted a material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.

12.1.9 You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

12.1.10 You, any Owner or any of your officers or directors is convicted of, or pleads no contest to, a crime that we reasonably believe is likely to harm the System or our goodwill.

12.1.11 You, the Operating Principal, any Owner, or any Affiliated Entity remain in default beyond the applicable cure period under: **(a)** any other agreement with us or our affiliates; **(b)** any real estate lease, equipment lease or financing instrument relating to a Franchised Restaurant; or **(c)** any agreement with any vendor or supplier to a Franchised Restaurant; provided that if the default is not by you, you are given written notice of the default and 30 days to cure the default.

12.2 Termination Following Expiration of Cure Period.

12.2.1 Except for those items listed in Sections 12.1, 12.2.2 and 12.2.3, you will have 30 days after written notice of default from us within which to remedy the default and provide evidence of that remedy to us. If any such default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you will have such additional time to correct the default as we believe to be reasonably required (not to exceed 90 days) provided that you begin taking the actions necessary to correct the default during the 30 day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 12.2.1 for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith.

12.2.2 Notwithstanding the provisions of Section 12.2.1, if you default in the payment of any monies owed to us or our affiliates when those monies become due and payable and you fail to pay those monies within 10 days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

12.2.3 If you have received 2 or more notices of default pursuant to this Section 12.2 within the previous 12 months, we will be entitled to send you a notice of termination upon your next default under this Section 12.2 in that 12-month period without providing you an opportunity to remedy that default.

12.3 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Agreement, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

12.4 Obligations on Termination or Expiration. Upon termination or expiration of this Agreement:

12.4.1 You will have no further right to develop or open Franchised Restaurants in the Development Area, except that you will be entitled to complete and open a Franchised Restaurant for which a Franchise Agreement has been executed by you. Notwithstanding anything to the contrary in any franchise agreement between you and us, termination or expiration of this Agreement will not affect your right to continue to operate Franchised Restaurants that were open and operating as of the date this Agreement terminated or expired.

12.4.2 The limited exclusive rights granted to you in the Development Area will terminate, and we will have the right to operate, and license others to operate restaurants identified in whole or in part by the name and mark "Pie Five Restaurant" anywhere in the Development Area.

12.4.3 You must promptly return to us all materials and information furnished by us or our affiliates, except materials and information furnished with respect to a Franchised Restaurant which is open and operating pursuant to an effective franchise agreement.

12.4.4 You and all persons and entities subject to the covenants contained in Section 11 will continue to abide by those covenants and must not, directly or indirectly, take any action that violates those covenants.

12.4.5 You must immediately pay to us and our affiliates all sums due and owing us or our affiliates pursuant to this Agreement.

12.4.6 We will retain the Development Fee.

13. RELATIONSHIP OF THE PARTIES

This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty or representation on our behalf, or to create any obligation, express or implied, on our behalf.

14. INDEMNIFICATION

You agree to defend, indemnify, and hold harmless us and our past, present and future affiliates, officers, directors, shareholders, agents, attorneys, consultants, and employees against any claims, losses, costs, expenses, liabilities and damages (collectively, "Claims") arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement, as well as the costs of defending against such Claims (including, but not limited to, reasonable attorneys' fees, costs of investigation, settlement costs and interest). You promptly will give us written notice of any litigation, proceeding, or dispute filed or instituted against you that could directly or indirectly affect us or any of the other indemnities under this Section and, upon request, you will furnish us with copies of any documents from such matters as we may request.

With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees under this Section 14, we will have the right, but not the obligation, to: **(a)** choose counsel; **(b)** direct and control the handling of the matter; and **(c)** settle any claim against the indemnitees. Our exercise of these rights does not affect your obligation to indemnify and hold us harmless in accordance with this Section. This Section will survive the expiration or termination of this Agreement, and applies to Claims even if they exceed the limits of your insurance coverage.

15. CONSENTS AND WAIVERS

15.1 Consent. Whenever our prior written approval, acceptance or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval, acceptance or consent must be in writing and signed by an authorized officer to be effective.

15.2 No Warranties. We make no warranties or guarantees upon which you may rely by providing any waiver, approval, consent or suggestion to you in connection with this Agreement and assume no liability or obligation to you therefore, or by reason of any neglect, delay, or denial of any request therefore. We will not, by virtue of any waivers, approvals, consents, advice or services provided to you, assume responsibility or liability to you or to any third parties to which we would not otherwise be subject.

15.3 Waivers. No delay or failure to exercise any right under this Agreement or to insist upon your strict compliance with any obligation or condition, and no custom or practice that differs from the terms of this Agreement, will constitute a waiver of our right to exercise the contractual right or demand your strict compliance with the terms of this Agreement. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another developer or franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. Our acceptance of any payments due from you does not waive any prior defaults.

16. NOTICES

Notices related to this Agreement will be effective upon receipt (or first rejection) and may be given by any of the following delivery methods: (a) certified or registered mail; (b) U.S. Priority Mail or national commercial delivery service (*e.g.,* UPS, Federal Express); (c) facsimile (if the sender receives machine confirmation of successful transmission); or (d) email (if receipt is verified within 24 hours of transmission). Notices sent by (a) or (b) must be sent to the addresses on the first page of this Agreement. Facsimile and email notices must be sent to the number/email address provided by the party. Notices to you and us must be sent to the addresses on the first page of this Agreement. Either party can change its notice address by informing the other party.

17. ENTIRE AGREEMENT

Each element of this Agreement is essential and material. This Agreement, the Manual, the attachments to this Agreement and the documents referred to in this Agreement constitute the entire agreement between you and us with respect to your development rights in the Development Area and supersede all prior negotiations, representations, correspondence and agreements concerning the same subject matter. Except for the Franchise Disclosure Document and any Franchise Agreement executed pursuant to this Agreement, there are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in the Pie Five Franchise Disclosure Document.

18. SEVERABILITY AND CONSTRUCTION

18.1 Severability. Each provision of this Agreement is severable from the others. If, for any reason, any provision is determined by a court to be invalid, the invalidity will not impair the operation of the remaining provisions of this Agreement. The latter will continue to be given full force and effect and bind us and you; the invalid provision(s) will be deemed not to be a part of this Agreement.

18.2 Survival. Each provision of this Agreement that, expressly, or by reasonable implication, is to be performed, in whole or in part, after the expiration, termination or Transfer of this Agreement will survive expiration, termination or Transfer.

18.3 Interpretation. Except as otherwise expressly provided, nothing in this Agreement is intended, or will be deemed, to confer any rights or remedies upon any person or legal entity other than you and us.

18.4 Our Discretion. Whenever we have a right and/or the discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in the best interests of the System. Our judgment of what is in the best interests of the System, at the time our decision is made or our right or discretion is exercised, can be made without regard to whether: **(a)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; **(b)** our decision or the action taken promotes our financial or other individual interest; **(c)** our decision or the action taken applies differently to you and one or more other developers or franchisees or our company- owned or affiliate-owned operations; or **(d)** our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

19. DISPUTE RESOLUTION

19.1 Choice of Law. This Agreement and the relationship between the parties is governed by and will be construed in accordance with the laws of the State of Texas, except that Section 11 will be governed by the laws of the state in which the Development Area is located. If the Development Area is located in more than one state, Section 11 will be governed by the laws of the applicable state that would uphold those provisions of the Agreement. Nothing in this Section is intended, or will be deemed, to make any Texas law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

19.2 Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas) at the time suit is filed. We may file suit in the federal or state court located in Collin County, Texas, the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business or where the Development Area or any Franchised Restaurant is or was located or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

19.3 Limitation of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

19.4 Mutual Waiver of Jury Trial. Each of us irrevocably waives trial by jury in any litigation.

19.5 Mutual Waiver of Punitive Damages. Each of us waives any right to or claim of punitive, exemplary, multiple or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained.

19.6 Remedies Not Exclusive. Except as provided in Sections 19.1 through 19.5, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law.

19.7 Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you must reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

19.8 Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

20. MISCELLANEOUS

20.1 Gender and Number. All references to gender and number will be construed to include such other gender and number as the context may require.

20.2 Captions. All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

20.3 Counterparts and Signatures. This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Agreement may be signed using electronic signatures, and such signatures will have full legal force and effect.

20.4 Time. Time is of the essence of this Agreement for each provision in which time is a factor.

20.5 Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to declaratory and injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security.

20.6 Compliance with U.S. Laws. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: **(a)** do not, and hereafter will not, engage in any terrorist activity; **(b)** are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and **(c)** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

21. ACKNOWLEDGMENTS

You acknowledge that you have conducted an independent investigation and recognize that the business venture contemplated by this Agreement involves business risks and will be largely dependent upon your own efforts and ability. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. We do not, by virtue of any approvals or advice provided to you, assume responsibility or liability to you or any third-party to which we would otherwise not be subject.

You acknowledge having received the Pie Five Franchise Disclosure Document at least 14 days prior to your signing this Agreement or payment of any monies to us, or earlier if required by applicable law.

Even though this Agreement contains provisions requiring you to develop the Franchised Restaurants in compliance with the System: (a) we and our affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of your business or employment decisions; **(b)** neither you nor we intend for us or our affiliates to incur any liability in connection with or arising from any aspect of the System or your use of the System, whether or not in accordance with the requirements of the Manual; and **(c)** you are the sole employer of your employees and you and we are not joint employers.

You will be solely responsible for: **(a)** hiring, training and supervising efficient, competent and courteous employees of good character for the operation of the Franchised Restaurants; **(b)** the terms of their employment and compensation; and **(c)** the proper training of the employees in the operation of the Franchised Restaurants.

(the remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

AREA DEVELOPER

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

EXHIBIT A

DEVELOPMENT INFORMATION

1. **Development Area**. The Development Area will be______________________________. Developer's rights in the Development Area are subject to the limitations described in Section 2. Any political boundaries contained in the description of the Development Area will be considered fixed as of the Effective Date and will not change notwithstanding a political reorganization or a change in those boundaries. Unless otherwise specified, all street boundaries are deemed to include only the inside portion of the stated boundary.

2. **Development Fee**. The Development Fee is $_________.

3. **Development Schedule**. During the Development Term, you must develop and continue to operate ___________________ Franchised Restaurants in the Development Area in accordance with the following schedule:

Number of Franchised Restaurants	Site Acceptance Date	Opening Date	Cumulative Number of Franchised Restaurants to be Open and Operating on the Opening Date, Including the Franchised Restaurant to be Established

4. **Ownership:** If you are a business entity, the following persons constitute all of the owners of a legal and/or beneficial interest in you:

Name	Address	Ownership Interest	Office Held/Position

5. **Operating Principal**: ___________________________________.

EXHIBIT B

GUARANTEE AND ASSUMPTION OF AREA DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Pie Five Pizza Area Development Agreement dated as of ______________________ ("Agreement") by Pie Five Pizza Company, Inc. ("Pie Five"), entered into with ____ ("Area Developer"), the undersigned ("Guarantors"), each of whom is an Owner or Minority Owner, hereby personally and unconditionally agree as follows:

1. **Guarantee To Be Bound By Certain Obligations**. Guarantors hereby personally and unconditionally guarantee to Pie Five and its successors and assigns, for the Development Term and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the restrictions contained in Section 11 of the Agreement.

2. **Guarantee and Assumption of Area Developer's Obligations**. Guarantors hereby: (A) guarantee to Pie Five and its successors and assigns, for the Development Term and thereafter as provided in the Agreement or at law or in equity, that Area Developer and any assignee of Area Developer's interest under the Agreement will: (1) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) punctually pay all other monies owed to Pie Five and/or its affiliates; (B) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 11 and 14; and (C) agree to be personally liable for the breach of each and every provision in the Agreement.

3. **General Terms and Conditions**. The following general terms and conditions will apply to this Guarantee:

A. Each of the undersigned waives: **(1)** acceptance and notice of acceptance by Pie Five of the foregoing undertakings; **(2)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Area Developer or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Area Developer arising as a result of the execution of and performance under this Guarantee by the undersigned; (6) any law or statute which requires that Pie Five make demand upon, assert claims against or collect from Area Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Area Developer or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guarantee decided by a jury.

B. Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this Guarantee will be joint and several; (2) he will render any payment or performance required under the Agreement if Area Developer fails or refuses punctually to do so; (3) such liability will not be contingent or conditioned upon pursuit by Pie Five of any remedies against Area Developer or any other person; (4) such liability will not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Pie Five may from time to time grant to Area Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guarantee, which will be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Area Developer to Pie Five or its affiliates under the Agreement; and (5) monies received from any source by Pie Five for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Pie Five.

In addition, if any of the undersigned ceases to be an Owner or Minority Owner or an officer or director of Area Developer, that person (and his spouse, if the spouse is also a Guarantor) agrees that the obligations under this Guarantee will continue to remain in force and effect unless Pie Five in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Section 11 of the Agreement will remain in force and effect for a period of 2 years after any such release by Pie Five. A release by Pie Five of any of the undersigned will not affect the obligations of any other Guarantor.

C. If Pie Five brings an action to enforce this Guarantee in a judicial proceeding or arbitration, the prevailing party in such proceeding will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses will be determined by the court and not by a jury.

D. If Pie Five utilizes legal counsel (including in-house counsel employed by Pie Five or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned will reimburse Pie Five for any of the above-listed costs and expenses incurred by it.

E. If any of the following events occur, a default ("Default") under this Guarantee will exist: (1) failure of timely payment or performance of the obligations under this Guarantee; (2) breach of any agreement or representation contained or referred to in this Guarantee; (3) the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned will be due immediately and payable without notice. Upon the death of one of the undersigned, the estate will be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

F. This Guarantee will inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Pie Five's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Pie Five. Any assignment will not release the undersigned from this Guarantee.

G. Section 19 of the Agreement is incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee will have the meaning given them in the Agreement.

(the remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal.

GUARANTORS SIGNING THIS GUARANTEE AS TO SECTIONS 1, 2 AND 3:

Date: ________________ ____

Print Name: ______________________________________

Address: ____

Date: ________________ ____

Print Name: ______________________________________

Address: ____

GUARANTORS SIGNING THIS GUARANTEE AS TO SECTIONS 1 AND 3:

Date: ________________ ____

Print Name: ______________________________________

Address: ____

Date: ________________ ____

Print Name: ______________________________________

Address: ____

EXHIBIT C

FRANCHISE AGREEMENT

(Standard Restaurant)

PIE FIVE PIZZA FRANCHISE AGREEMENT

____
Franchisee

____
Effective Date

____
Franchised Location

Pie Five Pizza Franchise Agreement
Summary of Key Economic Terms

As of the Effective Date, the following are the key economic terms under the Franchise Agreement:

Fee	**Amount**
Initial Franchise Fee	$30,000
Renewal Fee	25% of our then-current initial franchise fee for new Pie Five Restaurants (or if we are not selling franchises at that time, 25% of the Initial Franchise Fee paid under this Agreement)
Royalty Fee	6%
Interest	Maximum rate permitted for indebtedness of this nature in the state in which the Franchised Restaurant is located, not to exceed 18% per annum
Late Fee	$100
Grand Opening Plan	$15,000
Advertising Obligation	5%
Brand Fund	2%
Regional Advertising Fund	0%
Local Marketing	3%
Transfer Fee	$7,500

PIE FIVE PIZZA COMPANY, INC.	**FRANCHISEE**
	______________________________
By:______________________________	By: ______________________________
Print Name:______________________	Print Name: ______________________
Title:___________________________	Title: ___________________________
Date:_______________________	Date: _______________________

FRANCHISE AGREEMENT (STANDARD RESTAURANT)
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PIE FIVE PIZZA FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made as of this _____ day of ___________________, 20_____("Effective Date") by and between PIE FIVE PIZZA COMPANY, INC. ("Pie Five", "we" or "us"), a Texas corporation with a principal business address at 3551 Plano Parkway, The Colony, Texas 75056, and ____ ("Franchisee", "you" or "your"), a _________________ with a principal business address at_______________________________________.

RECITALS

We and our affiliates have developed a distinctive format, appearance and set of specifications and operating procedures (collectively, "System") relating to the development, establishment and operation of fast casual restaurants that feature specialty pizzas prepared in accordance with our recipes and ingredients, and other food items that we may specify from time to time ("Pie Five Restaurants").

The distinguishing characteristics of the System include, but are not limited to, our décor, layout, color schemes and designs (collectively, "Trade Dress"); our menu items, recipes and food preparation and service techniques; our standards and specifications for equipment, equipment layouts and interior and exterior accessories; and the accumulated experience reflected in our training program, operating procedures and standards and specifications. We may periodically change, improve, add to and further develop the elements of the System.

The System is identified by means of the "Pie Five Pizza" name and mark and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, "Proprietary Marks") that have been designated, or may in the future be designated, for use with the System. We have the exclusive right to use, and permit our franchisees to use, the Proprietary Marks. We may modify the Proprietary Marks used to identify the System, including the principal Proprietary Marks.

You desire to be granted the opportunity to develop and operate a franchised Pie Five Restaurant ("Franchised Restaurant") at the location identified on Exhibit A ("Franchised Location").

You understand and acknowledge the importance of our high and uniform standards of quality, operations and service and the necessity of developing and operating the Franchised Restaurant in strict conformity with this Agreement and our confidential operating manuals ("Manual").

We are willing to grant you the opportunity to develop and operate the Franchised Restaurant at the Franchised Location, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of our grant to you of the right to develop and operate the Franchised Restaurant at the Franchised Location during the term of this Agreement, as well as the mutual covenants, agreements and obligations set forth below, the parties agree as follows:

1. GRANT OF FRANCHISE

1.1. Grant.

1.1.1. Subject to the terms and conditions of this Agreement, we hereby grant to you the right, and you undertake the obligation, to use the Proprietary Marks and the System to continuously operate the Franchised Restaurant at the Franchised Location during the term of this Agreement ("Term").

1.1.2. You may not use the Proprietary Marks or the System at any location other than the Franchised Location. You may not relocate the Franchised Restaurant without our prior written consent, which we may withhold in our sole discretion. We have the right to require that you pay a reasonable fee, plus our reasonable expenses incurred in consideration of your relocation request.

1.1.3. You agree that you will, at all times, faithfully, honestly and diligently perform your obligations under this Agreement, that you will continuously exert your best efforts to promote and enhance the business of the Franchised Restaurant and that you will not engage in any other business or activity that may conflict with your obligations under this Agreement, except the operation of other Pie Five Restaurants or other businesses that you operate and that are franchised by us or our affiliates. You may not use the Proprietary Marks or the System or sell our proprietary food and beverage products in any wholesale, e-commerce or other channel of distribution besides the retail operation of the Franchised Restaurant at the Franchised Location.

1.1.4. Over time, we may enter into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

1.2. Protected Area and Limited Exclusivity.

1.2.1. Except as reserved in Section 1.2.2, during the Term (as defined in Section 2.1), neither we nor our affiliates will operate, or license others to operate, Pie Five Restaurants within the geographic area described in Exhibit A ("Protected Area"). The restrictions contained in this Section 1.2.1 do not apply to Pie Five Restaurants in operation or under lease, construction or other commitment to open in the Protected Area as of the Effective Date. We reserve to ourselves all rights to use and license the System and the Proprietary Marks other than those expressly granted under this Agreement.

1.2.2. The System (including the products sold under the Proprietary Marks) has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which are not practically available to you. Accordingly, we reserve to ourselves and our affiliates the rights to: **(a)** operate, and license others to operate, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" in the Protected Area that are located in transportation facilities (including airports, train stations, subways and rail and bus stations); military bases and government offices; professional sports facilities (including stadiums and arenas); car and truck rest stops and travel centers; educational facilities; recreational theme parks; Indian reservations; casinos; or any similar captive market location; **(b)** merchandise and distribute goods and services identified by some or all of the Proprietary Marks in the Protected Area through any method or channel of distribution other than through the operation of a restaurant, including, but not limited to, the Internet, wholesale, mail order and catalog; **(c)** sell and distribute products identified by some or all of the Proprietary Marks in the Protected Area to foodservice businesses other than restaurants identified in whole or in part by the name and mark "Pie Five Restaurants," provided that those foodservice businesses are not licensed to use the Proprietary Marks in connection with their retail sales; and **(d)** offer catering services in the Protected Area whether or not in conjunction with the Proprietary Marks. This Section 1.2 does not prohibit us or our affiliates from: **(a)** operating, or licensing others to operate, during the Term, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location outside of the Protected Area; **(b)** operating, or licensing others to operate, after this Agreement terminates or expires, restaurants identified in whole or in part by the name and mark "Pie Five Restaurants" at any location, including locations inside the Protected Area; **(c)** operating, or licensing others to operate, at any location, including locations inside the Protected Area, during or after the Term, any type of foodservice business other than a restaurants identified in whole or in part by the name and mark "Pie Five Restaurant"; **(d)** developing and owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; or **(e)** purchasing, being purchased by, merging or combining with, businesses that directly compete with Pie Five Restaurants.

2. TERM; SUCCESSOR FRANCHISE TERMS

2.1. Term. The Term begins on the Effective Date and expires at midnight on the day preceding the 10th anniversary of the date the Franchised Restaurant first opened for business, unless this Agreement is terminated at an earlier date as provided in Section 19. (We may complete and forward to you a notice to memorialize the date the Franchised Restaurant first opened for business.) If, during the Term, you lose the right to possession of the Franchised Location through no action or failure to act on your part (other than the failure to extend the lease for the Franchised Location through the Term), you may relocate the Franchised Restaurant (without paying us any additional initial franchise fee) at your expense, and the Term will not expire if: (a) we accept the new location; (b) you construct and equip a new Franchised Restaurant at the new location in accordance with our then-current System standards and specifications; (c) the Franchised Restaurant is open to the public for business at the new location within 6 months after your loss of possession of the Franchised Location; and (d) you reimburse us for all reasonable expenses actually incurred by us in connection with the acceptance of the new location. We may condition our consent to your relocation request upon, among other things, the payment by you of an agreed upon minimum Royalty to us during the period in which the Franchised Restaurant is not in operation.

2.2. Successor Franchise Terms. When this Agreement expires, you will have the option to obtain 2 successor franchise terms, each of which will be for a period of 5 years, unless: (a) we have announced a decision to stop franchising the Pie Five concept; or (b) we decide to withdraw the Pie Five concept from the geographic market in which the Franchised Restaurant is located. You must give us written notice of your desire to exercise your option not more than 9 months and not less than 6 months before the end of the expiring term. We may require you to satisfy any or all of the following as a condition of exercising your option for the first successor franchise term (the conditions for the second successor franchise term will be contained in the agreement in effect at the end of the first successor franchise term):

2.2.1. You must execute the standard form of Pie Five Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering franchises) ("Successor Franchise Agreement"). The terms of the Successor Franchise Agreement may be substantially different from the terms of this Agreement. We will modify the Successor Franchise Agreement to delete terms inapplicable to the successor term (such as opening deadlines).

2.2.2. During the Term, you have substantially complied with this Agreement and the System.

2.2.3. You must not be in default under this Agreement or any other agreements between you and us or our affiliates; you must not be in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Restaurant; and you must not be in default beyond the applicable cure period with any vendor or supplier to the Franchised Restaurant.

2.2.4. You must have the right to continue operating at the Franchised Location for the full term of the Successor Franchise Agreement.

2.2.5. You must renovate and modernize the Franchised Restaurant to reflect the then-current image of Pie Five Restaurants.

2.2.6. You and all Owners (as defined in Section 14.1) must sign a general release, in a form we prescribe, of any and all claims against us, our affiliates and our past, present and future officers, directors, shareholders and employees arising out of or relating to the Franchised Restaurant.

2.2.7. You or your Operating Principal (as defined in Section 12.11.2) and those of your employees designated by us must successfully complete any additional training courses that we then require.

2.2.8. You must pay us a renewal fee in an amount equal to 25% of our then- current initial franchise fee for new Pie Five Restaurants (or, if we are not selling franchises at that time, 25% of the Initial Franchise Fee paid under this Agreement).

3. DEVELOPMENT PROCEDURES

This Section 3 will not be applicable if the Franchised Restaurant is being developed pursuant to a

Development Agreement. In addition, Sections 3.1-- 3.3 and 3.4.1 will not be applicable if, as of the date of this Agreement, the location for the Franchised Restaurant has been accepted in writing by us.

3.1. Your Responsibility. You must select a site that is located within a general area to which you and we have mutually agreed in writing. Within 180 days after your execution of this Agreement, you must obtain site acceptance from us for the Franchised Restaurant. If we have not accepted a site within this time period, we, at our option, may terminate this Agreement pursuant to Section 19. You assume all cost, liability and expense for locating, obtaining and developing a site for the Franchised Restaurant. You may not make any binding commitments to purchase or lease a site until we have accepted the site in writing.

3.2. Site Selection Assistance. We will provide you with the following site selection assistance: **(a)** our site selection guidelines and, as you may request, a reasonable amount of consultation with respect thereto; and **(b)** such on-site evaluation as we may deem advisable as part of our evaluation of your request for site acceptance, provided that you must pay all travel, living and other expenses incurred by our representatives if we provide this assistance at your request.

3.3. Site Information and Evaluation. For each proposed site, you must submit to us a site review report consisting of financial pro formas, a description of the site, photographs, demographic information, site characteristics (including access and egress points and the amount of road traffic), other restaurant options in the area, and any other information that we may require, including, but not limited to, a letter of intent or other evidence satisfactory to us, which confirms your favorable prospects for obtaining the site and pay a Site Submittal Fee of $2,000. In addition, we may require a site analysis prepared by a third party vendor at your expense. We reserve the right to designate the third party vendor used to prepare the site analysis. If the site review report is acceptable, we reserve the right to conduct an on-site evaluation of the proposed site before deciding whether to accept the site.

3.4. Site Acceptance.

3.4.1. Within 60 days after our receipt of a complete site review report (as determined by us), we will review that information, evaluate the proposed site and advise you in writing whether we have accepted the site. If we do not respond within that time period, we will be deemed to have rejected the site. If we do not accept the site, the Site Submittal Fee will be applied as a credit for the next site you submit for approval. Our acceptance or rejection of a site may be subject to reasonable conditions as determined in our sole discretion.

3.4.2. You acknowledge that, in order to preserve and enhance the reputation and goodwill of all Pie Five Restaurants and the goodwill of the Proprietary Marks and the Trade Dress, all Pie Five Restaurants must be properly developed, operated and maintained. Accordingly, you agree that we may refuse to accept a site for a proposed Franchised Restaurant unless you demonstrate sufficient financial capabilities, in our sole judgment, applying standards consistent with criteria that we use to establish restaurants in other comparable market areas, to properly develop, operate and maintain the proposed Franchised Restaurant. To that end, you must provide us with such financial statements and other information regarding you and the development and operation of the proposed Franchised Restaurant, including, without limitation, investment and financing plans for the proposed Franchised Restaurant, as we may reasonably require.

3.4.3. Our acceptance of a site does not constitute a representation or warranty of any kind, express or implied, of the site's suitability for a Pie Five Restaurant or any other purpose. Our acceptance indicates only that we believe that the site meets our then-current site selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we accept fails to meet your expectations. Your submission of a proposed site for our acceptance is based on your own independent investigation of the site's suitability for a Franchised Restaurant.

3.4.4. Upon our acceptance of a site in accordance with this Section 3, we will identify the Franchised Location on the cover page and in Exhibit A of this Agreement.

4. LEASE PROVISIONS

You must obtain our consent to the proposed sublease, lease or purchase contract (collectively, "lease") for the Franchised Location. You agree that any lease must, in form and substance, be satisfactory to us and contain provisions required by us as we may set forth in writing or otherwise. We reserve the right to require that you and the landlord at the Franchised Location enter into an addendum to modify the terms of the lease to comply with those provisions. The lease may not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Our consent to the lease does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms, and we do not assume any liability or responsibility to you or to any third parties due to such approval. You must deliver a copy to us of the fully signed lease within 5 days after its execution. You may not begin construction of the Franchised Restaurant until you have delivered a copy of the fully signed lease to us. You also agree that any lease for the Franchised Location must: (a) be for an aggregate term of (at least) 10 years in a combination of initial term and renewals; and (b) contain terms and conditions that are commercially reasonable in our sole opinion.

5. CONSTRUCTION OF FRANCHISED RESTAURANT; OPENING DATE

5.1. Restaurant Development. You assume all cost, liability and expense for developing, constructing and equipping the Franchised Restaurant. We will furnish to you prototypical plans and specifications for a Pie Five Restaurant, including requirements for dimensions, design, image, interior layout, décor, equipment and signs. You must adapt our prototypical plans and specifications to suit the shape and dimensions of the Franchised Location and ensure that your proposed plans for the Franchised Restaurant ("Plans") comply with all applicable ordinances, building codes and permit requirements, lease requirements and restrictions and the Americans with Disabilities Act. You must use our approved architect of record. If you use an architect other than our approved architect, your architect must meet in person with our design team at the Restaurant Support Center and you must pay us a Plan Review Fee of $1,000 for review of your site plans. You must use only registered engineers and professional and licensed contractors. You must submit the Plans to us and revise the Plans as we require. Once we consent to the Plans, you may not change them unless you again obtain our consent. You may not submit the Plans to your local government agency or begin site preparation or construction before we have notified you, in writing, that we have consented to the Plans. You may not commence construction until you have obtained all required permits and licenses. During the course of construction, you must (and require your architect, engineer, contractors and subcontractors to) cooperate fully with us and our representatives for the purpose of permitting us and our representatives, if we so desire, to inspect the Franchised Location and the course of construction of the Franchised Restaurant to determine whether construction is proceeding according to the Plans.

5.2. Opening Date.

5.2.1. You must open the Franchised Restaurant for business at the Franchised Location no later than 180 days after we have consented to the proposed site ("Opening Date"). By the Opening Date, you must: **(a)** obtain and maintain all required building, utility, sign, health, sanitation, liquor, business and other applicable permits and licenses; **(b)** construct all required improvements to the Franchised Location and decorate the exterior and interior of the Franchised Restaurant as required by the Plans to which we have consented; **(c)** purchase or lease and install all specified and required fixtures, equipment, furnishings and signs for the Franchised Restaurant from suppliers designated or consented to by us (which may include us or our affiliates); and **(d)** purchase an opening inventory for the Franchised Restaurant of only authorized products and other materials and supplies.

5.2.2. You must notify us at least 60 days before the anticipated opening date and the date of issuance of the certificate of occupancy. Upon our request, you must submit a copy of the certificate of occupancy to us. We reserve the right to conduct a final inspection of the Franchised Restaurant after receiving your notice to ensure that you have complied with this Agreement. You may not open for business without our prior written consent, which will not be granted unless you have satisfied the conditions in Section 5.3; however, our consent will not be unreasonably withheld. If you do not open the Franchised Restaurant for business by the Opening Date and we do not extend the deadline, we will have the right to terminate this Agreement under Section 19.1.

5.3. Right to Open the Franchised Restaurant. We will not authorize the opening of the Franchised Restaurant unless all of the following conditions have been met:

5.3.1. You are not in material default under this Agreement or any other agreements with us; you are not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Franchised Restaurant; and you are not in default beyond the applicable cure period with any vendor or supplier to the Franchised Restaurant.

5.3.2. You and your Owners (as defined in Section 14.1) are current on all obligations due to us.

5.3.3. We are satisfied that the Franchised Restaurant was constructed substantially in accordance with the Plans accepted by us, this Agreement and state and local codes and that you have hired and trained a staff as required by this Agreement.

5.3.4. If the Franchised Location is leased or subleased, we have received a copy of the fully-executed lease or sublease.

5.3.5. You have obtained a certificate of occupancy and any other required health, safety or fire department certificates.

5.3.6. You have certified to us, in writing, that the installation of all required furnishings, fixtures, equipment, signs, computer terminals and related equipment, supplies and other items is complete.

5.3.7. You (or your Operating Principal) and those of your employees designated by us have attended and successfully completed our Manager In Training Program.

5.3.8. You have provided us with copies of all insurance policies required by Section 12.12 or other evidence of insurance coverage and payment of premiums as we may reasonably request.

5.3.9. You have provided us a Grand Opening Plan (as defined in Section 8.1) at least 60 days prior to the opening of the Franchised Restaurant.

6. FEES

6.1. Initial Franchise Fee. You must pay to us an initial franchise fee in the amount of $30,000 ("Initial Franchise Fee"), less any portion of the Development Fee to be credited against your payment, no later than the date you sign this Agreement. You acknowledge and agree that the Initial Franchise Fee is fully earned by us when paid and is not refundable.

6.2. Royalty Fee.

6.2.1. In addition to all other amounts that you will pay to us, you must pay to us a nonrefundable royalty fee ("Royalty") in an amount equal to 6% of your Fiscal Period Gross Sales (as defined below). As of the date of this Agreement, each Fiscal Period is a seven-day period beginning on Monday and ending on Sunday. We have the right, following written notice to you, to vary the time period that comprises each Fiscal Period.

6.2.2. The term "Gross Sales" includes all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed, on-premise sales, other sales made or sold, at, in or upon or from the Franchised Location, and any other type of sale) related to the Franchised Restaurant, whether for cash or credit and regardless of collection in the case of credit. Gross Sales will not include: **(a)** any bona fide documented federal, state, or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority; **(b)** the sale of food, beverage or merchandise for which refunds have been made in good faith to customers; **(c)** the sale of equipment used in the operation of the Franchised Restaurant; **(d)** authorized customer promotional discounts; and **(e)** employee meal discounts.

6.3. Advertising Obligation. You must spend and/or contribute for advertising up to 5% of your Fiscal Period Gross Sales ("Advertising Obligation"). The exact amount of the advertising fees to be spent and/or contributed by you, and the allocation of the advertising fees, as of the date of this Agreement, are set forth in Section 8 and in the Summary of Key Economic Terms that appears at the beginning of this Agreement ("Summary").

6.4. Sales Reports. By 5:00 p.m. on the day after the end of each Fiscal Period, you must submit to us, in writing, by electronic mail, polling by computer or such other form or method as we may designate, the amount of Gross Sales of the Franchised Restaurant during the preceding Fiscal Period and any other data or information as we may require.

6.5. Payment of Fees. You must participate in our electronic funds transfer program, which authorizes us to use a pre-authorized bank draft system. You agree to sign and complete the Authorization Agreement attached as Exhibit B and/or such other documents as we may require from time to time to authorize and direct your bank or financial institution to pay and deposit directly to our account. Your Royalty and Advertising Obligation and other amounts owed under this Agreement, including any interest charges, must be received by us or credited to our account by pre-authorized bank debit before 5:00 p.m. on the 4th day after the end of each Fiscal Period or at a later point periodically specified by us ("Due Date"). You must furnish to us and your bank all authorizations necessary to effect payment by the methods we specify. We reserve the right to modify, at our option, the method by which you must pay the Royalty, Advertising Obligation and other amounts owed under this Agreement upon receipt of written notice from us. You may not, under any circumstances, set off, deduct or otherwise withhold any Royalties, Advertising Obligation, interest charges or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations. Following written notice from us, you must make all payments to our affiliates through our electronic funds transfer program unless otherwise specified.

6.6. Interest and Late Fee. If any payments by you due to us are not received in full by the Due Date, in addition to paying the amount owed, you must pay to us interest on the amount owed from the Due Date until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Restaurant is located, not to exceed 18% per annum. In addition, a late fee of $100 may be assessed at our discretion on all payments by you due to us and not received by us by the Due Date. Payment of a late fee and/or interest by you on past due obligations is in addition to all other remedies and rights available to us pursuant to this Agreement or under applicable law.

6.7. Partial Payments. No payment by you of a lesser amount than due will be treated as anything other than a partial payment on account, regardless of whether you include an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment. We have sole discretion to apply any payments by you to any past due indebtedness and we have the right to accept payment from any other entity as payment by you without that entity being substituted for you.

6.8. Collection Costs and Expenses. You agree to pay us on demand any and all costs and expenses we incur in enforcing the terms of this Agreement, including costs and commissions due a collection agency, attorneys' fees (including attorneys' fees for in-house counsel employed by us), costs incurred in creating or replicating reports demonstrating Gross Sales of the Franchised Restaurant, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

7. COMMUNICATIONS, ACCOUNTING AND RECORDS

7.1. Recordkeeping. You will keep complete and accurate books, records and accounts in the form and manner prescribed in the Manual. You must preserve all of your books and records in electronic form for at least 7 years from the date of preparation, or longer as required by government regulations, and make them available to us within 5 days after our written request.

7.2. Computer System. You must obtain and install, at your expense, the hardware, software, and network connections that we specify from time to time. We reserve the right to specify a vendor or supply, and charge you for, such hardware, software, support, and other related services ourselves. You agree to: **(a)** maintain on the computer system only the financial and operating data specified in the Manual; **(b)** transmit data to us in the form and at the times required by the Manual; **(c)** give us unrestricted access to your computer system at all times (including user IDs and passwords, if necessary) to download and transfer data via modem or other connection as we determine; **(d)** maintain the computer system in good working order at your own expense; **(e)** replace or upgrade the computer system as we require (but not more than once a year); **(f)** install high speed Internet and/or communications connections as we prescribe; **(g)** ensure that your employees are adequately trained in the use of the computer system and our related policies and procedures; **(h)** engage any vendor we designate to ensure the security of your data; and **(i)** use any proprietary software or support service and other proprietary materials that we provide to you in connection with the operation of the Franchised Restaurant and, if we so require, execute a license agreement and pay to us a reasonable license fee for the use of such proprietary software. You may not install any software other than authorized upgrades or make any hardware modifications to the computer system without our express written consent. You acknowledge that computer designs and functions change periodically and that we may desire to make substantial modifications to our computer specifications or to require installation of entirely different systems during the Term.

7.3. Reports and Financial Statements. You must, at your expense, submit to us, in the form prescribed by us, the following reports for the Franchised Restaurant: **(a)** a monthly profit and loss and balance sheet (both of which may be unaudited) within 20 days after the end of each calendar month; **(b)** a year to date quarterly profit and loss statement and balance sheet (both of which may be unaudited) within 30 days after the end of each fiscal quarter (as defined by us) during each fiscal year (as defined by us); **(c)** a fiscal year profit and loss statement and balance sheet (both of which may be unaudited) within 60 days after the end of each fiscal year (as defined by us). We will have the right, to be exercised in our sole discretion, to require that you provide us profit and loss statements and balance sheets, or other reports and information relating to the Franchised Restaurant at other times that we request. We also reserve the right, in our reasonable discretion, to require that you, at your expense, submit audited financial statements prepared by a certified public accounting firm acceptable to us for any fiscal years. You or your treasurer or chief financial officer must sign each statement and balance sheet, attesting that it is correct and complete and uses accounting principles applied on a consistent basis that accurately and completely reflect your financial condition.

7.4. Audit Rights. During and after the Term, we have the right to inspect, copy and audit your books and records, your federal, state and local tax returns and any other forms, reports, information or data that we may reasonably designate. We will provide you 10 days' written notice before conducting an in-person financial examination or audit. We (or our designees) may conduct the examination or audit at our offices or those of a third party, in which case we may require you to send us your records. If the examination or audit reveals an understatement of Gross Sales, you must immediately pay to us any Royalty, Advertising Obligation or other amounts owed, plus interest (and a late fee at our discretion) as provided in Section 6.6. If an inspection or audit is made necessary by your failure to provide reports or supporting records as required under this Agreement, or to provide such reports or records on a timely basis, or if the audit or inspection reveals an understatement of Gross Sales of greater than 2% for the audit period, you must reimburse us for the reasonable cost of the inspection or audit, including travel, lodging, meals and wages of our representatives and the reasonable charges of any attorneys or independent accountants we use for the inspection or audit and, upon our request, you must thereafter provide us with periodic audited financial statements. The remedies set forth in this Section are in addition to any other remedies and rights available to us under this Agreement or applicable law.

7.5. Ownership of Data. You agree that all data that you collect from customers or others in connection with the Franchised Restaurant, including customer lists, is deemed to be owned by us. You have the right to use the customer data while this Agreement or a Successor Franchise Agreement is in effect, but only in accordance with any privacy policy that we may establish from time to time.

7.6. Franchise Advisory Committee. We reserve the right to create a franchise advisory committee ("FAC"), although we are not required to establish one. You will be required to participate in any communication programs developed by the FAC. You must participate, at your sole cost, in the FAC if you are elected or appointed as a committee member. You may be required to pay a fee for, or contribute to, the FAC in an amount determined by the FAC.

8. BRAND FUND AND MARKETING

8.1. Grand Opening Plan. You must conduct initial marketing for the Franchised Restaurant in accordance with a grand opening plan that you have prepared and to which we have consented ("Grand Opening Plan"). Under the Grand Opening Plan, you will be required to spend a minimum of $15,000 on grand opening activities over the period beginning one month prior to opening and continuing through the second month after opening. Guidelines for grand opening activities will be included in the Manual. Within 10 days after the end of the period in which you conduct this initial marketing, you must submit appropriate documentation to verify compliance with the grand opening expenditure obligation.

8.2. Contributions/Expenditures. During the Term, you will have a Fiscal Period Advertising Obligation as set forth in Section 6.3 and the Summary. Following written notice to you, we may modify the amount and allocation of the Advertising Obligation subject to the provisions of Section 8.6. If any portion of the Advertising Obligation is allocated to the Brand Fund or a Regional Advertising Fund, you will pay those amounts at the same time and in the same manner as the Royalty.

8.3. Brand Fund.

8.3.1. You must contribute to the Brand Fund the amount set forth in the Summary. We may use the Brand Fund Contributions and any earnings of the Brand Fund for any costs associated with advertising, marketing, public relations, promotional programs and materials (which may be national or regional in scope) and/or any other activities that we believe would benefit the System, including the following: advertising campaigns in various media; point-of-purchase materials; review of locally-produced ads; free standing inserts; brochures; purchasing and/or developing promotional materials; market research, including secret shoppers; sponsorships; design and maintenance of a web site; celebrity endorsements; trade shows; association dues; search engine optimization costs; establishment of a third party facility for customizing local advertising; accounting costs; and holding an annual franchise convention. We will not use the Brand Fund for any activity whose sole purpose is the marketing of franchises; however, you acknowledge that the Pie Five web site, public relations activities, community involvement activities and other activities that may be supported by the Brand Fund may contain information about franchising opportunities. We have the right to direct all programs supported by the Brand Fund, with final discretion over creative concepts, the materials and media used in the programs and their placement. You agree to participate in all advertising, marketing, promotions, research, public relations and other programs instituted by the Brand Fund. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

8.3.2. Pie Five Restaurants operated by us or our affiliates will contribute to the Brand Fund on the same basis as comparable franchisees. If we reduce the Brand Fund Contribution for franchisees, we will have the right to reduce the required contribution for applicable Pie Five Restaurants operated by us or our affiliates by the same amount.

8.3.3. We will not use any contributions to the Brand Fund to defray any of our general operating expenses, except for reasonable administrative costs and overhead that we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including salaries of our personnel who devote time to Brand Fund activities). We will separately account for the Brand Fund, but we do not need to segregate Brand Fund monies from our other monies.

8.3.4. Any point-of-sale materials produced with Brand Fund monies will be made available to you at a reasonable cost, and the proceeds of such sales will be credited to the Brand Fund. We are not required to have an independent audit of the Brand Fund completed. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Pie Five Restaurants to the Brand Fund during that year or cause the Brand Fund to invest any surplus for its future use or distribute any surplus to then-current franchisees who contributed to the Brand Fund and restaurants operated by us or our affiliates. (The Brand Fund will reimburse us for any monies advanced by us.) We will make available an unaudited statement of contributions and expenditures for the Brand Fund no sooner than 90 days after the close of our fiscal year to franchisees who make a written request for a copy.

8.4. Regional Advertising Fund.

8.4.1. We have the right, in our sole discretion, to establish one or more regional advertising funds for Pie Five Restaurants ("Regional Advertising Funds"). If a Regional Advertising Fund is established for a geographical area that includes the Franchised Location, you must contribute to that Regional Advertising Fund in the amount set forth in the Summary, as may be subsequently modified by us. Pie Five Restaurants operated by us or our affiliates in an area covered by a Regional Advertising Fund will contribute to the Regional Advertising Fund on the same basis as comparable franchisees.

8.4.2. We or our designee will direct all advertising, marketing, and public relations programs and activities financed by the Regional Advertising Fund, with sole discretion over the creative concepts, materials and endorsements used in those programs and activities, and the geographic, market and media placement and allocation of advertising and marketing materials. You agree that the Regional Advertising Fund may be used to pay the costs of preparing and producing such associated materials and programs as we or our designee may determine, including video, audio and written advertising materials; employing advertising agencies; sponsorship of sporting, charitable or similar events; administering regional and multiregional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising agencies to assist with these efforts; and supporting public relations, market research and other advertising, promotional and marketing activities. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by your Regional Advertising Fund.

8.4.3. We will separately account for each Regional Advertising Fund, but we do not need to segregate any Regional Advertising Fund monies from our other monies. We are not required to have an independent audit of the Regional Advertising Fund completed. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all applicable Pie Five Restaurants to a particular Regional Advertising Fund during that year or cause the Regional Advertising Fund to invest any surplus for its future use or distribute any surplus to then-current franchisees who contributed to the Regional Advertising Fund and restaurants operated by us or our affiliates. (A Regional Advertising Fund will reimburse us for any monies advanced by us.) We will make available an unaudited statement of contributions and expenditures for a Regional Advertising Fund no sooner than 90 days after the close of our fiscal year to franchisees who contribute to that Regional Advertising Fund and who make a written request for a copy.

8.5. Local Marketing.

8.5.1. You will spend, at a minimum, that portion of the Advertising Obligation not otherwise spent or contributed pursuant to this Section 8 for local marketing in authorized advertising media and for authorized advertising expenditures. We or our designee periodically will advise you of the authorized advertising media and authorized advertising expenditures.

8.5.2. You agree to conduct all marketing in a dignified manner and in accordance with the standards and requirements we specify periodically. We may provide to you a marketing manual, guidelines for creating a marketing plan, scripts and branding tools. You may be required to pay a reasonable fee for accessing and customizing local advertising and promotional materials. You agree that all advertising and promotional materials must bear the Proprietary Marks in the form, color, location and manner that we prescribe. We will have the final decision on all creative development of advertising and promotional messages. You also agree that we own all advertising and promotional materials developed by you and you will take all actions we specify to vest ownership in us.

8.5.3. You must submit to us in writing for our prior acceptance all sales promotion materials and advertising that have not been prepared, or previously accepted, by us and identify the proposed media in which you propose to place the advertising. If our written consent to the material and its proposed placement is not received within 10 days after the date that we received the material, the material may not be used. In no event will your advertising or marketing materials contain any statement or material that, in our sole discretion, may be considered: **(a)** in bad taste or offensive to the public or to any group of persons; **(b)** defamatory of any person or an attack on any competitor; **(c)** to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; **(d)** inconsistent with the public image of the System or the Proprietary Marks; or **(e)** not in accordance with any federal or state law. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

8.6. Changes in the Advertising Obligation. We have the right, following written notice to you, to reallocate the Advertising Obligation and to increase the Advertising Obligation; however, once we establish a Regional Advertising Fund that covers the Franchised Location, we will not increase the Advertising Obligation by more than ½% of Gross Sales in any 24 month period.

8.7. Social Media. You agree not to promote, offer or sell any products or services relating to the Franchised Restaurant through, or use any of the Proprietary Marks in, any form of electronic communications, including Internet web sites, social networking sites, applications or other future technological avenues that enable users to create and share content or to participate in social networking (collectively, "Social Media"), without our prior written consent, which we may withhold for any or no reason. You must, at all times, comply with our Social Media policy, as modified periodically. You expressly acknowledge and agree that your use of any Social Media relating to the Franchised Restaurant is subject to our prior written approval. You may not establish an independent site or page on any Social Media. If we authorize you to have and/or design a site or a page on any Social Media for the Franchised Restaurant, your site and page may only be accessed from our site or page, and we may prohibit links between your site or page and any other site. You acknowledge that any use of Social Media by you with respect to the Franchised Restaurant constitutes advertising and promotion subject to this Section 8, and you agree to comply with any additional policies and standards we issue from time to time with respect to Social Media. You acknowledge that any copyright in your sites or pages on any Social Media will be deemed to be owned by us, and you agree to sign any documents that we reasonably deem necessary to affirm our ownership of the copyright. If necessary, you must ensure cooperation with us by any web site service provider or web site hosting company with which you do business. You represent that you have or will have the lawful right to use any proprietary materials of others that appear on your sites or pages on Social Media. We periodically may provide to you content for your sites and pages on Social Media, including copy, news stories and photographs. We must consent to any changes to your sites and pages on Social Media.

8.8. Public and Media Relations. You agree that you will not issue any press or other media releases or other communications without our prior consent. As a franchisee of the System, you agree to only participate in internal and external communications activities that create goodwill, enhance our public image and build the Pie Five brand.

9. TRAINING

9.1. Manager In Training Program.

9.1.1. Before the Franchised Restaurant opens for business, you (or your Operating Principal), the Franchised Restaurant's general manager, and any other managerial personnel that we designate must attend, and become certified in, the Manager In Training ("MIT") Program. The MIT Program will include classroom instruction and on-the-job training. We will provide the MIT Program at a Pie Five

Restaurant operated by us or our affiliates and/or at our designated training facilities. We will not authorize the Franchised Restaurant to open until those employees whom we designate have attended and successfully completed the MIT Program.

9.1.2. As a prerequisite to the MIT Program, attendees must successfully complete, at your cost, a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. Evidence of successful completion of the ServSafe food safety training and certification program must be provided to us prior to our authorizing the opening of the Franchised Restaurant.

9.1.3. Except as provided below, there is no training fee for the MIT Program; however, you must pay all salaries, benefits, travel, living and other expenses incurred by you and your employees while attending the training. We have the right to dismiss from the MIT Program any person whom we believe will not perform acceptably in the position for which he/she has been hired, and you must provide a suitable replacement within 30 days of dismissal. In such event, we may charge a reasonable tuition fee for the replacement and have no obligation to extend the Opening Date.

9.1.4. If you (or your Operating Principal) fail to complete the MIT Program to our satisfaction, we may terminate this Agreement pursuant to Section 19.1 or permit you (or your Operating Principal) to repeat the MIT Program at the next available scheduled training session; however, we will have no obligation to extend the Opening Date. We reserve the right to charge a training fee if you (or your Operating Principal) are required to repeat the MIT Program.

9.2. Ongoing Training; Training of Replacement Personnel; Certification of Training Facility.

9.2.1. We may require you (or your Operating Principal), your managerial personnel, training personnel and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify. We may charge reasonable registration or similar fees for these courses. You agree to pay all salaries, benefits, travel, living and other expenses incurred by you and your employees during all training courses and programs.

9.2.2. We require that your replacement managerial and training personnel satisfactorily complete our training programs within the time period required by the Manual after being designated as managerial or training personnel.

9.2.3. If you operate at least 3 Franchised Restaurants, you must establish a training facility at which the Manager In Training Program will be offered ("Training Facility"). We, in our sole discretion, will provide the assistance that we consider to be reasonably necessary to assist you in establishing the Training Facility. The Training Facility must be certified by us before you commence any training at it, and we may periodically visit and evaluate the Training Facility and your trainers to ensure that they continue to meet our standards. We may revoke our certification of the Training Facility if it or your trainers cease to meet our standards. We may charge a fee in connection with the initial certification and periodic reevaluation of the Training Facility. In addition, you must reimburse us for all travel, living, food and other expenses incurred while traveling to and from, and visiting, the Training Facility as we require. Following our certification, you will train all persons who must complete the Manager In Training Program at the Training Facility unless we advise you otherwise or we revoke our certification.

9.2.4. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

9.3. Training Materials and Methods. All training materials that we provide to you remain our property. Except for the MIT Program, we have the right to provide training programs in person, on DVD, via the Internet and/or an Intranet, in printed or other electronic format or by other means, as we determine.

10. ADDITIONAL SERVICES OFFERED BY US

10.1. Pre-Opening Assistance. We will provide consultation and advice to you, as we deem appropriate, with regard to construction or renovation and operation of the Franchised Restaurant, building layout, furnishings, fixtures and equipment plans and specifications, employee selection and training, purchasing and inventory control and those other matters that we deem appropriate.

10.2. Opening Assistance. Upon your reasonable request, or at our discretion, we will provide assistance in opening the Franchised Restaurant and in training your employees as we deem appropriate in light of your needs and the availability of our personnel. You must pay all travel, living and other expenses incurred by our training personnel while providing this assistance.

10.3. Post-Opening Assistance. We periodically, as we deem appropriate, will advise and consult with you regarding the operation of the Franchised Restaurant. We, as we believe appropriate, will make available to you information regarding the System and new developments, techniques and improvements in the areas of restaurant design, operations, management, menu-development, sales and customer service, marketing and other areas. We may provide these services through visits by our representatives to the Franchised Restaurant or your offices, the distribution of printed or filmed material, an Intranet or other electronic format, meetings or seminars, training programs, telephone communications or other forms of communications.

11. MANUAL

11.1.1. We will furnish you with one copy of, or provide electronic access to, the Manual, on loan, for as long as this Agreement or a Successor Franchise Agreement remains in effect. (As used in this Agreement, the term "Manual" also includes all written and electronic correspondence from us regarding the System, other publications, materials, drawings, memoranda, videotapes, CDs, DVDs, audio tapes, and electronic media that we from time to time may provide to you.) The Manual contains detailed standards, specifications, instructions, forms, reports and procedures for management and operation of the Franchised Restaurant. We reserve the right to furnish all or part of the Manual to you in electronic form or online (including by Intranet) and establish terms of use for access to any restricted portion of our web site.

You acknowledge that we own the copyright in the Manual and that all copies of the Manual in your possession remain our property. You agree to treat the Manual, training materials and any other manuals or materials created or authorized by us for use with the System as secret and confidential. You agree not to copy, duplicate, record or otherwise reproduce the Manual or other materials provided by us, in whole or in part. In addition, you agree not to make any confidential information or materials supplied by us available to any unauthorized person without our prior written consent.

We periodically may amend the Manual by letter, electronic mail, bulletin, DVD, CD, videotape, audio tapes, software or other forms of communication. We also reserve the right to replace the entire Manual with an updated version at our sole discretion. You agree to keep your copy of the Manual up-to-date to acquire all equipment and related services to do so and to comply with each new or changed standard promptly upon receipt of notice from us. If a dispute relating to the contents of the Manual develops, our copy of the Manual maintained at our principal office controls. You agree to operate the Franchised Restaurant at all times in strict conformity with the Manual.

12. OPERATIONS

12.1. Compliance with Standards. In recognition of the mutual benefits that come from maintaining the System's reputation for quality, you agree to comply with all mandatory specifications and procedures set forth periodically in the Manual or otherwise in writing. You acknowledge that the appearance, Trade Dress, services and operation of the Franchised Restaurant are important to us and all Pie Five franchisees.

12.2. System Modifications. We, in our sole discretion, may periodically change the System, including modifications to the Manual, the menu, the required equipment, the signs, the Proprietary Marks and the Trade Dress. You must accept, use or display in the Franchised Restaurant any such System changes and make such expenditures as the System changes require. We also have the right to vary System standards in particular instances as we deem appropriate in our reasonable judgment.

12.3. Authorized Products and Services. You may offer for sale and sell in the Franchised Restaurant only the products, services and brands that we have designated in the Manual or otherwise in writing. You must offer all items that we designate as mandatory. We may also designate some items as optional. We may change the mandatory and optional menu items, recipes, ingredients and other products and services in our sole discretion. We may require that you sell certain brands and prohibit you from selling other brands. You may sell products only in the varieties, weights, sizes, forms and packages that we have designated. You must use only authorized ingredients and follow our recipes in the preparation of menu items. You may not use the Franchised Location for the sale or display of items not authorized by us. Within 15 days after we provide written notice to you, you must begin selling any newly authorized menu items (or using any newly authorized ingredients) and cease selling any menu item that is no longer authorized (or using any ingredient that is no longer authorized); however, if the discontinued menu item or ingredient could pose a hazard to the public or prove detrimental to the system, you must cease selling or using that item or ingredient immediately. All food, beverages and merchandise authorized for sale at the Franchised Restaurant must be offered for sale under the name that we specify. We periodically will provide you suggested retail prices for the products and services offered at the Franchised Restaurant and, to the extent permitted by applicable law, we may require that you adhere to our suggested prices, including maximum prices. If you have a suggestion for a new menu item or ingredient, or for a change to an authorized menu item or ingredient, or you wish to participate in a test market program, you must notify us before you implement any such change or commence any such program. You may not add or modify any menu item or participate in a test market program without first obtaining our prior written approval.

12.4. Market Research and Testing. We may periodically conduct market research and testing to determine consumer trends and the salability of new food products and services. You must cooperate with us in connection with the conduct of such test marketing programs at your own expense and you must comply with our procedures that we establish from time to time in connection such programs as set forth in the Manual, including your obligation to keep appropriate records and report their results to us.

12.5. Your Development of System Improvements. If you develop any new concepts, processes or improvements (including new menu items or ingredients) relating to the System (whether as part of testing conducted by us in accordance with Section 12.4 or otherwise) or any other development or material relating to the System, you must promptly notify us and provide us with all information regarding the new concept, process, improvement, development or material, all of which will become our property and may be incorporated into the System without any payment to you. You, at your expense, promptly must take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes or improvements.

12.6. Sourcing of Products and Services.

12.6.1. We have the right to require that all food and non-food products, supplies, equipment and services that you purchase for use, sale or resale in the Franchised Restaurant: **(a)** meet specifications that we establish from time to time; **(b)** be purchased only from suppliers that we have consented to (which may include us or our affiliates); and/or **(c)** be purchased only from a single source or from a limited number of designated sources (which may include us or our affiliates). To the extent that we establish specifications, require our consent to suppliers or designate specific suppliers for particular items, we will publish our requirements in the Manual or otherwise in writing. We may create purchasing restrictions to control the quality and selection, and ensure the consistency, of menu items, ingredients and other merchandise; to consolidate System purchases to reduce costs or ensure availability of products; or for other valid business reasons. In particular, we have developed and may continue to develop certain proprietary food products that will be prepared by or for us according to our proprietary special recipes and formulas and you agree to purchase those food products developed by us pursuant to a special recipe or formula only from us, our affiliates or a third party designated and licensed by us to prepare and sell such products.

12.6.2. You may not engage in "grey market" activities, in which you take advantage of any group purchasing arrangements for Pie Five Restaurants to purchase products that you then resell to purchasers outside of the System or use in a business outside of the System.

12.6.3. We and our affiliates may earn income on direct sales of products, ingredients and/or supplies to you. If we or our affiliates receive any rebates, commissions or other payments from third-party suppliers based on your purchases from them, we may, in our sole discretion, retain the rebates, commissions or other payments, contribute them to the Brand Fund (as defined in Section 8) and/or pay you your pro rata share of such rebates, commissions or other payments based on your purchases from those third-party suppliers.

12.6.4. If you would like to offer products or services that are not part of the System, or purchase from a supplier who we have not consented to, you must submit a written request for consent. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products. You agree to pay to us a reasonable fee, not to exceed the actual cost of the inspection and testing the proposed product or evaluating the proposed supplier, including personnel and travel costs, whether or not the product or supplier is accepted. We have the right to grant, deny or revoke consent to products, services and suppliers in our sole discretion. We will notify you of our decision as soon as practicable following our evaluation. We reserve the right to re-inspect the facilities and products of any accepted supplier and revoke acceptance upon the supplier's failure to meet any of our then- current criteria.

12.7. Upkeep of the Franchised Restaurant. You must maintain the interior and exterior of the Franchised Restaurant and all fixtures, furnishings, signs and equipment in first- class condition and in the highest degree of cleanliness, orderliness, sanitation and repair in accordance with the requirements of the System and the Manual and the lease or sublease for the Franchised Location (if applicable). Expenditures in connection with any signage, including point of sale, exterior and interior signage, are considered a maintenance expenditure (whether for repair or replacement) under this Section rather than a remodeling expenditure under Section 12.8. There is no limitation on the amount that you may be required to spend for repairs and maintenance. You may not make any alteration, addition, replacement or improvement in, or to, the interior or exterior of the Franchised Restaurant without our prior written consent.

12.8. Remodeling. In addition to ordinary maintenance and upkeep, we have the right to require you to update and remodel the Franchised Restaurant to conform to the design, Trade Dress, color schemes and presentation of the Proprietary Marks that we are then requiring of new Pie Five Restaurants. You must update and remodel the Franchised Restaurant no later than 5 years after you last remodeled or 5 years after the Opening Date if you have not yet remodeled.

12.9. Maximum Operation of the Franchised Restaurant.

12.9.1. During the Term, you must use the Franchised Location solely for the operation of the Franchised Restaurant and maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the Franchised Restaurant at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manual or as we otherwise specify in writing (subject to the requirements of local laws and licensing requirements).

12.9.2. You must immediately resolve any customer complaints regarding the quality of food or beverages, service and/or cleanliness of the Franchised Restaurant or any similar complaints. When any customer complaints cannot be immediately resolved, you must use your best efforts to resolve the customer complaints as soon as practical and, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or the goodwill associated with the System, or if we, in our sole discretion, believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

12.10. Employees. You have sole responsibility for all employment decisions and functions related to the Franchised Restaurant, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. You must enforce all dress and appearance standards for employees that we may establish. You must maintain a competent, conscientious, trained staff with enough members to operate the Franchised Restaurant in compliance with our standards. You must verify that your employees meet all state and local requirements for certification and meet all prerequisites for employment in the United States.

12.11. Management Supervision.

12.11.1. The Franchised Restaurant must at all times be under the personal, on- premises supervision of one of the following designated individuals, who must meet our applicable training qualifications for their position: the Operating Principal, a general manager, an assistant manager or, for specific limited periods of time, as authorized by us, a Shift Leader. You must notify us of any changes in the general manager position. The Franchised Restaurant must have a minimum of 2 trained managers. At all times that the Franchised Restaurant is open for business, at least one person must be on site who has been trained in ServSafe as required by Section 9.1.2 and completed any other locally-required safety or health training. You must appoint an individual to serve as your Operating Principal. The Operating Principal must be accepted by us, must live within a reasonable driving distance of the Franchised Restaurant, must devote full-time and best efforts to supervising the operation of the Franchised Restaurant and other Pie Five Restaurants that you operate and must be an Owner (as defined in Section 14.1.2). The Operating Principal as of the Effective Date is identified in Exhibit A. The Operating Principal must complete the MIT Program, have authority over all business decisions related to the Franchised Restaurant and have the authority to bind you in your dealings with us. We will provide all services to, and communicate primarily with, the Operating Principal. You must obtain our prior written consent before you change the Operating Principal. If the Operating Principal no longer qualifies as such, you must designate another qualified person to act as the Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. We will advise you whether we have consented to the new Operating Principal within a reasonable time after receipt of your notice. If we do not consent, you will have 15 days from your receipt of our decision to designate another person to act as Operating Principal who satisfies the preceding qualifications.

12.11.2. The Operating Principal must remain active in overseeing the operations of the Franchised Restaurant, including without limitation, regular, periodic visits to the Franchised Restaurant and sufficient communications with us to ensure that the Franchised Restaurant's operations comply with the operating standards as promulgated by us from time to time in the Manual or otherwise in written or oral communications.

12.12. Insurance. You must maintain in full force and effect that insurance which you determine to be necessary, which must include at least the types of insurance and the minimum policy limits specified in the Manual or otherwise in writing. Each insurance policy must be written by an insurance company that maintains an "A+" or better rating by the latest edition of Best's Insurance Rating Service (or another rating service designated by us). The insurance policy or policies must be in effect when you take possession of the Franchised Location. The insurance policy or policies must protect you, us and our respective past, present and future officers, directors, owners, employees, servants, representatives, consultants, attorneys and agents. We and our affiliates must be named as additional insureds in the policy or policies (statutory policies excepted). Each policy must include a waiver of subrogation in our favor. We may require additional types of coverage or increase the required minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the Manual, you must provide us with certificates of insurance evidencing the required coverage and proof of payment therefor. The evidence of insurance must include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least 30 days' prior written notice to us. If you fail to obtain and maintain insurance coverage as required by this Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance, plus a reasonable fee for our services in procuring the insurance.

12.13. Inspections. We and our designees have the right, at any time during normal business hours to: (a) conduct inspections of (and photograph and record) the Franchised Location and the Franchised Restaurant; (b) interview your employees, suppliers and customers; and (c) review your business records, including those maintained electronically or off-premises. We can initiate these actions (collectively, "QA Audit") with or without prior notice to you, except that prior notice is required for a financial examination or audit as provided in Section 7.4. You must cooperate by giving our representatives unrestricted access and rendering such assistance as they may reasonably request. If we notify you of any deficiencies after a QA Audit, you must promptly take steps to correct them. If you fail to obtain a passing score on any QA Audit, you will reimburse us for all costs and expenses incurred in connection with the next QA Audit. In addition, you agree to participate in programs initiated to verify customer satisfaction and/or your compliance with all operational and other aspects of the System, including (but not limited to) an 800 number, secret shoppers or other programs as we may require. We will share the results of these programs, as they pertain to the Franchised Restaurant, with you. You will reimburse us for all costs related to the Franchised Restaurant associated with any and all of these programs.

12.14. Taxes.

12.14.1. You must promptly pay when due all taxes levied or assessed (including, without limitation, unemployment and sales taxes) and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Restaurant under this Agreement. If any taxes, fees or assessments are imposed on us by reason of our acting as franchisor or licensing the Proprietary Marks, you must reimburse us the amount of those taxes, fees or assessments within 30 days after receipt of an invoice from us.

12.14.2. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchised Restaurant and/or Franchised Location (or any improvements thereon).

12.15. Compliance with Laws and Good Business Practices. You must secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchised Restaurant. You must operate the Franchised Restaurant in full compliance with all applicable laws, ordinances and regulations, including those governing or relating to the handling of food products, immigration and discrimination, occupational hazards and health insurance, employment laws, including workers' compensation insurance, unemployment insurance and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. You must notify us, in writing, within 5 days after: (a) the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation or financial condition of you or the Franchised Restaurant; or (b) receiving any notice of violation of any law, ordinance or regulation relating to health or sanitation at the Franchised Restaurant. In your dealings with customers, suppliers and the public, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct and you will refrain from any business or advertising practice that may harm the goodwill associated with the Proprietary Marks or the System.

12.16. Adoption of Quality and Assurance Programs. You must adopt, at your expense, the Customer Quality and Assurance Programs, including, but not limited to, participation in programs associated with guest satisfaction, and the Health and Safety Quality Assurance Programs, including quarterly audits, used by the Pie Five Restaurants operated by us or our affiliates.

12.17. Non-Cash Payment Systems. You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by us to enable customers to purchase authorized products and must obtain all necessary hardware and/or software used in connection with these non-cash payment systems. You will reimburse us for all costs associated with such non-cash payment systems as they pertain to the Franchised Restaurant. You agree to process all non-cash payments through our credit card processor.

12.18. Amusement Equipment. You will not permit at the Franchised Restaurant any juke box, vending or game machine, gum machine, game, ride, gambling or lottery device, coin or token operated machine, or any other music, film or video device not authorized by us.

13. PROPRIETARY MARKS AND TRADE DRESS

13.1. Limited Right to Use. Your right to use the Proprietary Marks and Trade Dress applies only to the Franchised Restaurant operated at the Franchised Location as expressly provided in this Agreement. We will provide you guidelines for the use of the Proprietary Marks and Trade Dress. Both during and after the Term, you agree not to directly or indirectly contest or aid in contesting the validity of our and our affiliates' ownership of the Proprietary Marks or take any action detrimental to our or our affiliates' rights in the Proprietary Marks and Trade Dress.

13.2. Acknowledgments. You acknowledge that: (a) the Proprietary Marks are valid and serve to identify our products, services and Pie Five Restaurants; (b) your use of the Proprietary Marks and Trade Dress under this Agreement does not give you any ownership interest in them; and (c) all goodwill associated with the Proprietary Marks and Trade Dress inures exclusively to our benefit and is our property. Upon the expiration or termination of the Term, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.

13.3. Specific Restrictions on Use. You agree:

13.3.1. To use only the Proprietary Marks and Trade Dress that we designate, and only in the manner we authorize.

13.3.2. To use the Proprietary Marks and Trade Dress only for the operation of the Franchised Restaurant at the Franchised Location and in authorized advertising for the Franchised Restaurant.

13.3.3. To operate and advertise the Franchised Restaurant only under the name "Pie Five" without prefix or suffix.

13.3.4. To display the Proprietary Marks in the Franchised Restaurant, on the Franchised Location, and on brochures and other printed materials, employee uniforms and vehicles only in the manner that we authorize.

13.3.5. Not to use the Proprietary Marks or any names confusingly similar to the Proprietary Marks as part of your entity or legal name.

13.3.6. To permit us or our representatives to inspect your operations to verify that you are properly using the Proprietary Marks and Trade Dress.

13.3.7. To use the Proprietary Marks to promote and to offer for sale only the products and services that we have authorized, and not use any of the Proprietary Marks or Trade Dress in association with the products, materials or services of others.

13.3.8. Not to use or permit the use of the Proprietary Marks or any names confusingly similar to the Proprietary Marks as part of any Internet domain name or e-mail address or in the operation of any Internet web site without our prior written consent.

13.3.9. Not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

13.3.10. To ensure that the Proprietary Marks bear the "®", "™", or "SM" symbol, as we prescribe from time to time.

13.4. Changes to the Proprietary Marks. We have the absolute right to change, discontinue, or substitute for any of the Proprietary Marks and to adopt new Proprietary Marks for use with the System without any liability for any impact to the System. You agree to implement any such change at your own expense, regardless of the reason for the change, within the time that we reasonably specify.

13.5. Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Proprietary Marks or Trade Dress that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge by any person or entity to the validity of, our ownership of, or our right to license others to use, any of the Proprietary Marks or Trade Dress. You acknowledge and agree that we have the right, but not the obligation, to initiate, direct and control any litigation or administrative proceeding relating to the Proprietary Marks or Trade Dress, including, but not limited to, any settlement. You agree to sign all documents and render any other assistance we may deem necessary to the defense or prosecution of any such proceeding.

14. YOUR ORGANIZATION

14.1. Governing Documents.

14.1.1. If you are (or Transfer your interests in this Agreement to) a business entity, during the Term, your governing documents must provide that your activities are limited exclusively to the development and operation of the Franchised Restaurant and other restaurants operated by you that are franchised by us or our affiliates and that no Transfer (as defined in Section 16) of an ownership interest may be made except in accordance with Section 16. Any stock or other ownership certificates that you issue must bear a conspicuous printed legend to that effect.

14.1.2. You must furnish us with a list of holders of direct or indirect equity interests of 10% or more ("Owners") and holders of direct or indirect equity interests of less than 10% ("Minority Owners") and their percentage interests, as well as copies of your governing documents (and any amendments thereto) and any other corporate documents, books or records that we may request. Your Owners and Minority Owners and their respective equity interests as of the Effective Date are identified in Exhibit A. You must promptly update this information as changes occur.

14.2. Guarantees. All Owners will jointly and severally guarantee your payment and performance under this Agreement and must bind themselves to the terms of this Agreement pursuant to the Guarantee and Assumption of Franchisee's Obligations ("Guarantee") attached as Exhibit C. All Minority Owners must bind themselves to the confidentiality and noncompetition restrictions of this Agreement pursuant to the Guarantee. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to waive the requirement that some or all Owners and Minority Owners execute the Guarantee and/or to limit the scope of the Guarantee. We reserve the right to require any guarantor to provide personal financial statements to us from time to time. You acknowledge that, unless otherwise agreed to in writing by us, it is our intent to have individuals (and not corporations, limited liability companies or other entities) execute the Guarantee. Accordingly, if any Owner or Minority Owner is not an individual, we will have the right to have the Guarantee executed by individuals who have only an indirect ownership interest in you. (By way of example, if an Owner or Minority Owner is a corporation, we have the right to require that the Guarantee be executed by individuals who have an ownership interest in that corporation.) If you, any guarantor or any parent, subsidiary or affiliate of yours holds any interest in other businesses that are franchised by us or our affiliates, at our request, the party who owns that interest will execute, concurrently with this Agreement, a form of cross-guarantee to us and our affiliates for the payment of all obligations for such businesses, unless waived in writing by us in our sole discretion. For purposes of this Agreement, an affiliate of yours is any company controlled, directly or indirectly, by you or your parent or subsidiary.

15. TRANSFER BY US

We have the unrestricted right to transfer or assign ownership interests in us and all or any part of our interest in this Agreement to any person or legal entity without your consent. You agree that we will have no liability after the effective date of transfer or assignment for the performance of, or any failure to perform, any obligations transferred. We also have the right to delegate to others the performance of any of our duties under this Agreement.

16. TRANSFER BY YOU

16.1. Definition of Transfer. For purposes of this Agreement, "Transfer" means any sale, assignment, transfer, conveyance, give away, pledge, mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of any interest in this Agreement, the Franchised Restaurant, the Franchised Location, the lease for the Franchised Restaurant, the assets of the Franchised Restaurant, any ownership interests in you (if you are a business entity) or any other assets pertaining to your operations under this Agreement.

16.2. No Transfer Without Our Consent. You acknowledge that this Agreement is personal to you and we have selected you as a franchisee based on our reliance on your (and your Owners' and Minority Owners') character, skill, aptitude and business and financial capacity. Neither you nor any of your Owners or Minority Owners may undertake any Transfer or permit any Transfer to occur without obtaining our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld. We have the right to communicate with and counsel you and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we consent to the Transfer.

16.3. Transfer Generally. Except as otherwise provided in this Section 16, if you propose to undertake a Transfer, the following conditions apply (unless waived by us):

16.3.1. You must:

(a) Be in compliance with all obligations to us under this Agreement and any other agreement you have with us, our affiliates, any lenders that have provided financing pursuant to an arrangement with us and your major suppliers as of the date of the request for our consent to the Transfer.

(b) Pay to us a transfer fee equal to $7,500 to reimburse us for our reasonable costs and expenses incurred in reviewing and documenting the Transfer, including legal and accounting fees.

(c) Make the Transfer only in conjunction with a simultaneous Transfer of your Area Development Agreement (if still in effect).

(d) Advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, submit a copy of all contracts and all other agreements or proposals and submit all other information requested by us relating to the proposed Transfer.

16.3.2. The proposed transferee (and if the proposed transferee is a business entity, all persons that have any direct or indirect interest in the transferee as we may require) must demonstrate to our satisfaction extensive experience in high quality restaurant operations of a character and complexity similar to Pie Five Restaurants; must meet the managerial, operational, experience, quality, character and business standards for a developer promulgated by us from time to time; must possess a good character, business reputation and credit rating; must have an organization whose management culture is compatible with our management culture; and must have adequate financial resources and working capital to meet the obligations under this Agreement. If the proposed transferee is an existing Pie Five franchisee, he must not be in default under his agreements with us and must have substantially complied with our operating standards.

16.3.3. You and the proposed transferee must sign, at our option, either an assignment agreement and any other agreements that we require to reflect the Transfer. In addition, the proposed transferee also must sign, at our option, any amendments to this Agreement that we require and/or our then-current standard form of franchise agreement for an initial term ending on the expiration date of the Term, which may provide for different Royalty, Advertising Obligation, local marketing requirements, duration and other rights and obligations than those provided in this Agreement. There is no limitation on the extent to which the terms of the new Franchise Agreement may differ from the terms of this Agreement.

16.3.4. The proposed transferee must make arrangements to modernize and upgrade the Franchised Restaurant, at the transferee's expense, to comply with our standards and specifications for new Pie Five Restaurants.

16.3.5. You, your Owners and the transferee must execute a general release, in a form prescribed by us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and your Owners will remain liable to us for all obligations arising before the effective date of the Transfer and, at our request, you and your Owners must sign a written guarantee pursuant to which you and your Owners will remain personally liable for all obligations to us incurred before the effective date of the Transfer and for a period of 2 years following the effective date of the Transfer.

16.3.6. The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of the transferred Franchised Restaurant.

16.3.7. If the transferee is a business entity, those persons with an ownership interest in the transferee must execute our then-current form of Guarantee.

16.3.8. Unless waived by us in our sole discretion, the transferee and those employees of the transferee designated by us will complete the MIT Program in accordance with Section 9.1. Notwithstanding the provisions of Section 9.1.3, we may charge a fee to provide this training.

16.4. Transfer of Partial Ownership Interest. If you propose to admit a new Minority Owner, remove an existing Owner or Minority Owner or change the distribution of ownership interests among the Owners and Minority Owners shown on Exhibit A, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. You must also pay to us a transfer fee as provided in Section 16.3.1.(b). We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions, including the conditions in Sections 16.3.1(a), 16.3.3, 16.3.5, and 14.1. Any new Owner or Minority Owner must submit a personal application and execute our then-current form of Guarantee.

16.5. Transfer for Convenience of Ownership. If you are an individual or a partnership, we will consent to the Transfer of this Agreement to a business entity that you form for the convenience of ownership, provided that: **(a)** the entity has and will have no business other than the operation of Pie Five Restaurants; **(b)** you comply with the requirements in Sections 16.3.1(a), 16.3.3, 16.3.5, and 14.1; **(c)** the Owners hold equity interests in the new entity in the same proportion shown on Exhibit A; and **(d)** the top-level management of the Franchised Restaurant does not change. You will not be required to pay a transfer fee for a Transfer under this Section 16.5.

16.6. Transfer upon Death or Permanent Incapacity. If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of an Owner or Minority Owner, that person's executor, administrator or personal representative must apply to us in writing within 3 months after the death or declaration of permanent incapacity for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 16.3 and 16.4, as applicable. In the case of Transfer by request or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3 or 16.4, the executor may transfer the decedent's interest to another successor that we have accepted, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 16.6 within 6 months after the date of death or appointment of a personal representative, we may terminate this Agreement under Section 19.1.

16.7. Securities Offerings. If you are a business entity, ownership interests in the business entity may be sold, by private or public offering, only with our prior written consent whether or not our written consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section 16.3 or 16.4, as applicable, prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you, at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel (addressed to us and in a form acceptable to us) that the offering documents properly use the Proprietary Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 23 will also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public or private offering of your securities.

16.8. Non-Conforming Transfers. Any purported Transfer that is not in compliance with this Section 16 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

16.9. Right of First Refusal. We have the right, exercisable within 30 days after receipt of the notice specified in Section 16.2, to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers under Section 16.5 or Transfers to your spouse or adult son or daughter (including Transfers to your spouse or adult son or daughter as a result of death or permanent incapacity as described in Section 16.6), provided that the transferees meet all criteria required of new franchisees.

16.9.1. If the Transfer is proposed to be made pursuant to a sale, we or our designee, may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest (or, if the parties cannot agree on the cash equivalent, as provided in the next sentence, within 60 days after the appraiser's determination). If we cannot reasonably be expected to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser and the appraiser's determination will be final. Any material change in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

16.9.2. If a Transfer is proposed to be made by gift, we will designate, at our expense, one independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraiser's determination of fair market value.

16.9.3. If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with this Section 16. Closing of the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide to us copies of all fully- executed agreements and any other information we request relating to the Transfer.

17. GENERAL RELEASE

You (on behalf of yourself and your parent, subsidiaries and affiliates) and all Owners (collectively, "Releasors") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "claims"), which any Releasor now owns or holds or may in the future own or hold based on, arising out of or relating to, in whole or in part any fact, event, conduct or omission occurring on or before the date of this Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and us or our parent, subsidiaries or affiliates, the sale of any franchise to any Releasor, the development and operation of the Franchised Restaurant and the development and operation of all other restaurants operated by any Releasor that are franchised by us or our parent, subsidiaries or affiliates. Releasors expressly agree that fair consideration has been given by us for this release and they fully understand that this is a negotiated, complete and final release of all claims.

Notwithstanding the foregoing, claims arising from representations in the Pie Five Franchise Disclosure Document, or its exhibits or amendments, are expressly excluded from this release.

18. COVENANTS

18.1. Confidential Information. During and after the Term, you may not communicate, divulge or use for any purpose other than the development and/or operation of the Franchised Restaurant any confidential information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of this Agreement or the operation of the Franchised Restaurant. You may divulge confidential information only to your professional advisers, your employees who must have access to the information to develop or operate the Franchised Restaurant and your contractors and your landlord, provided that you obtain our prior consent. All information, knowledge and know-how relating to us, our business plans or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure, or that, at the time of our disclosure to you, had become a part of the public domain. At our request, you will require your employees, and any other person or entity to whom you wish to disclose any confidential information to sign agreements providing that they will maintain the confidentiality of the disclosed information. The agreements must be in a form satisfactory to us and must identify us as a third-party beneficiary with the independent right to enforce the agreements.

18.2. Restrictions During Term. You acknowledge and agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and confidential information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and confidential information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among Pie Five Restaurants if franchisees were permitted to hold interests in competitive businesses; and **(e)** restrictions on your right to hold interests in, or perform services for, competitive businesses will not hinder your activities. Accordingly, you agree that, during the Term, you will not, without our prior written consent, either directly or indirectly through any other person or entity:

18.2.1. Divert or attempt to divert any business or customer, or potential business or customer, to any Competitive Business (as defined in Section 18.2.3).

18.2.2. Employ or seek to employ any person who is then employed by us or by any other Pie Five franchisee as a shift leader or higher, or otherwise directly or indirectly induce such person to leave his or her employment without our prior written consent. Our consent will be conditioned upon, among other things, receipt of $20,000 to compensate for training costs incurred.

18.2.3. Own, manage, engage in, advise, make loans to, be employed by, assist or have any interest in any restaurant business: **(a)** whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month; or **(b)** whose method of operation or trade dress is similar to that used in the System ("Competitive Business").

18.2.4. During the Term, there is no geographical limitation on these restrictions.

18.3. Restrictions After Termination, Expiration or Transfer. In light of your acknowledgments and agreements as set forth in Section 18.2, you agree as follows:

18.3.1. For a period of 2 years following the expiration or termination of this Agreement or a Transfer to a new franchisee to which we have consented, you covenant and agree that you will not own, manage, engage in, advise, make loans to, be employed by, assist or have any interest in any Competitive Business that is (or is intended to be) located at or within 5 miles of the Franchised Location, within the Protected Area, within 5 miles of the border of the Protected Area or within 5 miles of any other Pie Five Restaurant.

18.3.2. For a period of 2 years following the expiration, termination or Transfer of this Agreement or a Transfer to a new franchisee to which we have consented, you further covenant and agree that you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Franchised Location to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at the Franchised Location. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Franchised Location, must include restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Franchised Location for this 2-year period, and you must take all steps necessary to ensure that these restrictive covenants become a matter of public record.

18.4. Modification. We will have the right, in our sole discretion, to reduce the scope of any covenant in this Section 18 effective immediately upon your receipt of written notice, and you agree that you will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 26. If any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable. If, at any time during the 2-year period following expiration or termination of this Agreement or a Transfer to a new franchisee to which we have consented, you fail to comply with your obligations under this Section, that period of noncompliance will not be credited toward your satisfaction of the 2-year obligation. Following the resolution of any dispute regarding the enforceability of this Section that is resolved in our favor, the 2-year period (or such other period as may be deemed reasonable by the court) will run from the date of the resolution.

18.5. Applicability. The restrictions contained in this Section 18 apply to you and all Owners and Minority Owners. With respect to each Owner and Minority Owner, these restrictions apply until 2 years after the expiration, transfer, or termination of this Agreement. This Section 18 does not prohibit you from having: **(1)** interests in any other Pie Five Franchise Agreement that remains in effect; or **(2)** ownership of less than 5% of the outstanding equity securities of any publicly-held corporation, as defined in the Securities and Exchange Act of 1934.

18.6. Enforcement. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 18. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 18, including reasonable attorneys' fees. You acknowledge that a violation of the terms of this Section 18 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 18. Such injunctive relief will be in addition to any other remedies that we may have.

18.7. Survival. The terms of this Section 18 will survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 18 will be construed as independent of any other provision of this Agreement.

19. DEFAULT AND TERMINATION

19.1. Grounds for Termination. In addition to the grounds for termination stated elsewhere in this Agreement, we may terminate this Agreement, and the rights granted by this Agreement, by written notice to you, without giving you an opportunity to cure, upon the occurrence of any of the following events:

19.1.1. You (or the Operating Principal), the Franchised Restaurant's general manager, and/or any managerial personnel that we designate under Section 9.1.1 fail to complete the MIT Program.

19.1.2. You fail to open the Franchised Restaurant for business by the Opening Date, unless we, in our sole discretion, extend this period to address unforeseen construction delays that are not within your control.

19.1.3. You are insolvent or unable to pay your creditors (including us); file a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against you a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization that is not dismissed within 60 days of the filing; you make an assignment for the benefit of creditors; or a receiver or trustee is appointed for you and not dismissed within 60 days of the appointment.

19.1.4. Execution is levied against your business or property; suit to foreclose any lien or mortgage against the Franchised Location or equipment of the Franchised Restaurant is instituted against you and is not dismissed within 60 days; or the real or personal property of the Franchised Restaurant must be sold after levy thereupon by any sheriff, marshal or constable.

19.1.5. There is a material breach of any obligation under Section 18.

19.1.6. We discover that you made a material misrepresentation or omitted a material fact in the information that you furnished to us in connection with our decision to enter into this Agreement.

19.1.7. You knowingly falsify any report required to be furnished to us or make any material misrepresentation in your dealings with us or fail to disclose any material facts to us.

19.1.8. You, any Owner or any of your officers or directors is convicted of, or pleads no contest to, a crime that we reasonably believe is likely to harm the reputation of the System or our goodwill.

19.1.9. Any Transfer that requires our prior written consent occurs without your having obtained that prior written consent.

19.1.10. You, your Operating Principal, any Owner, or any other entity that is a Pie Five franchisee and in which you, your Operating Principal or any Owner have an ownership interest remain in default beyond the applicable cure period under: **(a)** any other agreement with us or our affiliates; **(b)** any real estate lease, equipment lease or financing instrument relating to the Franchised Restaurant or any other Pie Five Restaurant; or **(c)** any agreement with any vendor or supplier to the Franchised Restaurant or any other Pie Five Restaurant; provided that if the default is not by you, you are given written notice of the default and 30 days to cure the default.

19.1.11. You refuse to permit, or try to hinder, an examination or audit of your books and records or inspection of the Franchised Restaurant or Franchised Location as permitted by this Agreement.

19.1.12. Any condition exists with respect to the Franchised Restaurant that, in our reasonable judgment, seriously jeopardizes public health or safety.

19.1.13. You lose the right to operate at the Franchised Location and, if applicable, fail to secure our acceptance of another site within the time permitted by Section 2.1.

19.1.14. During any 12-month period, you fail to operate the Franchised Restaurant for 3 or more consecutive days, or 5 total days, that you were required to operate the Franchised Restaurant, unless we determine, in our sole discretion, that such failure was beyond your control.

19.2. Termination Following Expiration of Cure Period.

19.2.1. Except for those items listed in Sections 19.1, 19.2.2, 19.2.3 and 19.2.4, you will have 30 days after written notice of default from us within which to remedy the default and provide evidence of that remedy to us. If any such default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you will have such additional time to correct the default as we believe to be reasonably required (not to exceed 90 days) provided that you begin taking the actions necessary to correct the default during the 30 day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 19.2.1 for any failure to materially comply with any of the requirements imposed by this Agreement or otherwise in writing, or to carry out the terms of this Agreement in good faith.

19.2.2. Notwithstanding the provisions of Section 19.2.1, if you default in the payment of any monies owed to us or our affiliates when those monies become due and payable and you fail to pay those monies within 10 days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

19.2.3. Notwithstanding the provisions of Section 19.2.1, if you fail to consistently and properly: **(a)** prepare and offer high quality food products; **(b)** follow our recipes and system standards; or **(c)** use proprietary food products at the Franchised Restaurant, and fail to remedy that default within 3 days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

19.2.4. If you have received 2 or more notices of default pursuant to this Section 19.2 within the previous 12 months, we will be entitled to send you a notice of termination upon your next default under this Section 19.2 in that 12-month period without providing you an opportunity to remedy that default.

19.3. Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Agreement, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

20. OBLIGATIONS ON TERMINATION OR EXPIRATION

20.1. Your Obligations. Upon termination or expiration of this Agreement for any reason, unless we direct you otherwise:

20.1.1. All rights and licenses granted to you under this Agreement (including, without limitation, rights to use the System, the Manual and the Proprietary Marks) will immediately terminate and any right, title, and interest claimed by you to any such matters will immediately revert to us without further notice or documentation.

20.1.2. You must immediately cease to operate the Franchised Restaurant and may not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of the System.

20.1.3. You will immediately and permanently cease to use, in any manner whatsoever, the System, the Proprietary Marks and the Manual.

20.1.4. You must promptly pay all sums owing to us, our affiliates and your suppliers.

These sums include, but are not limited to, the Royalty, Advertising Obligation, interest or other fees, damages, expenses and attorneys' fees incurred as a result of your default.

20.1.5. You must cease to use in advertising or in any manner the confidential methods, procedures and techniques associated with the System, including all proprietary recipes, ingredients, and processes.

20.1.6. You and all persons and entities subject to the restrictions contained in Section 18 will continue to abide by those restrictions and will not, directly or indirectly, take any action that violates those restrictions.

20.1.7. Unless we direct you to maintain your existing signage while we determine if we will exercise our option to purchase under Section 21, you must immediately cease to use, by advertising or in any other manner, the name "Pie Five Pizza," all other Proprietary Marks and all other distinctive forms, slogans, signs, symbols, web sites, domain names, email addresses, and devices associated with the System. If you subsequently begin to operate another business, you must not use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks in connection with that business that is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Proprietary Marks, nor any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with us. Within 15 days, you must promptly take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any domain name registration that contains the name "Pie Five Pizza" or any other Proprietary Marks.

20.1.8. Unless we direct you to maintain the existing appearance of the Franchised Location while we determine if we will exercise our option under Section 21, you must make modifications or alterations to the Franchised Location and the Franchised Restaurant immediately upon termination or expiration of this Agreement as necessary to prevent the operation of any business in violation of this Section 20 and any specific additional changes we reasonably request for that purpose. Upon our request, you must return to us, at our cost, any signage that we specify. If you fail to comply with this Section within 30 days following termination or expiration of this Agreement, we have the right to enter the premises, without being guilty of trespass or any other tort, for the purpose of removing signs and any other articles that display the Proprietary Marks or Trade Dress. You agree to reimburse us on demand for our expenses in making such changes.

20.1.9. You must immediately deliver to us the Manual and all training materials, marketing materials, records, files, instructions, and correspondence in your possession or control that contain confidential information (as described in Section 18.1). You also must deliver to us all customer information and customer lists that you have compiled and uninstall any software that we have provided.

20.2. Evidence of Compliance. You will furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, correct and complete, by an officer or Owner) satisfactory to us of your compliance with Section 20.1.

20.3. Other Business Operations. You will not, except with respect to a Pie Five Restaurant franchised by us or our affiliates that is then open and operating pursuant to an effective Franchise Agreement: **(a)** operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Proprietary Marks; **(b)** make, use or avail yourself of any of the materials or information furnished or disclosed by us or our affiliates under this Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else; or **(c)** assist anyone not licensed by us or our affiliates to construct or equip a restaurant substantially similar to a Pie Five Restaurant.

20.4. Listings. We will have the option, exercisable by written notice within 30 days after the termination or expiration of this Agreement, to take an assignment of all telephone numbers, facsimile numbers, domain names, or other numbers, names and directory listings (collectively, "Listings") associated with any Proprietary Mark or the Franchised Restaurant, and you must notify the telephone company, all telephone directory publishers, and all domain name registries and Internet service providers of the termination or expiration of your right to use any Listing associated with the Franchised Restaurant, and authorize and instruct their transfer to us or to a third party, at our direction and/or to instruct the telephone company, domain name registries and Internet service providers to forward all calls, e-mails and electronic communications made to your names, numbers or addresses to names, numbers or addresses we specify. You are not entitled to any compensation from us if we exercise this option.

20.5. Lost Revenue Damages. If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, and that the Brand Fund and the Regional Advertising Fund (if any) would have otherwise derived from your continued contributions to those funds, through the remainder of the term of this Agreement. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced ("Lost Revenue Damages"), is an amount equal to the net present value of the Royalties, contributions to the Brand Fund and contributions to the Reginal Advertising Fund (if any) that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) five years following the date of termination, or (b) the scheduled expiration of the term of this Agreement ("Measurement Period"). For the purposes of this Section, Lost Revenue Damages will be calculated as follows: (1) the number of calendar months in the Measurement Period; multiplied by (2) the aggregate of the Royalty fee, Brand Fund contribution and Regional Advertising Fund Contribution (if any) percentages; multiplied by (3) the average monthly Gross Sales of your Franchised Restaurant during the 12 full calendar months immediately preceding the termination date (or, if as of the effective date of termination, your Franchised Restaurant has not been operating for at least 12 full calendar months, we will use the average monthly Gross Sales of all Pie Five Restaurants operating during that 12 month period).

You agree to pay us Lost Revenue Damages, as damages and not as a penalty, as calculated in accordance with this Section, within 15 days after the effective date of termination, or on any later date that we determine. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing will preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement.

21. OPTION TO PURCHASE

21.1. Scope. Upon the expiration or termination of this Agreement for any reason, we will have the option to purchase from you some or all of the assets used in the Franchised Restaurant ("Assets"). We may exercise our option by giving written notice to you at any time following expiration or termination up until 30 days after the later of: **(a)** the effective date of expiration or termination; or **(b)** the date you cease operating the Franchised Restaurant. As used in this Section 21, "Assets" means, without limitation, equipment, vehicles, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the Franchised Restaurant, and the real estate fee simple or the lease or sublease for the Franchised Location. As provided in Section 7.5, customer information and customer lists are owned by us and accordingly are not included within the definition of "Assets." Such customer information and customer lists will be returned to us upon expiration or termination. We will not purchase the lists nor may you sell the information or lists to a third party. We will be entitled to the entry of interlocutory and permanent orders of specific performance by a court of competent jurisdiction if you fail or refuse to timely meet your obligations under this Section 21. We will have the unrestricted right to assign this option to purchase the Assets. We or our assignee will be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: **(1)** ownership, condition and title; **(2)** liens and encumbrances; **(3)** environmental and hazardous substances; and **(4)** validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise.

21.2. Purchase Price. The purchase price for the Assets ("Purchase Price") will be their fair market value, (or, for leased assets, the fair market value of your lease) determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the Assets; provided, however, that the Purchase Price will take into account the termination of this Agreement. Further, the Purchase Price for the Assets will not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Franchised Restaurant nor any goodwill or "going concern" value for the Franchised Restaurant. We may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not accepted as meeting then-current standards for a Pie Five Restaurant or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

21.3. Certified Appraisers. If we and you are unable to agree on the fair market value of the Assets within 30 days after the date you receive our notice expressing our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the higher appraisal is more than 10% greater than the other appraisal, the two appraisers will select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price.

21.4. Access to Franchised Restaurant. The appraisers will be given full access to the Franchised Restaurant, the Franchised Location and your books and records during customary business hours to conduct the appraisal and will value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section 21. The appraisers' fees and costs will be borne equally by us and you.

21.5. Exercise of Option. Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by so notifying you in writing ("Purchase Notice"). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase ("Closing"), which will take place no later than 60 days after the date of the Purchase Notice. From the date of the Purchase Notice until Closing:

21.5.1. You will operate the Franchised Restaurant and maintain the Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Agreement; and

21.5.2. We will have the right to appoint a manager, at our expense, to control the day-to-day operations of the Franchised Restaurant and you will cooperate, and instruct your employees to cooperate, with the manager appointed by us. Alternatively, we may require you to close the Franchised Restaurant during such time period without removing any Assets from the Franchised Restaurant.

21.6. Due Diligence. For a period of 30 days after the date of the Purchase Notice ("Due Diligence Period"), we will have the right to conduct such investigations as we deem necessary and appropriate to determine: **(a)** the ownership, condition and title of the Assets; **(b)** liens and encumbrances on the Assets; **(c)** environmental and hazardous substances at or upon the Franchised Location; and **(d)** the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. You will afford us and our representatives access to the Franchised Restaurant and the Franchised Location at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with your operations of the Franchised Restaurant.

21.7. Our Rights During Due Diligence Period. During the Due Diligence Period, at our sole option and expense, we may: **(a)** cause the title to the Assets that consist of real estate interests ("Real Estate Assets") to be examined by a nationally recognized title company and conduct lien searches as to the other Assets; **(b)** procure "AS BUILT" surveys of the Real Estate Assets; **(c)** procure environmental assessments and testing with respect to the Real Estate Assets; and/or **(d)** inspect the Assets that consist of leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory ("Fixed Assets") to determine if the Fixed Assets are in satisfactory working condition. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title to lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection or defect in the working condition of the Fixed Assets, we will have the option to either accept the condition of the Assets as they exist or rescind our option to purchase on or before the Closing.

21.8. Compliance With Law. Prior to the Closing, we and you will comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state in which the Franchised Restaurant is located and the bulk sales provisions of any applicable tax laws and regulations. You will, prior to or simultaneously with the Closing, pay all tax liabilities incurred in connection with the operation of the Franchised Restaurant prior to Closing. We will have the right to set off against and reduce the Purchase Price by any and all amounts owed by you to us, and the amount of any encumbrances or liens against the Assets or any obligations assumed by us.

21.9. The Franchised Location.

21.9.1. If the Franchised Location is leased, we agree to use reasonable efforts to effect a termination of the existing lease for the Franchised Location. If the lease for the Franchised Location is assigned to us or we sublease the Franchised Location from you, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the Franchised Location, and you will indemnify and hold us harmless from any liability under the lease prior to and including that date.

21.9.2. If you own the Franchised Location, we, at our option, will either purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with you on terms comparable to those for which similar commercial properties in the area are then being leased. The initial term of this lease with you will be at least 10 years with 2 options to renew of 5 years each and the rent will be the fair market rental value of the Franchised Location. If we and you cannot agree on the fair market rental value of the Franchised Location, then appraisers (selected in the manner described in Section 21.3) will determine the rental value.

21.10. Your Obligations at Closing. At the Closing, you will deliver instruments transferring to us or our assignee: **(a)** good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you; **(b)** all licenses and permits for the Franchised Restaurant that may be assigned or transferred, with appropriate consents, if required; and **(c)** the lease or sublease for the Franchised Location, with appropriate consents, if required. If you cannot deliver clear title to all of the purchased Assets as indicated in this Section, or if there are other unresolved issues, the Closing will be accomplished through an escrow.

22. RELATIONSHIP OF THE PARTIES

This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the Term, you agree to hold yourself out to the public as an independent contractor operating the Franchised Restaurant under license from us, and you agree to exhibit a notice to that effect (the location and content of which we reserve the right to specify) in a conspicuous place at the Franchised Restaurant.

23. INDEMNIFICATION

You agree to defend, indemnify, and hold harmless us and our past, present and future affiliates, officers, directors, shareholders, agents, attorneys, consultants, and employees against any claims, losses, costs, expenses, liabilities and damages (collectively, "Claims") arising directly or indirectly from, as a result of, or in connection with the Franchised Restaurant, as well as the costs of defending against such Claims (including, but not limited to, reasonable attorneys' fees, costs of investigation, settlement costs and interest). You promptly will give us written notice of any litigation, proceeding, or dispute filed or instituted against you that could directly or indirectly affect us or any of the other indemnitees under this Section and, upon request, you will furnish us with copies of any documents from such matters as we may request. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees under this Section, we will have the right, but not the obligation, to: (a) choose counsel; (b) direct and control the handling of the matter; and (c) settle any claim against the indemnitees. Our exercise of these rights does not affect your obligation to indemnify and hold us harmless in accordance with this Section. This Section will survive the expiration or termination of this Agreement, and applies to Claims even if they exceed the limits of your insurance coverage.

24. CONSENTS AND WAIVERS

24.1. Consent. Whenever our prior written approval, acceptance or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval, acceptance or consent must be in writing and signed by an authorized officer to be effective.

24.2. No Warranties. We make no warranties or guarantees upon which you may rely by providing any waiver, approval, consent or suggestion to you in connection with this Agreement and assume no liability or obligation to you therefor, or by reason of any neglect, delay, or denial of any request therefor. We will not, by virtue of any waivers, approvals, consents, advice or services provided to you, assume responsibility or liability to you or to any third parties to which we would not otherwise be subject.

24.3. Waivers. No delay or failure to exercise any right under this Agreement or to insist upon your strict compliance with any obligation or condition, and no custom or practice that differs from the terms of this Agreement, will constitute a waiver of our right to exercise the contractual right or demand your strict compliance with the terms of this Agreement. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. Our acceptance of any payments due from you does not waive any prior defaults.

25. NOTICES

Notices related to this Agreement will be effective upon receipt (or first rejection) and may be given by any of the following delivery methods: (a) certified or registered mail; (b) U.S. Priority Mail or national commercial delivery service (*e.g.,* UPS, Federal Express); (c) facsimile (if the sender receives machine confirmation of successful transmission); or (d) email (if receipt is verified within 24 hours of transmission). Notices sent by (a) or (b) must be sent to the addresses on the first page of this Agreement. Facsimile and email notices must be sent to the number/email address provided by the party. Either party can change its notice address by informing the other party. Notice should be sent to:

If to Franchisee:	If to Franchisor:
______________________________	Pie Five Pizza Company, Inc.
______________________________	3551 Plano Parkway
______________________________	The Colony, TX 75044
______________________________	Fax No: 469.384.5059
______________________________	Attn: Legal Department

26. ENTIRE AGREEMENT

Each element of this Agreement is essential and material. This Agreement, the Manual, the documents referred to in this Agreement and the attachments to this Agreement constitute the entire agreement between the parties with respect to the Franchised Restaurant at the Franchised Location and supersede all prior negotiations, representations, correspondence and agreements concerning the same subject matter. Except for the Pie Five Franchise Disclosure Document and the Area Development Agreement pursuant to which this Agreement was executed (if applicable), there are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representation made in the Pie Five Franchise Disclosure Document.

27. SEVERABILITY AND CONSTRUCTION

27.1. Severability. Each provision of this Agreement is severable from the others. If, for any reason, any provision is determined by a court to be invalid, the invalidity will not impair the operation of the remaining provisions of this Agreement. The latter will continue to be given full force and effect and bind us and you; the invalid provision(s) will be deemed not to be a part of this Agreement.

27.2. Survival. Each provision of this Agreement that, expressly, or by reasonable implication, is to be performed, in whole or in part, after the expiration, termination or Transfer of this Agreement will survive expiration, termination or Transfer.

27.3. Interpretation. Except as expressly otherwise provided, nothing in this Agreement is intended, or will be deemed, to confer any rights or remedies upon any person or legal entity other than you and us.

27.4. Our Discretion. Whenever we have a right and/or the discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in the best interests of the System. Our judgment of what is in the best interests of the System, at the time our decision is made or our right or discretion is exercised, can be made without regard to whether: **(a)** other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; **(b)** our decision or the action taken promotes our financial or other individual interest; **(c)** our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate- owned operations; or **(d)** our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

28. DISPUTE RESOLUTION

28.1. Choice of Law. This Agreement and the relationship between the parties is governed by and will be construed in accordance with the laws of the State of Texas, except that Section 18 will be governed by the laws of the state in which the Franchised Restaurant is located. Nothing in this Section is intended, or will be deemed, to make any Texas law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable.

28.2. Choice of Forum. The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas) at the time suit is filed. We may file suit in the federal or state court located in Collin County, Texas, the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business or where the Protected Area or the Franchised Restaurant is or was located or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

28.3. Limitation of Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

28.4. Mutual Waiver of Jury Trial. Each of us irrevocably waives trial by jury in any litigation.

28.5. Mutual Waiver of Punitive Damages. Each of us waives any right to or claim of punitive, exemplary, multiple or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained.

28.6. Remedies Not Exclusive. Except as provided in Sections 28.1 through 28.5, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law.

28.7. Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you must reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

28.8. Rights of Parties are Cumulative. The parties' rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

29. MISCELLANEOUS

29.1. Gender and Number. All references to gender and number will be construed to include such other gender and number as the context may require.

29.2. Captions. All captions in this Agreement are intended solely for the convenience of the parties and none will be deemed to affect the meaning or construction of any provision of this Agreement.

29.3. Counterparts and Signatures. This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Agreement may be signed using electronic signatures, and such signatures will have full legal force and effect.

29.4. Time. Time is of the essence of this Agreement for each provision in which time is a factor.

29.5. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to declaratory and injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security.

29.6. Compliance with U.S. Laws. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: **(a)** do not, and hereafter will not, engage in any terrorist activity; **(b)** are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and **(c)** are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

30. ACKNOWLEDGEMENTS

You acknowledge that you have conducted an independent investigation and recognize that the business venture contemplated by this Agreement involves business risks and will be largely dependent upon your own efforts and ability. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement. We do not, by virtue of any approvals or advice provided to you, assume responsibility or liability to you or any third-party to which we would otherwise not be subject.

You acknowledge having received the Pie Five Franchise Disclosure Document at least 14 days prior to your signing this Agreement or payment of any monies to us, or earlier if required by applicable law.

Even though this Agreement contains provisions requiring you to develop and operate the Franchised Restaurant in compliance with the System: (a) we and our affiliates do not have actual or apparent authority to control the day-to-day conduct and operation of your business or employment decisions; (b) neither you nor we intend for us or our affiliates to incur any liability in connection with or arising from any aspect of the System or your use of the System, whether or not in accordance with the requirements of the Manual; and (c) you are the sole employer of your employees and you and we are not joint employers.

You will be solely responsible for: (a) hiring, training and supervising efficient, competent and courteous employees of good character for the operation of the Franchised Restaurant; (b) the terms of their employment and compensation; and (c) the proper training of the employees in the operation of the Franchised Restaurant.

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

EXHIBIT A

FRANCHISE INFORMATION

1. **Franchised Location**: ____

____

2. **Protected Area**: ____

____

The Protected Area also may be depicted on a map and, if so, the map will be attached to the Franchise Agreement. Your rights in the Protected Area are subject to the limitations described in Section 1.2 of the Franchise Agreement. Any political boundaries contained in the description of the Protected Area will be considered fixed as of the Effective Date and will not change notwithstanding a change in those boundaries. Unless otherwise specified, all street boundaries are deemed to include only the inside portion of the stated boundary.

3. **Ownership:** If you are a business entity, the following persons constitute all of the owners of a legal and/or beneficial interest in you:

Name	**Address**	**Ownership Interest**	**Office Held/Position**

4. **Operating Principal**: ____

EXHIBIT B

PRE-AUTHORIZED BANK TRANSFER
(DIRECT DEBITS)

Name of Person or Legal Entity: ____

ID Number: ______________________________

Account Name: ____

Address: ____

The undersigned depositor ("Depositor") hereby authorizes Pie Five Pizza Company, Inc. ("Pie Five") to initiate debit entries and/or credit correction entries to Depositor's checking and/or savings account(s) indicated below and the depository designated below ("Depository") and to debit such account pursuant to Pie Five's instructions for any and all amounts due to Pie Five. The Depositor understands that all amounts debited from the account below will be credited to Pie Five's account.

IN LIEU OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, FRANCHISEE MAY ATTACH A CANCELLED OR VOIDED CHECK HERETO.

____ ____
Depository Branch

____________________________, ____________________ __________________________
City State Zip Code

____ ____
Telephone Number of Bank Contact Person at Bank

____ ____
Bank Transit/ABA Number Account Number

[Remainder of page intentionally left blank]

This authority is to remain in full force and effect until Depository has received joint written notification from Pie Five and Depositor of Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository will provide Pie Five and Depositor with 30 days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor will have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor will have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

______________________________	______________________________
Depositor	Depository
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________
Date: _____________________	Date: _____________________

EXHIBIT C

GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Pie Five Pizza Franchise Agreement dated as of _________________, 20_____ ("Agreement") by Pie Five Pizza Company, Inc. ("Pie Five"), entered into with ____ ("Franchisee"), the undersigned ("Guarantors"), each of whom is an Owner or Minority Owner, hereby personally and unconditionally agree as follows:

1. **Guarantee To Be Bound By Certain Obligations.** Guarantors hereby personally and unconditionally guarantee to Pie Five and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that each will be personally bound by the restrictions contained in Section 18 of the Agreement.

2. **Guarantee and Assumption of Franchisee's Obligations**. Guarantors hereby: (A) guarantee to Pie Five and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity, that Franchisee and any assignee of Franchisee's interest under the Agreement will: (1) punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) punctually pay all other monies owed to Pie Five and/or its affiliates; (B) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Section 23; and (C) agree to be personally liable for the breach of each and every provision in the Agreement.

3. **General Terms and Conditions**. The following general terms and conditions will apply to this Guarantee:

A. Each of the undersigned waives: **(1)** acceptance and notice of acceptance by Pie Five of the foregoing undertakings; **(2)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(3)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(4)** any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; **(5)** all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned; **(6)** any law or statute which requires that Pie Five make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guarantee; **(7)** any and all other notices and legal or equitable defenses to which he may be entitled; and **(8) any and all right to have any legal action under this Guarantee decided by a jury.**

B. Each of the undersigned consents and agrees that: **(1)** his direct and immediate liability under this Guarantee will be joint and several; **(2)** he will render any payment or performance required under the Agreement if Franchisee fails or refuses punctually to do so; **(3)** such liability will not be contingent or conditioned upon pursuit by Pie Five of any remedies against Franchisee or any other person; **(4)** such liability will not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Pie Five may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this Guarantee, which will be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Pie Five or its affiliates under the Agreement; and **(5)** monies received from any source by Pie Five for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Pie Five. In addition, if any of the undersigned ceases to be a member of the Continuity Group, an Owner or Minority Owner or an officer or director of Franchisee, that person agrees that the obligations under this Guarantee will continue to remain in force and effect unless Pie Five in its sole discretion, in writing, releases those person(s) from this Guarantee. Notwithstanding the provisions of the previous sentence, unless prohibited by applicable law, the obligations contained in Sections 18.3.2. and 18.3.3 of the Agreement will remain in force and effect for a period of 2 years after any such release by Pie Five. A release by Pie Five of any of the undersigned will not affect the obligations of any other Guarantor.

C. If Pie Five brings an action to enforce this Guarantee in a judicial proceeding or arbitration, the prevailing party in such proceeding will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses will be determined by the court and not by a jury.

D. If Pie Five utilizes legal counsel (including in-house counsel employed by Pie Five or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned will reimburse Pie Five for any of the above-listed costs and expenses incurred by it.

E. If any of the following events occur, a default ("Default") under this Guarantee will exist: **(1)** failure of timely payment or performance of the obligations under this guarantee; **(2)** breach of any agreement or representation contained or referred to in this Guarantee; **(3)** the dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or **(4)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned will be due immediately and payable without notice. Upon the death of one of the undersigned, the estate will be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

F. This Guarantee will inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Pie Five's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Pie Five. Any assignment will not release the undersigned from this Guarantee.

G. Sections 28.1. through 28.8. of the Agreement are incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee will have the meaning given them in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature, under seal.

GUARANTORS SIGNING THIS GUARANTEE AS TO SECTIONS 1, 2 AND 3:

Date: ________________ ____

Print Name: ______________________________________

Address: ____

Date: ________________ ____

Print Name: ______________________________________

Address: ____

GUARANTORS SIGNING THIS GUARANTEE AS TO SECTIONS 1 AND 3:

Date: ________________ ____

Print Name: ______________________________________

Address: ____

Date: ________________ ____

Print Name: ______________________________________

Address: ____

EXHIBIT D

FRANCHISE AGREEMENT

(Captive Market Restaurant)

PIE FIVE PIZZA FRANCHISE AGREEMENT

(Captive Market Restaurant)

____
Franchisee

____
Effective Date

____
Franchised Location

FRANCHISE AGREEMENT (Captive Market Restaurant)
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PIE FIVE PIZZA FRANCHISE AGREEMENT

(Captive Market Restaurant)

This Franchise Agreement ("Agreement") is made as of ____________ ("Effective Date"), by and between by and between Pie Five Pizza Company, Inc. ("us"), a Texas corporation with a principal business address at 3551 Plano Parkway The Colony Texas 75056, and______________________________("you"), a _____________with a principal business address at ____.

RECITALS

We have developed a distinctive format, appearance and set of specifications and operating procedures (collectively, "System"), along with the "Pie Five Pizza" name and mark and certain other names, marks, logos insignias slogans, emblems, symbols and designs (collectively, "Proprietary Marks") relating to the development, establishment and operation of fast casual restaurants that feature pizzas and other food items prepared in accordance with our recipes and ingredients, and other food items that we may specify from time to time ("Pie Five Restaurants").

You desire to obtain a nonexclusive license and franchise to use the System and the Proprietary Marks in the operation of one Pie Five Restaurant (a "Restaurant") at a Captive Market Location (such as an airport tram station, bus station, travel plaza stadium arena, convention center, military facility school, college university hospital recreational theme park, business or industrial foodservice venue Indian reservation casino or similar location) subject to the terms and conditions of this Agreement and in strict compliance with the standards and specifications we have established.

You understand and acknowledge the importance of our high and uniform standards of quality, operations and service and the necessity of developing and operating the Restaurant in strict conformity with this Agreement and our confidential operating manuals ("Manual").

We are willing to grant you the opportunity to develop and operate the Restaurant at the location identified in Exhibit A ("Restaurant Location"), subject to the terms and conditions of this Agreement.

NOW THEREFORE, the parties agree as follows:

1. Grant of Franchise.

Subject to the terms and conditions of this Agreement, we grant to you the nonexclusive right, and you undertake the obligation to use the Proprietary Marks and the System to continuously operate the Restaurant at the Restaurant Location during the term of this Agreement ("Term") (The Restaurant Location is in the Facility identified in Exhibit A). You may not use the Proprietary Marks or the System at any location other than the Restaurant Location. You may not relocate the Restaurant either within the Facility or to another Facility. We reserve to ourselves all rights to use and license the System and the Proprietary Marks other than those expressly granted under this Agreement including the right to operate or license others to operate Pie Five Restaurants at locations that directly or indirectly compete with your Restaurant.

2. Term, Successor Term.

2.1. Term. The Term begins on the Effective Date and expires on the first to occur of (a) midnight on the day preceding the 10th anniversary of the date the Restaurant first opened for business or (b) the expiration or termination of your right to provide foodservice at the Facility, unless this Agreement is terminated at an earlier date. (We may complete and forward to you a notice to memorialize the date the Restaurant first opened for business). You may terminate this Agreement following 60 days' written notice to us if your client at the Facility instructs you in writing to cease operating the Restaurant (provided you have exercised your best efforts to arrange a meeting between your client and us, if we elect, to discuss the continued operation of the Restaurant). If your contract to provide foodservice permits your client to take this action on shorter notice, the notice period provided in that contract will govern provided you have given us a copy of the relevant contract provision.

2.2. Successor Term. When the Term expires, if your contract to provide foodservice continues, you will have the option to obtain a successor term on the same terms and conditions as this Agreement for a period equal to the shorter of 5 years or the remaining term of your foodservice contract, subject to the following: (a) during the Term, you have substantially complied with this Agreement and the System, (b) you renovate and modernize the Restaurant to reflect the then-current image of Pie Five Restaurants (c) you sign a general release, in a form we prescribe, of any and all claims against us, our affiliates and our past, present and future officers directors, shareholders and employees arising out of or relating to the Restaurant, (d) your employees designated by us successfully complete any additional training courses that we then require, and (e) you pay us a renewal fee of $5,000.

3. Construction of Restaurant.

3.1. Restaurant Development. You assume all cost liability and expense for constructing and equipping the Restaurant. We have developed plans and specifications for Pie Five Restaurants that you must adapt so that your proposed plans for the Restaurant ("Plans") comply with all applicable ordinances, building codes and permit requirements, lease requirements and restrictions and the Americans with Disabilities Act. During the course of construction, you must cooperate fully with us and our representatives for the purpose of permitting us and our representatives, if we so desire, to inspect the Restaurant Location and the course of construction of the Restaurant to determine whether construction is proceeding according to the Plans.

3.2. Right to Open the Restaurant. We will not authorize the opening of the Restaurant unless all of the following conditions have been met: (a) you are not in material default under this Agreement or any other agreements with us, (b) you are current on all obligations due to us, (c) we are satisfied that the Restaurant was constructed substantially in accordance with the Plans, this Agreement, and state and local codes and that you have hired and trained a staff as required by this Agreement, (d) you have certified to us, in writing that the installation of all required furnishings fixtures equipment signs computer terminals and related equipment supplies and other items is complete, (e) your employees designated by us have attended and successfully completed our Initial Training Program, and (f) you have provided us with copies of all required insurance policies or other evidence of insurance coverage.

4. Fees and Costs.

4.1. Initial Fee. You have paid us a nonrefundable Initial Fee in the amount of $40,000.

4.2. Royalty Fee. In addition to all other amounts that you will pay to us you must pay to us a nonrefundable royalty fee ("Royalty') in an amount equal to 6% of your Gross Sales. The term "Gross Sales" includes all revenue from the sale of all services and products and all other income of every kind and nature (including stored value gift cards and gift certificates when redeemed on-premise sales, other sales made or sold, at in or upon or from the Restaurant Location, and any other type of sale) related to the Restaurant whether for cash or credit and regardless of collection in the case of credit Gross Sales will not include (a) any bona fide documented federal, state or municipal sales taxes collected by you from customers and paid by you to the appropriate taxing authority, (b) the sale of food, beverage or merchandise for which refunds have been made in good faith to customers (c) the sale of equipment used in the operation of the Restaurant, (d) authorized customer promotional discounts, and (e) employee meal discounts.

4.3. Sales Reports. By 5:00 p.m. on the day after the end of each Fiscal Period (as defined by us) you must submit to us in writing, by e-mail, polling by computer or such other form or method as we may designate the amount of Gross Sales of the Restaurant during the preceding Fiscal Period and any other data or information as we may require.

4.4. Payment of Fees. You must participate in our electronic funds transfer program which authorizes us to use a pre-authorized bank draft system. You agree to sign and complete such documents as we may require from time to time to authorize and direct your bank or financial institution to pay and deposit directly to our account. Your Royalty and other amounts owed under this Agreement, including any interest charges, must be received by us or credited to our account by pre-authorized bank debit before 5:00 p.m. on the 4th day after the end of each Fiscal Period (as defined by us) or at a later point periodically specified by us ("Due Date"). You must furnish to us and your bank all authorizations necessary to effect payment by the methods we specify. We reserve the right to modify, at our option the method by which you must pay the Royalty and other amounts owed under this Agreement upon receipt of written notice from us. You may not under any circumstances, set off deduct or otherwise withhold any Royalties, interest charges or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations.

4.5. **Interest.** If we do not receive any payments in full by the Due Date, in addition to paying the amount owed, you must pay to us interest on the amount owed from the Due Date until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Restaurant is located, not to exceed 18% per annum. Payment of interest by you on past due obligations is in addition to all other remedies and rights available to us pursuant to this Agreement or under applicable law.

4.6. **Partial Payments.** No payment by you of a lesser amount than due will be treated as anything other than a partial payment on account regardless of whether you include an endorsement, statement or accompanying letter to the effect that payment of the lesser amount constitutes full payment. We have sole discretion to apply any payments by you to any past due indebtedness, and we have the right to accept payment from any other entity as payment by you without that entity being substituted for you.

4.7. **Collection Costs and Expenses.** You agree to pay us on demand any and all costs and expenses we incur in enforcing the terms of this Agreement, including costs and commissions due a collection agency, attorneys' fees (including attorneys' fees for in-house counsel employed by us), costs incurred in creating or replicating reports demonstrating Gross Sales of the Restaurant, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

5. Communications, Accounting and Records

5.1. **Recordkeeping.** You agree to use computerized cash and data capture and retrieval systems that meet our specifications and record sales of the Restaurant electronically or on tape for all sales at or from the Restaurant Location. You must keep and maintain complete and accurate books and records using generally accepted accounting principles and in accordance with any procedures set forth in the Manual.

5.2. **Computer System.** You agree to procure and install, at your sole expense such data processing equipment, computer hardware and software, required dedicated telephone and power lines, high speed Internet connections, modems, printers, and other computer- related accessory or peripheral equipment as necessary to permit us to receive from you, within the time periods required by this Agreement or as otherwise required by us that information and in that format/media as reasonably specified by us. We reserve the right to require that you use specific brands and models of equipment and software.

5.3. **Reports.** At our request and at your expense, you must provide to us a profit and loss statement and balance sheet for the Restaurant within 90 days after the end of each of your fiscal years, signed by your treasurer or chief financial officer attesting that the financial statements present fairly the results of operations of the Restaurant during the period covered. You must submit to us, for review or auditing, such other forms reports records, information and data regarding the Restaurant as we may reasonably designate, in the form and at the times and places reasonably required by us and as specified from time to time in the Manual or otherwise in writing.

5.4. **Audit Rights.** We or our designee will have the right at all reasonable times, both during and after the Term, to inspect, copy and audit the books and records and such other forms, reports, information and data as we reasonably may designate, applicable to the operation of the Restaurant. If an inspection or audit discloses an understatement of Gross Sales, you must pay us, within 10 days after receipt of the inspection or audit report the deficiency in the Royalties, plus interest from the date originally due until the date of payment. If any inspection or audit discloses an understatement of Gross Sales for the period of the audit greater than 5%, you also must reimburse us for the reasonable cost of the inspection or audit, including travel, lodging, meals and wages of our representatives and the reasonable charges of any attorneys or independent accountants we use for the inspection or audit.

5.5. **Ownership of Data.** You agree that all data that you collect from customers or others in connection with the Restaurant is deemed to be owned by us. You have the right to use the customer data while this Agreement is in effect, but only in accordance with any privacy policy that we may establish from time to time.

6. Advertising

6.1. **Grand Opening Plan.** You must conduct initial marketing for the Restaurant in accordance with a grand opening plan that you have prepared and to which we have consented ("Grand Opening Plan"). Under the Grand Opening Plan, you will be required to spend a minimum of $15,000 on grand opening activities over the period beginning one month prior to opening and continuing through the second month after opening Guidelines for grand opening activities will be included in the Manual Within 10 days after the end of the period in which you conduct this initial marketing you must submit appropriate documentation to verify compliance with the grand opening expenditure obligation.

6.2. **Contributions/Expenditures During the Term.** You must spend and/or contribute for advertising up to 5% of the Gross Sales of the Restaurant ("Advertising Obligation"). The exact amount and allocation of the Advertising Obligation, as of the date of this Agreement, is set forth in Exhibit A. Following written notice to you, we may modify the amount (but not to exceed 5% of Gross Sales) and allocation of the Advertising Obligation. If any portion of the Advertising Obligation is allocated to the Brand Fund you will pay those amounts at the same time and in the same manner as the Royalty.

6.3. **Brand Fund.**

6.3.1. We may use the Brand Fund Contributions and any earnings of the Brand Fund for any costs associated with advertising marketing public relations, promotional programs and materials (which may be national or regional in scope) and/or any other activities that we believe would benefit the System, including the following advertising campaigns in various media, point-of-purchase materials, review of locally-produced ads, free standing inserts brochures purchasing and/or developing promotional materials, market research, including secret shoppers, sponsorships, design and maintenance of a web site, celebrity endorsements, trade shows association dues, search engine optimization costs, establishment of a third party facility for customizing local advertising accounting costs, and holding an annual franchise convention. We will not use the Brand Fund for any activity whose sole purpose is the marketing of franchises; however, you acknowledge that the Pie Five web site, public relations activities, community involvement activities, and other activities that may be supported by the Brand Fund may contain information about franchising opportunities. We have the right to direct all programs supported by the Brand Fund with final discretion over creative concepts, the materials and media used in the programs, and their placement. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

6.3.2. Pie Five Restaurants operated by us or our affiliates will contribute to the Brand Fund on the same basis as comparable franchisees. If we reduce the Brand Fund Contribution for franchisees, we will have the right to reduce the required contribution for applicable Pie Five Restaurants operated by us or our affiliates by the same amount.

6.3.3. We will not use any contributions to the Brand Fund to defray any of our general operating expenses except for reasonable administrative costs and overhead that we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including salaries of our personnel who devote time to Brand Fund activities). We will separately account for the Brand Fund, but we do not need to segregate Brand Fund monies from our other monies.

6.3.4. Any point-of-sale materials produced with Brand Fund monies will be made available to you at a reasonable cost, and the proceeds of such sales will be credited to the Brand Fund. We are not required to have an independent audit of the Brand Fund completed. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Pie Five Restaurants to the Brand Fund during that year or cause the Brand Fund to invest any surplus for its future use or distribute any surplus to then-current franchisees who contributed to the Brand Fund and restaurants operated by us or our affiliates (The Brand Fund will reimburse us for any monies advanced by us). We will make available an unaudited statement of contributions and expenditures for the Brand Fund no sooner than 90 days after the close of our fiscal year to franchisees who make a written request for a copy.

6.4. Local Marketing.

6.4.1. You will spend, at a minimum that portion of the Advertising Obligation not contributed to the Brand Fund for local marketing in authorized advertising media and for authorized advertising expenditures. We or our designee periodically will advise you of the authorized advertising media and authorized advertising expenditures.

6.4.2. You agree to conduct all marketing in a dignified manner and in accordance with the standards and requirements we specify periodically. We may provide to you marketing manual guidelines for creating a marketing plan, scripts and branding tools. You may be required to pay a reasonable fee for accessing and customizing local advertising and promotional materials. You agree that all advertising and promotional materials must bear the Proprietary Marks in the form color, location and manner that we prescribe. We will have the final decision on all creative development of advertising and promotional messages. You also agree that we own all advertising and promotional materials developed by you, and you will take all actions we specify to vest ownership in us.

6.4.3. You must submit all advertising materials to us at least 30 days prior to first use for our approval, which we may grant or withhold in our discretion.

7. Training.

7.1. Initial Training Program.

7.1.1. Before the Restaurant opens for business 2 managerial personnel must attend, and become certified in the Initial Training Program ("ITP") The ITP will include classroom instruction and on-the-job training. We will provide the ITP at a Pie Five Restaurant operated by us or our affiliates and/or at our designated training facilities. We will not authorize the Restaurant to open until those employees have attended and successfully completed the ITP.

7.1.2. As a prerequisite to the ITP, attendees must successfully complete, at your cost, a ServSafe food safety training and certification program administered by the National Restaurant Association Educational Foundation. Evidence of successful completion of the ServSafe food safety training and certification program must be provided to us prior to our authorizing the opening of the Restaurant.

7.1.3. Except as provided below, there is no training fee for the ITP; however, you must pay all salaries, benefits travel living and other expenses incurred by your employees while attending the training. We have the right to dismiss from the ITP any person whom we believe will not perform acceptably in the position for which he/she has been hired, and you must provide a suitable replacement within 30 days of dismissal. In that event we may charge a reasonable tuition fee for the replacement.

7.2. Ongoing Training, Training of Replacement Personnel. We may require your managerial personnel training personnel and/or other previously trained and experienced staff members to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions regional meetings, and conferences that we specify. We may charge reasonable registration or similar fees for these courses. You agree to pay all salaries, benefits, travel, living and other expenses incurred by you and your employees during all training courses and programs.

7.3. Training Materials and Methods. All training materials that we provide to you remain our property. Except for the ITP, we have the right to provide training programs in person, on DVD, via the Internet and/or an Intranet, in printed or other electronic format, or by other means as we determine.

8. Additional Services We Offer.

8.1. Pre-Opening Assistance. We will provide consultation and advice to you, as we deem appropriate, with regard to construction or renovation and operation of the Restaurant building layout, furnishings, fixtures and equipment plans and specifications, employee selection and training, purchasing and inventory control, and those other matters that we deem appropriate.

8.2. Opening Assistance. Upon your reasonable request or at our discretion, we will provide assistance in opening the Restaurant and in training your employees as we deem appropriate in light of your needs and the availability of our personnel. You must pay all travel living and other expenses incurred by our training personnel while providing this assistance.

8.3. Post-Opening Assistance. We periodically, as we deem appropriate, will advise and consult with you regarding the operation of the Restaurant. We, as we believe appropriate, will make available to you information regarding the System and new developments, techniques and improvements in the areas of restaurant design operations, management, menu- development, sales and customer service marketing, and other areas. We may provide these services through visits by our representatives to the Restaurant or your offices, the distribution of printed or filmed material, an Intranet, or other electronic format meetings or seminars, training programs telephone communications or other forms of communications.

9. Manual.

We will furnish you with one copy of or electronic access to the Manual, on loan, for as long as this Agreement remains in effect. (As used in this Agreement the term "Manual" also includes all written and electronic correspondence from us regarding the System other publications materials, drawings, memoranda videotapes, CDs DVDs, audio tapes and electronic media that we from time to time may provide to you). The Manual contains detailed standards, specifications, instructions, forms, reports, and procedures for management and operation of the Restaurant. We reserve the right to furnish all or part of the Manual to you in electronic form or online (including by intranet) and establish terms of use for access to any restricted portion of our website. You acknowledge that we own the copyright in the Manual and that all copies of the Manual in your possession remain our property. You agree to treat the Manual training materials and any other manuals or materials created or authorized by us for use with the System as secret and confidential. You agree not to copy, duplicate, record, or otherwise reproduce the Manual or other materials provided by us, in whole or in part. In addition, you agree not to make any confidential information or materials supplied by us available to any unauthorized person without our prior written consent. We periodically may amend the Manual by letter, email, bulletin, DVD, CD, videotape, audio tapes, software or other forms of communication. We also reserve the right to replace the entire Manual with an updated version at our sole discretion. You agree to keep your copy of the Manual up-to-date, to acquire all equipment and related services to do so, and to comply with each new or changed standard promptly upon receipt of notice from us. If a dispute relating to the contents of the Manual develops, our copy of the Manual maintained at our principal office controls. You agree to operate the Restaurant at all times in strict conformity with the Manual.

10. Operations.

10.1. Compliance with Standards. In recognition of the mutual benefits that come from maintaining the System's reputation for quality, you agree to comply with all mandatory specifications and procedures set forth periodically in the Manual or otherwise in writing. You acknowledge that the appearance, services and operation of the Restaurant are important tous.

10.2. System Modifications. We, in our discretion may periodically change the System, including modifications to the Manual, the menu, the required equipment, the decor, the signs and the Proprietary Marks. You must accept, use or display in the Restaurant any such System changes and make such expenditures as the System changes require. We also have the right to vary System standards in particular instances as we deem appropriate in our reasonable judgment.

10.3. Authorized Products and Services. You may offer for sale and sell in the Restaurant only the products services and brands that we have designated in the Manual or otherwise in writing. You must offer all items that we designate as mandatory. We may also designate some items as optional. We may change the mandatory and optional menu items, recipes, ingredients, and other products and services in our sole discretion. We may require that you sell certain brands and prohibit you from selling other brands. You may sell products only in the varieties, weights, sizes, forms, and packages that we have designated. You must use only authorized ingredients and must follow our recipes in the preparation of menu items. You may not use the Restaurant Location for the sale or display of items not authorized by us. Within 15 days after we provide written notice to you, you must begin selling any newly authorized menu items (or using any newly authorized ingredients) and cease selling any menu item that is no longer authorized (or using any ingredient that is no longer authorized); however, if the discontinued menu item or ingredient could pose a hazard to the public or prove detrimental to the system, you must cease selling or using that item or ingredient immediately. All food, beverages and merchandise authorized for sale at the Restaurant must be offered for sale under the name that we specify. We periodically will provide you suggested retail prices for the products and services offered at the Restaurant and, to the extent permitted by applicable law, we may require that you adhere to our suggested prices, including maximum prices. If you have a suggestion for a new menu item or ingredient or for a change to an authorized menu item or ingredient or you wish to participate in a test market program, you must notify us before you implement any such change or commence any such program. You may not add or modify any menu item or ingredient or participate in a test market program without first obtaining our prior written approval.

10.4. Your Development of System Improvements. If you develop any new concepts, processes or improvements (including new menu items or ingredients) relating to the System or any other development or material relating to the System, you must promptly notify us and provide us with all information regarding the new concept, process, improvement, development or material all of which will become our property and may be incorporated into the System without any payment to you. At your expense, you promptly must take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes or improvements.

10.5. Sourcing of Products and Services. We have the right to require that all food and non-food products, supplies, packaging equipment and services that you purchase for use, sale or resale in the Restaurant: (a) meet specifications that we establish from time to time, (b) be purchased only from suppliers that we have consented to (which may include us or our affiliates), and/or (c) be purchased only from a single source or from a limited number of designated sources (which may include us or our affiliates) To the extent that we establish specifications, require our consent to suppliers or designate specific suppliers for particular items, we will publish our requirements in the Manual or otherwise in writing. We may create purchasing restrictions to control the quality and selection, and ensure the consistency of menu items ingredients and other merchandise, to consolidate System purchases to reduce costs or ensure availability of products or for other valid business reasons. In particular we may develop certain proprietary food products that will be prepared by or for us according to our proprietary special recipes and formulas, and you agree to purchase those food products developed by us pursuant to a special recipe or formula only from us, our affiliates or a third party designated and licensed by us to prepare and sell such products. We and our affiliates may earn income on direct sales of products, ingredients and/or supplies to you. If we or our affiliates receive any rebates, commissions or other payments from third-party suppliers based on your purchases from them we may in our sole discretion retain and use the rebates, commissions or other payments in our discretion.

If you would like to purchase from a supplier who we have not consented to you must submit a written request for consent. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products. You agree to pay to us a reasonable fee not to exceed the actual cost of the inspection and testing the proposed product or evaluating the proposed supplier including personnel and travel costs, whether or not the product or supplier is accepted. We have the right to grant, deny or revoke consent to products, services, and suppliers, in our sole discretion. We will notify you of our decision as soon as practicable following our evaluation. We reserve the right to re-inspect the facilities and products of any accepted supplier and revoke acceptance upon the supplier's failure to meet any of our then- current criteria.

10.6. Upkeep of the Restaurant. You must maintain the Restaurant and all fixtures furnishings, signs and equipment in first-class condition and in the highest degree of cleanliness orderliness, sanitation and repair in accordance with the requirements of the System and the Manual. Expenditures in connection with any signage, including point of sale exterior and interior signage, are considered a maintenance expenditure (whether for repair or replacement). There is no limitation on the amount that you may be required to spend for repairs and maintenance. You may not make any alteration, addition, replacement or improvement in, or to, the interior or exterior of the Restaurant without our prior written consent.

10.7. Maximum Operation of the Restaurant. During the Term you must use the Restaurant Location solely for the operation of the Restaurant and maintain sufficient inventories adequately staff each shift with qualified employees and continuously operate the Restaurant at its maximum capacity and efficiency for the minimum number of days and hours set forth in the Manual (subject to the requirements of local laws and licensing requirements). Notwithstanding the foregoing, you will not be required to operate the Restaurant when the adjacent foodservice businesses are not operating.

10.8. Employees. You have sole responsibility for all employment decisions and functions related to the Restaurant, including hiring, firing compensation, benefits, work hours, work rules, recordkeeping, supervision, and discipline of employees. You must enforce all dress and appearance standards for employees that we may establish. You must maintain a competent conscientious trained staff with enough members to operate the Restaurant in compliance with our standards. You must verify that your employees meet all state and local requirements for certification and meet all prerequisites for employment in the United States.

10.9. Management Supervision. The Restaurant must at all times be under the personal on-premises supervision of one of the following designated individuals who must meet our applicable training qualifications for their position: a general manager, an assistant manager, or for specific limited periods of time as authorized by us, a shift leader. You must notify us of any changes in the general manager position. The Restaurant must have a minimum of 2 trained managers. At all times that the Restaurant is open for business, at least one person must be on site who has been trained in ServSafe as required by Section 7.12 and completed any other locally-required safety or health training.

10.10. Insurance. You must maintain in full force and effect that insurance which you determine to be necessary, which must include at least the types of insurance and the minimum policy limits specified in the Manual or otherwise in writing. Each insurance policy must be written by an insurance company that maintains an "A+" or better rating by the latest edition of Bests Insurance Rating Service (or another rating service designated by us). The insurance policy or policies must protect you, us and our respective past, present and future officers, directors, owners, employees, servants, representatives, consultants, attorneys and agents. We and our affiliates must be named as additional insureds in the policy or policies (statutory policies excepted). Each policy must include a waiver of subrogation in our favor. We may require additional types of coverage or increase the required minimum amount of coverage upon reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. If you maintain a program of self-insurance you may following our consent, self-insure the obligations described in this Section.

10.11. Inspections. We have the right at any time during normal business hours to: (a) conduct inspections of (and photograph and record) the Restaurant, (b) interview your employees, suppliers, and customers, and (c) review your business records including those maintained electronically or off-premises. We can initiate these actions with or without prior notice to you except that prior notice is required for a financial examination or audit as provided in Section 5.4. You must cooperate by giving our representatives unrestricted access and rendering such assistance as they may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. In addition, you agree to participate in programs initiated to verify customer satisfaction and/or your compliance with all operational and other aspects of the System including (but not limited to) an 800 number, secret shoppers, or other programs as we may require. We will share the results of these programs as they pertain to the Restaurant, with you. You will reimburse us for all costs related to the Restaurant associated with any and all of these programs.

10.12. Compliance with Laws and Good Business Practices. You must secure and maintain in force in your name all required licenses permits and certificates relating to the operation of the Restaurant. You must operate the Restaurant in full compliance with all applicable laws, ordinances, and regulations, including those governing or relating to the handling of food products, immigration and discrimination, occupational hazards and health insurance, employment laws, including workers' compensation insurance, unemployment insurance, and the withholding and payment of federal state and local income social security, sales and other taxes. You must notify us, in writing, within 5 days after (a) the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation or financial condition of you or the Restaurant, or (b) receiving any notice of violation of any law, ordinance or regulation relating to health or sanitation at the Restaurant. In your dealings with customers, suppliers and the public you will adhere to the highest standards of honesty, integrity fair dealing and ethical conduct, and you will refrain from any business or advertising practice that may harm the goodwill associated with the Proprietary Marks or the System.

10.13. Non-Cash Payment Systems. You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by us to enable customers to purchase authorized products and must obtain all necessary hardware and/or software used in connection with these non-cash payment systems. You will reimburse us for all costs associated with such non-cash payment systems as they pertain to the FranchisedRestaurant.

11. Proprietary Marks

11.1. Limited Right to Use. Your right to use the Proprietary Marks and Trade Dress applies only to the Restaurant operated at the Restaurant Location. Both during and after the Term, you agree not to directly or indirectly contest or aid in contesting the validity of our and our affiliates' ownership of the Proprietary Marks or take any action detrimental to our or our affiliates' rights in the Proprietary Marks.

11.2. Acknowledgments. You acknowledge that (a) the Proprietary Marks are valid and serve to identify our products services and Pie Five Restaurants, (b) your use of the Proprietary Marks under this Agreement does not give you any ownership interest in them, and (c) all goodwill associated with the Proprietary Marks inures exclusively to our benefit and is our property. Upon the expiration or termination of the Term no monetary amount will be attributable to goodwill associated with your activities as a licensee and franchisee under this Agreement.

11.3. Specific Restrictions on Use. You also agree to (a) use only the Proprietary Marks that we designate, and only in the manner we authorize, (b) use the Proprietary Marks only for the operation of the Restaurant at the Restaurant Location and in authorized advertising for the Restaurant, (c) operate and advertise the Restaurant only under the name "Pie Five Pizza" without prefix or suffix, (d) not use the Proprietary Marks or any names confusingly similar to the Proprietary Marks as part of your entity or legal name, (e) not use or permit the use of the Proprietary Marks or any names confusingly similar to the Proprietary Marks as part of any Internet domain name or e-mail address or in the operation of any Internet web site without our prior written consent and (f) ensure that the Proprietary Marks bear the ® ™ , or symbol, as we prescribe from time to time.

11.4. Changes to the Proprietary Marks. We have the absolute right to change, discontinue or substitute for any of the Proprietary Marks and to adopt new Proprietary Marks for use with the System, without any liability for any impact to the System. You agree to implement any such change at your own expense, regardless of the reason for the change within the time that we reasonably specify.

11.5. Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Proprietary Marks that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge by any person or entity to the validity of, our ownership of or our right to license others to use any of the Proprietary Marks. You acknowledge and agree that we have the right but not the obligation to initiate, direct and control any litigation or administrative proceeding relating to the Proprietary Marks including, but not limited to any settlement. You agree to sign all documents and render any other assistance we may deem necessary to the defense or prosecution of any such proceeding.

12. Your Organization.

12.1. Ownership. Unless you are a publicly-held entity or a wholly-owned subsidiary or affiliate of a publicly-held entity, you must furnish us with a list of all holders of direct or indirect equity interests of 5% or more ("Owners") and their percentage interests, as well as copies of your governing documents (and any amendments thereto) and any other corporate documents books or records that we may request. Your Owners and their respective equity interests as of the Effective Date are identified in Exhibit A You must promptly update this information as changes occur.

12.2. Guarantees. All Owners will jointly and severally guarantee your payment and performance under this Agreement and must bind themselves to the terms of this Agreement pursuant to the Guarantee and Assumption of Franchisee's Obligations ("Guarantee") attached as Exhibit C. We reserve the right to require any guarantor to provide personal financial statements to us from time to time.

13. Transfer By Us.

We have the unrestricted right to transfer or assign all or any part of our interest in this Agreement to any person or legal entity without your consent. You agree that we will have no liability after the effective date of transfer or assignment for the performance of, or any failure to perform any obligations transferred. We also have the right to delegate to others the performance of any of our duties under this Agreement.

14. Transfer By You.

14.1. Definition of Transfer. For purposes of this Agreement "Transfer" means any sale, assignment transfer, conveyance give away, pledge mortgage or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), of any interest in this Agreement, the Restaurant, the Restaurant Location, the agreement granting the right to occupy the Restaurant, the assets of the Restaurant, any ownership interests in you (if you are a business entity) or any other assets pertaining to your operations under this Agreement. "Transfer" does not include a corporate reorganization the result of which is your ownership changes provided that there is no change in your ultimate owner.

14.2. No Transfer Without Our Consent. You acknowledge that this Agreement is personal to you and that we have granted you the rights herein based on our reliance on your (and, if applicable, your Owners') character, skill, aptitude and business and financial capacity. You may not undertake any Transfer or permit any Transfer to occur without obtaining our prior written consent. The decision as to whether to consent to a Transfer will be made in the exercise of our business judgment, but our consent will not be unreasonably withheld; however, we may require that a transfer fee (not to exceed $5 000) be paid. We have the right to communicate with and counsel you and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we consent to the Transfer.

15. <u>Covenants.</u>

15.1. <u>Confidential Information.</u> During and after the Term, you may not communicate divulge or use for any purpose other than the development and/or operation of the Restaurant any confidential information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of this Agreement or the operation of the Restaurant. All information, knowledge and know-how relating to us, our business plans or the System are deemed confidential for purposes of this Agreement except information that you can demonstrate came to your attention by lawful means prior to our disclosure, or that at the time of our disclosure to you had become a part of the public domain.

15.2. <u>Restrictions.</u> You covenant and agree that during the Term and, if this Agreement is terminated prior to the end of Term, for a period of 12 months following that termination you will not, either directly or indirectly, for yourself or through on behalf of or in conjunction with any person, firm, partnership, corporation or other entity own, maintain, operate, engage in, grant a franchise to, advise, help, make loans to, or have any interest in, either directly or indirectly, any foodservice operation at the Facility: (a) whose sales of pizza or Italian-style food products are reasonably likely to account collectively for 20% or more of the sales of the restaurant business in any calendar month, or (b) whose method of operation or trade dress is similar to that used in the System ("Competitive Business"). This restriction will not apply to the existing Competitive Businesses if any, which are identified in Appendix A.

15.3. <u>Modification.</u> We will have the right, in our sole discretion, to reduce the scope of any covenant in this Section 15 effective immediately upon your receipt of written notice, and you agree that you will comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 23.

15.4. <u>Enforcement.</u> You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 15. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 15, including reasonable attorneys' fees. You acknowledge that a violation of the terms of this Section 15 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 15. Such injunctive relief will be in addition to any other remedies that we may have.

15.5. <u>Survival.</u> The terms of this Section 15 will survive the termination, expiration or any Transfer of this Agreement and will be construed as independent of any other provision of this Agreement.

16. <u>Default and Termination.</u>

Except as otherwise provided in this Agreement you will have 30 days after written notice of default from us within which to remedy any default under this Agreement and provide evidence of that remedy to us. If any default is not cured in that time, this Agreement will terminate without further notice to you upon expiration of that time unless we advise you otherwise in writing. You will be in default under this Agreement for any failure to comply with any of the material requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith. Notwithstanding the foregoing, if you default in the payment of any monies owed to us or our affiliates when those monies become due and payable, and you fail to pay those monies within 10 days after receiving written notice of default, this Agreement will terminate without further notice to you upon expiration of that time, unless we advise you otherwise in writing. If you have received 2 or more notices of default within the previous 12 months, we will be entitled to send you a notice of termination upon your next default within that 12 month period, without providing you an opportunity to remedy the default. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

17. Obligations on Termination or Expiration.

17.1. Your Obligations. Upon termination or expiration of this Agreement for any reason, unless we direct you otherwise:

17.1.1. All rights and licenses granted to you under this Agreement (including without limitation rights to use the System the Manual and the Proprietary Marks) will immediately terminate and you will immediately and permanently cease to use in any manner whatsoever the System, the Proprietary Marks and the Manual.

17.1.2. You must immediately cease to operate the Restaurant and may not thereafter, directly or indirectly represent to the public or hold yourself out as a present or former licensee or franchisee of the System.

17.1.3. You must promptly pay all sums owing to us, our affiliates and your suppliers These sums include, but are not limited to, the Royalty interest or other fees damages, expenses and attorneys' fees incurred as a result of your default.

17.1.4. You will continue to abide by the applicable restrictions in Section 15 and will not directly or indirectly, take any action that violates those restrictions.

17.1.5. If you operate any other business, you must not use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks in connection with that business that is likely to cause confusion mistake or deception, or which is likely to dilute our exclusive rights in and to the Proprietary Marks, nor any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with us. Within 15 days, you must promptly take such action as may be necessary to cancel any assumed name registration or equivalent registration, and any domain name registration that contains the name Pie Five Pizza or any other Proprietary Marks.

17.1.6. You must make modifications or alterations to the Restaurant immediately upon termination or expiration of this Agreement as necessary to prevent the operation of any business in violation of this Section 17 and any specific additional changes we reasonably request for that purpose.

17.1.7. You must immediately deliver to us the Manual and all training materials, marketing materials records, files instructions, and correspondence in your possession or control that contain confidential information (as described in Section 15.1). You also must deliver to us all customer information that you have compiled and uninstall any software that we have provided.

17.2. Evidence of Compliance. You will furnish to us within 30 days after the effective date of termination or expiration evidence (certified to be true, correct and complete by an officer or Owner) satisfactory to us of your compliance with Section 17.1.

18. Option To Purchase.

Upon the expiration or termination of this Agreement for any reason, we will give written notice to you, within 10 days after the later of the effective date of termination or expiration or the date you cease to operate the Restaurant, if we intend to exercise our option to purchase from you some or all of the equipment and/or the nonperishable inventory used in the Restaurant. We will have the unrestricted right to assign this option to purchase. The purchase price for the inventory will be the price paid by you. The purchase price for the equipment will be its fair market value, determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the equipment. If we and you are unable to agree on the fair market value of the equipment within 30 days after your receipt of our notice of our intent to exercise our option to purchase, the fair market value will be determined by one professionally certified appraiser appointed by us.

19. Relationship of The Parties.

This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, franchisee, joint venture partner, employee, or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the Term, you agree to hold yourself out to the public as an independent contractor operating the Restaurant under license from us and you agree to exhibit a notice to that effect (the location and content of which we reserve the right to specify) in a conspicuous place at the Restaurant.

20. Indemnification.

You agree to defend indemnify and hold us and our past, present and future affiliates, officers, directors, shareholders, agents, attorneys, consultants and employees harmless against any claims, losses, costs, expenses, liabilities and damages (collectively, "Claims') arising directly or indirectly from, as a result of or in connection with your activities under this Agreement or your other businesses at the Facility, as well as the costs of defending against such Claims (including, but not limited to, reasonable attorneys' fees, costs of investigation, settlement costs, and interest). You promptly will give us written notice of any litigation, proceeding or dispute filed or instituted against you that could directly or indirectly affect us or any of the other indemnitees under this Section and, upon request, you will furnish us with copies of any documents from such matters as we may request.

21. Consents and Waivers.

Whenever this Agreement requires the prior approval or consent of either party, the other party will make a timely written request therefor, and any approval or consent received in order to be effective and binding, must be obtained in writing. No failure of either party to exercise any power reserved to it by this Agreement or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms of this Agreement, will constitute a waiver of a party's right to demand exact compliance with any of the terms of this Agreement. Subsequent acceptance by either party of any payments due to it hereunder will not be deemed to be a waiver by either party of any preceding breach by the otherparty.

22. Notices.

Notices related to this Agreement will be effective upon receipt (or first rejection) and may be given by any of the following delivery methods (a) certified or registered mail, (b) U S priority mail or national commercial delivery service (e g, UPS, Federal Express), (c) facsimile (if the sender receives machine confirmation of successful transmission), or (d) email (if receipt is verified within 24 hours of transmission). Notices sent by (a) or (b) must be sent to the addresses on the first page of this Agreement. Facsimile and email notices must be sent to the number/email address provided by the party. Either party can change its notice address by informing the other party.

23. Entire Agreement.

This Agreement, the Manual, the documents referred to in this Agreement, and the attachments to this Agreement constitute the entire agreement between the parties with respect to the Restaurant and supersede all prior negotiations representations, correspondence, and agreements concerning the same subject matter. There are no other representations, inducements, promises, agreements, arrangements. or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this

Agreement, the Manual, the documents referred to in this Agreement, and the attachments to this Agreement. Nothing in this Agreement or any related agreement, however, is intended to disclaim any representation made by us in the Pie Five Disclosure Document that we provided to you in connection with your execution of this Agreement. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed in writing.

24. <u>Severability and Construction</u>.

24.1. <u>Severability.</u> Each provision of this Agreement is severable from the others. If, for any reason, any provision is determined by a court to be invalid the invalidity will not impair the operation of the remaining provisions of this Agreement. The latter will continue to be given full force and effect and bind us and you, and the invalid provision(s) will be deemed not to be a part of this Agreement.

24.2. <u>Survival.</u> Each provision of this Agreement that, expressly or by reasonable implication, is to be performed, in whole or in part after the expiration, termination or Transfer of this Agreement will survive expiration, termination or Transfer.

24.3. <u>Construction.</u> Except as expressly otherwise provided, nothing in this Agreement is intended or will be deemed to confer any rights or remedies upon any person or legal entity other than you and us.

24.4. <u>Our Discretion.</u> Whenever we have a right and/or the discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action except as otherwise expressly and specifically provided in this Agreement, we may make that decision or exercise our right and/or discretion on the basis of our judgment of what is in the best interests of the System. Our judgment of what is in the best interests of the System, at the time our decision is made or our right or discretion is exercised, can be made without regard to whether (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us, (b) our decision or the action taken promotes our financial or other individual interest, (c) our decision or the action taken applies differently to you and our company-owned or affiliate-owned operations, or (d) our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

25. <u>Dispute Resolution</u>.

25.1. <u>Choice of Law.</u> This Agreement and the relationship between the parties is governed by and will be construed in accordance with the laws of the State of Texas. Nothing in this Section is intended or will be deemed, to make any Texas law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if that law would not otherwise be applicable.

25.2. <u>Choice of Forum.</u> The parties agree that, to the extent any disputes cannot be resolved directly between them, you must file any suit against us only in the federal or state court having jurisdiction in Collin County, Texas or in the county in which our principal offices are then located (currently Denton County, Texas) at the time suit is filed. We may file suit in the federal or state court located in Collin County, Texas, the jurisdiction where our principal offices are located at the time suit is filed, or in the jurisdiction where you reside or do business, or where the Restaurant is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

25.3. <u>Limitation of Actions.</u> Unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to you) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of 2 years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

25.4. Mutual Waivers. Each of us irrevocably waives trial by jury in any litigation. Each of us also waives any right to or claim of punitive, exemplary, multiple or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained.

25.5. Remedies Not Exclusive. Except as provided in Sections 25.1 through 25.4, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law. The parties' rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement that it is entitled by law or this Agreement to exercise or enforce.

25.6. Reimbursement of Costs and Expenses. If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including but not limited to, reasonable accountants, attorneys', attorneys assistants and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you must reimburse us for any of the above-listed costs and expenses incurred by us In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

26. Miscellaneous.

26.1. Counterparts. This Agreement may be executed in counterparts and each copy so executed and delivered will be deemed an original.

26.2. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including but not limited to the failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to declaratory and injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security.

26.3. Compliance with U.S. Laws. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23 2001 ("Order"), we are prohibited from engaging in any transaction with any person engaged in or with a person aiding any person engaged in, acts of terrorism as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you (a) do not and hereafter will not, engage in any terrorist activity, (b) are not affiliated with and do not support any individual or entity engaged in contemplating, or supporting terrorist activity, and (c) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating or supporting terrorist activity, or to otherwise support or further any terrorist activity.

(the remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the parties have executed this Agreement by their duly authorized representatives

ATTEST	**PIE FIVE PIZZA COMPANY, INC.**
By: ______________________	By: ______________________
Print Name: ______________________	Print Name: ______________________
Title: ______________________	Title: ______________________
	Date: ______________________

ATTEST/WITNESS	**FRANCHISEE**
	______________________
By: ______________________	By: ______________________
Print Name: ______________________	Print Name: ______________________
Title: ______________________	Title: ______________________
	Date: ______________________

EXHIBIT A

FRANCHISE INFORMATION

1. **Restaurant Location** ____

____

2. **Facility** ____

3. **Advertising Obligation**

Brand Fund	_____% of Gross Sales
Local Marketing	_____% of Gross Sales
Total	_____% of Gross Sales

4. **Ownership.** The following persons constitute all of the owners of a legal and/or beneficial interest in you (if applicable)

Name	Address	Ownership Interest	Office Held/Position

5. **Existing Competitive Businesses** _______________________________________

____

EXHIBIT B

GUARANTEE AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of and as an inducement to the execution of the Pie Five Franchise Agreement dated as of______________________(“Agreement”), by Pie Five Pizza Company, Inc. (“Pie Five”) entered into with____(“Franchisee”), the undersigned (“Guarantors”), each of whom is an Owner, hereby personally and unconditionally agree as follows:

1. **Guarantee To Be Bound By Certain Obligations**. Guarantors hereby personally and unconditionally guarantee to Pie Five and its successors and assigns for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity that each will be personally bound by the restrictions contained in Section 15 of the Agreement.

2. **Guarantee and Assumption of Franchisee's Obligations**. Guarantors hereby (A) guarantee to Pie Five and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement or at law or in equity that Franchisee and any assignee of Franchisee's interest under the Agreement will (1) punctually pay and perform each and every undertaking agreement and covenant set forth in the Agreement and (2) punctually pay all other monies owed to Pie Five and/or its affiliates, (B) agree to be personally bound by each and every provision in the Agreement, including, without limitation, the provisions of Section 20, and (C) agree to be personally liable for the breach of each and every provision in the Agreement.

3. **General Terms and Conditions**. The following general terms and conditions will apply to this Guarantee:

A. Each of the undersigned waives (1) acceptance and notice of acceptance by Pie Five of the foregoing undertakings, (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed, (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability, (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guarantee by the undersigned, (6) any law or statute which requires that Pie Five make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon collecting from or taking any action against the undersigned with respect to this Guarantee, (7) any and all other notices and legal or equitable defenses to which he may be entitled, and (8) any and all right to have any legal action under this Guarantee decided by a jury.

B. Each of the undersigned consents and agrees that (1) his direct and immediate liability under this Guarantee will be joint and several, (2) he will render any payment or performance required under the Agreement if Franchisee fails or refuses punctually to do so, (3) such liability will not be contingent or conditioned upon pursuit by Pie Five of any remedies against Franchisee or any other person, (4) such liability will not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time credit or other indulgence which Pie Five may from time to time grant to Franchisee or to any other person including without limitation the acceptance of any partial payment or performance or the compromise or release of any claims none of which will in any way modify or amend this Guarantee, which will be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Pie Five or its affiliates under the Agreement, and (5) monies received from any source by Pie Five for application toward payment of the obligations under the Agreement and under this Guarantee may be applied in any manner or order deemed appropriate by Pie Five. In addition, if any of the undersigned ceases to be a member of the Continuity Group an Owner or an officer or director of Franchisee, that person agrees that the obligations under this Guarantee will continue to remain in force and effect unless

Pie Five in its sole discretion in writing releases those person(s) from this Guarantee.

C. If Pie Five brings an action to enforce this Guarantee in a judicial proceeding or arbitration, the prevailing party in such proceeding will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants' attorneys', attorneys', assistants', and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding In any judicial proceeding, these costs and expenses will be determined by the court and not by a jury.

D. If Pie Five utilizes legal counsel (including in-house counsel employed by Pie Five or its affiliates) in connection with any failure by the undersigned to comply with this Guarantee, the undersigned will reimburse Pie Five for any of the above-listed costs and expenses incurred by it.

E. If any of the following events occur, a default ("Default") under this Guarantee will exist: (1) failure of timely payment or performance of the obligations under this Guarantee, (2) breach of any agreement or representation contained or referred to in this Guarantee, (3) the dissolution of, termination of existence of, loss of good standing status by appointment of a receiver for assignment for the benefit of creditors of or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned, and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax hen against or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, the obligations of the undersigned will be due immediately and payable without notice. Upon the death of one of the undersigned, the estate will be bound by this Guarantee for all obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

F. This Guarantee will inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Pie Five's interests in and rights under this Guarantee are freely assignable, in whole or in part, by Pie Five. Any assignment will not release the undersigned from this Guarantee.

G. Sections 25.1 through 25.6 of the Agreement are incorporated by reference into this Guarantee and all capitalized terms that are not defined in this Guarantee will have the meaning given them in the Agreement.

IN WITNESS WHEREOF each of the undersigned has hereunto affixed his signature under seal.

GUARANTORS

Date: ______________________________ ____

Print Name: ________________________________

Address: ___________________________________

Date: ______________________________ ____

Print Name: ________________________________

Address: ___________________________________

Date: _______________________ ____

Print Name: ________________________________

Address: ___________________________________

Date: _______________________ ____

Print Name: ________________________________

Address: ___________________________________

EXHIBIT E

LEASE ADDENDUM

(Standard Restaurant)

PIE FIVE PIZZA COMPANY – FRANCHISEE
REQUIRED LEASE ADDENDUM
RIDER AND SPECIAL STIPULATIONS

TO LEASE AGREEMENT DATED ___________________

BY AND BETWEEN

____________________________________, AS "LANDLORD" AND

____, AS "TENANT"

FOR THE DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a Pie Five Pizza Co. restaurant in the Premises, and that Tenant's rights to operate a Pie Five Pizza Co. restaurant and to use the Pie Five Pizza Co. name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement'') between Tenant and _________________ _____________ ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor) succeeding to Tenant's interest in the Lease by mutual agreement of Franchisor and Tenant, or as a result of Franchisor's exercise of rights remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights and other rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) 30 days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but

Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

____

Attention:
3551 Plano Parkway
The Colony, Texas 75056

With a copy to:

Arnall Golden Gregory, LLP
Attention: Jonathan L. Neville, Esq.
171 17th Street, Suite 2100
Atlanta, GA 30363

3. <u>Non-disturbance from Mortgage Lenders</u>. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to paragraph 2 immediately above).

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED

A. ☐ Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

B. ☐ A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor.

4. <u>Financing of Trade Fixtures by Franchisor and Security Interest</u>. Any security interest and/or Landlord's lien in Tenant's trade fixtures, 'trade dress', equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord. Upon request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

5. <u>Assignment Rights of Franchisor and Affiliates</u>. Notwithstanding anything to the contrary contained in the Lease or this Rider, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) the transfer of equity interests among existing holders of equity interests in Tenant or any direct or indirect parent thereof, to or among family members, or to trusts for the benefit of any of such parties, (ii) the transfer of equity interests in Tenant or any direct

or indirect parent thereof in connection with a public offering of equity interests, (iii) any transfer of equity interests in Tenant or any direct or indirect parent thereof, if Tenant or any direct or indirect parent of Tenant is a public company, (iv) any direct or indirect transfers, including any sale, of equity interests in Tenant or any affiliate thereof, or (v) any change in the members of the board of managers, directors, management or organization of Tenant or any affiliate thereof, shall not be deemed an assignment, subletting, change of control or other transfer of Tenant's interest in and to this Lease.

6. Radius and Relocation Clauses Ineffective. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) all "radius" restrictions or other limitations contained within the Lease limiting the operation of other locations/stores/units within a certain geographic area shall be of no further force or effect; and (ii) all rights of Landlord to directly or indirectly relocate the Premises shall be of no further force or effect.

7. Limitation of Certain Default Remedies. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) unless and until Landlord secures a final, non-appealable court order granting Landlord exclusive possession of the Premises, Landlord shall have no right to change or alter the locks of the Premises or discontinue any utilities to the Premises as a remedy for any uncured Tenant default under the Lease; and (ii) in no event shall Landlord have the right to accelerate rental against Tenant or any guarantor of Tenant (provided, however, that this clause (ii) shall not limit acceleration of rental, if permitted in the Lease, against the originally named "Tenant" or any original guarantors of Tenant).

8. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the restaurant). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's restaurant as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease unless Franchisor exercises such rights to assume the Lease as set forth in Section 1 of this Rider. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Pie Five Pizza Co. name or trademarks, service marks or other commercial symbols of Franchisor.

9. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce thesame.

10. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

11. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD:____________________________	**TENANT**: _______________________________
By:______________________________________	By:______________________________________
Name:____________________________________	Name:____________________________________
Title:____________________________________	Title: ____________________________________

EXHIBIT F

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

In consideration of the willingness of Pie Five Pizza Company, Inc. ("Pie Five") to permit me to review the confidential and proprietary operating manuals ("Manual") before entering into a Franchise Agreement, I agree, individually and as an officer or partner of any corporation or partnership that may enter into an agreement with Pie Five as follows:

1. As used in this Agreement, the term "Confidential Information" means all information contained in the Manual and all other information relating to the Pie Five System disclosed to me except: information which is now or hereafter becomes generally known (other than by unauthorized disclosure, whether deliberate or inadvertent, by myself or by any other person, firm or corporation with which I am affiliated); information which was in my possession at the time of receipt of the Manual; and information which comes into my possession after the date of this Agreement from a source not under an obligation of secrecy to Pie Five.

2. I agree not to make any use of the Confidential Information, not to make any copies of the Confidential Information and not to reveal any of the Confidential Information to any person who has not signed a Confidentiality Agreement with Pie Five.

3. This Agreement will be governed and construed in accordance with the laws of the state in which I reside.

Signature:______________________________	Signature: ______________________________
Print Name:_____________________________	Print Name: _____________________________
Date:__________________________	Date: ___________________________

EXHIBIT G

TABLE OF CONTENTS FOR MANUAL

Operations (OPS)

Crisis/Safety (SAF)

Food and Beverage (FAB)

Aloha/MenuLInk (POS)

Menu Recipes

Prep Recipes

Accounting (ACC)

Training and Development (DEV)

New Store Opening (NSO)

Manager Handbook

EXHIBIT H

LIST OF CURRENT DEVELOPERS AND FRANCHISEES

LIST OF CURRENT FRANCHISEES AS OF FISCAL YEAR END

Franchisee	Address	City	State	Zip	Phone
Guttshall, Kurt	7450 Airport Rd. Ste D	Mobile	AL	36695	(251) 287-7808
Brent, Stuart	20770 I-30 Ste 150	Benton	AR	72019	(501) 794-4900
Brent, Stuart	10800 Bass Pro Pkwy Ste D	Little Rock	AR	72210	(501) 455-7435
Chung, Jae	SFO Airport Term 3	San Francisco	CA	94128	(415) 516-4807
Awad, Mashoor	1211 N. DuPont Hwy	Dover	DE	19901	(302) 734-7435
*Dukart, Joel	6221 W. Sample Rd	Coral Springs	FL	33067	(754) 240-9055
Mitchell, Maynard / Thomas, Stacy	1500 Hwy 20 W Ste 130	McDonough	GA	30253	(770) 957-7470
Mitchell, Maynard / Thomas, Stacy	311 Bullsboro Dr. Ste 190	Newnan	GA	30263	(770) 251-2876
Roberts, Steve	1315 SW Oralabor Rd Ste 101	Ankeny	IA	50023	(515) 289-0480
Mansour, Ahmad	537 Oakbrook Center	Oak Brook	IL	60523	(630) 560-3215
Trejo, Greg / Long, Tim	1110 Fleming St.	Garden City	KS	67846	
*Goebel, Dave	11725 Roe Ave Ste A	Leawood	KS	66211	(913) 906-9003
*Goebel, Dave	12154 W. 95th St	Lenexa	KS	66215	(913) 495-9509
*Goebel, Dave	2500 Iowa St.	Lawrence	KS	66046	(785) 551-7170
*Goebel, Dave	6809 Johnson Drive	Mission	KS	66202	(913) 283-8321
*Goebel, Dave	15400 W. 119th St.	Olathe	KS	66092	(913) 782-0580
*Goebel, Dave	9133 Metcalf Rd.	Overland Park	KS	66212	(913) 766-1407
*Goebel, Dave	13366 Metcalf Ave	Overland Park	KS	66213	(913) 897-7435
*Goebel, Dave	1129 SW Wannamaker Rd.	Topeka	KS	66604	(785) 273-7435
*Lankford, Ford / Mehrizi, Mark	3401 Nicholasville Rd.	Lexington	KY	40503	(859) 271-6839
*Lankford, Ford / Mehrizi, Mark	867 S. Broadway Ste 130	Lexington	KY	40504	(859) 246-0014
*Schwandter, Roger	7050 Friendship Rd BWI Airport	Baltimore	MD	21240	(443) 960-4632
*Schwandter, Roger	7050 Friendship Rd BWI Airport	Baltimore	MD	21240	(443) 850-8989
*Mengel, Jeff	6455-32 Dobbin Rd.	Columbia	MD	21045	(240) 512-0025
*Mengel, Jeff	9525 Baltimore National Pike Ste 100	Ellicott City	MD	21042	(443) 420-7700
*Mengel, Jeff	6653 B Governor Ritchie Hwy	Glen Burnie	MD	21061	(410)760-1200
*Mengel, Jeff	10995 Owings Mills Blvd	Owings Mills	MD	21117	(410) 581-7998
*Mengel, Jeff	5209 B Campbell Blvd	White Marsh	MD	21236	(410) 933-6672
*Huffman, Rick / Rheem, Jamie	482 Branson Landing Blvd Stse 103	Branson	MO	65616	(417) 320-6184
*Goebel, Dave	18921 E Valley View Pkwy Suite D	Independence	MO	64506	(816) 886-0229
*Huffman, Rick / Rheem, Jamie	1008 E Battlefield Rd Ste 100	Springfield	MO	65807	(417) 882-2723

Franchisee	Address	City	State	Zip	Phone
*Goebel, Dave	3508 N. Belt Hwy	St. Joseph	MO	64506	(816) 273-5252
Guttshall, Kurt	777 Beach Blvd	Biloxi	MS	39530	(228) 435-4159
*Bajema, Billy/Fields, Josh/Jones, Tyce/Birdwell, Brandon	1380 W. Covell Rd Ste 156	Edmond	OK	73003	(405) 216-5219
*Bajema, Billy/Fields, Josh/Jones, Tyce/Birdwell, Brandon	750 SW 19th Ste C	Moore	OK	73160	(405) 799-2801
*Bajema, Billy/Fields, Josh/Jones, Tyce/Birdwell, Brandon	9700 N. Garnett Rd. Ste A	Owasso	OK	74055	(918) 376-6424
*Bajema, Billy/Fields, Josh/Jones, Tyce/Birdwell, Brandon	611 N. Perkins Rd. Ste A	Stillwater	OK	74075	(405) 372-2177
*Bajema, Billy/Fields, Josh/Jones, Tyce/Birdwell, Brandon	2121 S Yukon Pkwy Ste 100	Yukon	OK	73099	(405) 265-2088
*Davis, Rich / Payne, Ron	108 Morris Rd. Ste 104	Clarksville	TN	37040	(931) 919-5045
*Davis, Rich / Payne, Ron	401 B Cool Springs Blvd Ste 220	Franklin	TN	37067	(615) 236-9120
*Davis, Rich / Payne, Ron	271 Indian Trail Blvd Ste 130	Hendersonville	TN	37075	(615) 265-8182
Guttshall, Kurt	2059 Hamilton Place Ste 3C	Johnson City	TN	37604	(423) 262-0095
Guttshall, Kurt	1708 East Stone Dr.	Kingsport	TN	37660	(423) 765-9361
*Davis, Rich / Payne, Ron	810 Gale Lane Ste 200	Nashville	TN	37204	(615) 678-1065
*Davis, Rich / Payne, Ron	2280 Lebanon Pike	Nashville	TN	37067	(615) 457-1051
*Davis, Rich / Payne, Ron	450 Sam Ridley Parkway W Space 1	Smryna	TN	37167	(615) 984-7607
*Afzal, Mo & Sheila	190 E. Stacy Rd. Ste 402	Allen	TX	75002	(972) 912-3135
Mikhail & Soliman	5927 Greenville Ave.	Dallas	TX	75206	(214) 526-7435
Mikhail & Soliman	15250 N. Dallas Pkwy Ste 100	Dallas	TX	75248	(972) 726-7435
*Afzal, Mo & Sheila	2921 SH 121 ste 500	Euless	TX	76039	(817) 283-0231
*Lalani, Nick (Nadirali)	5110 Main St. Ste 500	Frisco	TX	75034	(214) 705-6335

Franchisee	Address	City	State	Zip	Phone
*Afzal, Mo & Sheila	2600 W. 7th Ste 105	Ft Worth	TX	76107	(817) 332-7435
*Afzal, Mo & Sheila	3000 Texas Sage Trail	Ft Worth	TX	76177	(817) 741-7435
*Lalani, Nick (Nadirali)	6440 N. MacArthur Ste 130	Irving	TX	75039	(972) 506-7435
*Afzal, Mo & Sheila	1430 Keller Parkway Ste 100	Keller	TX	76248	(817) 741-7439
Moore, Michael & CaraBeth	2912 W. Loop 289 Ste 101	Lubbock	TX	79407	(806) 788-5554
Clark, Charlie	109 Murphy Rd.	Murphy	TX	75094	(972) 423-3354
*Afzal, Mo & Sheila	1101 S. Preston Rd. Ste 101	Prosper	TX	75078	(469) 481-6545

Names designated with an asterisk (*) are franchisees who are party to a Development Agreement.

Signed Development Agreement, But Stores Not Opened

Kidzania		Frisco	TX		
Douglass Distributing		Sherman	TX		
Prasad, Ravi		Corvallis	OR		
*Afzal, Mo & Sheila	501 Spaniolo Dr. Space 4	Arlington	TX	76010	

EXHIBIT I

LIST OF FORMER DEVELOPERS AND FRANCHISEES

LIST OF LICENSEES WHO CLOSED

PIE FIVE RESTAURANTS IN FISCAL YEAR 2019

Franchisee	Address	City	State	Phone
Dukart, Joel	22905 Lyden Dr. Ste 103	Estero	FL	917-359-9528
Dukart, Joel	2689 Gulf to Bay Blvd Ste 1840	Clearwater	FL	917-359-9528
Lalani, Nick	311 Bullsboro Dr Ste 190	Newnan	GA	817-846-4145
Lalani, Nick	1500 Hwy 20 W Ste 13	McDonough	GA	817-846-4145
Stevens, Jim	2035 N. Rock Rd	Wichita	KS	316-259-3858
Goebel, Dave	623 N. Manhattan Ave	Manhattan	KS	913-484-9467
Goebel, Dave	534 Westport Rd	Kansas City	MO	913-484-9467
Steiner, Jeff	2117 US Hwy 70 SE	Hickory	NC	704-230-1982
Goswami, Dinesh	3010 NJ 27 #8-9	Kendall Park	NJ	609-506-7031
Goswami, Dinesh	603 Rt 18 South	East Brunswick	NJ	609-506-7031
Birdwell, Brandon	7454 S. Olympia Ave W	Tulsa	OK	405-612-4639
Guttshall, Kurt	777 Tiverton Casino Blvd	Tiverton	RI	205.824-5060 x8225
Cage, Nathan	501 Spaniolo Dr. Ste 4	Arlington	TX	936-632-7276
Cage, Nathan	2151 N. Collins Ste 105	Arlington	TX	936-632-7276
Lalani, Nick	3400 E. Hebron Pkwy Ste 116	Carrollton	TX	817-846-4145
Lalani, Nick	3711 Justin Rd. Ste 110	Flower Mound	TX	817-846-4145
Lalani, Nick	4600 SH 121 Ste 110	Lewisville	TX	817-846-4145
Cage, Nathan	2912 W. Loop 289 Ste 101	Lubbock	TX	936-632-7276
Cage, Nathan	4415 S. Medford	Lufkin	TX	936-632-7276
Lalani, Nick	21460 Kuykendahl Ste 240	Spring	TX	817-846-4145
Cage, Nathan	6995 S. Broadway Ave Ste 10	Tyler	TX	936-632-7276
Patel, Chirag/Patidar, Sudesh	720 S. 5th St Ste 100	Waco	TX	972-897-7430 C
Percy, Jeff	1601 Willow Lawn Dr.	Richmond	VA	804-358-7436

LIST OF LICENSEES WHO TRANSFERRED
PIE FIVE RESTAURANTS IN FISCAL YEAR 2019

Franchisee	Address	City	State	Phone
Lalani, Nick	6440 N. MacArthur Ste 130	Irving	TX	817-846-4145
Pie Five Pizza Co.	6440 N. MacArthur Ste 130	Irving	TX	469-384-5000
Lalani, Nick	5110 Main St.	Frisco	TX	817-846-4145
Awad, Mashoor	1211 N. DuPont Hwy	Dover	DE	817-846-4145

EXHIBIT J

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Rave Restaurant Group, Inc.
The Colony, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Rave Restaurant Group, Inc. (the Company) as of June 30, 2019 and June 24, 2018, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the fiscal years ended, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and June 24, 2018, and the results of its operations and its cash flows for each of the years in the fiscal years ended June 30, 2019 and June 24, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2010.

/s/ Baker Tilly Virchow Krause, LLP
Plano, Texas
September 30, 2019

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended	
	June 30, 2019	**June 24, 2018**
REVENUES:	$ 12,319	$ 15,120
COSTS AND EXPENSES:		
Cost of sales	1,120	3,654
General and administrative expenses	5,274	7,597
Franchise expenses	3,778	2,645
Pre-opening expenses	-	114
Loss/(gain) on sale of assets	(551)	(144)
Impairment of long-lived assets and other lease charges	1,664	894
Bad debt	1,265	351
Interest expense	104	183
Depreciation and amortization expense	466	874
Total costs and expenses	13,120	16,168
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(801)	(1,048)
Income tax benefit	(51)	(3,322)
INCOME / (LOSS) FROM CONTINUING OPERATIONS	(750)	2,274
Loss from discontinued operations, net of taxes	-	(362)
NET INCOME / (LOSS)	$ (750)	$ 1,912
INCOME / (LOSS) PER SHARE OF COMMON STOCK - BASIC:		
Income / (loss) from continuing operations	$ (0.05)	$ 0.17
Loss from discontinued operations	-	(0.03)
Net income / (loss)	$ (0.05)	$ 0.14
INCOME / (LOSS) PER SHARE OF COMMON STOCK - DILUTED:		
Income / (loss) from continuing operations	$ (0.05)	$ 0.16
Loss from discontinued operations	-	(0.03)
Net income / (loss)	$ (0.05)	$ 0.13
Weighted average common shares outstanding - basic	15,070	13,854
Weighted average common and potential dilutive common shares outstanding	15,070	14,983

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2019	June 24, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,264	$ 1,386
Accounts receivable, less allowance for bad debts of $209 and $158, respectively	1,191	1,518
Other receivable	-	300
Notes receivable, less allowance of bad debt of $916 and $0, respectively	389	712
Inventories	7	6
Income tax receivable	4	5
Property held for sale	231	539
Deferred contract charges	38	-
Prepaid expenses and other	346	273
Total current assets	4,470	4,739
LONG-TERM ASSETS		
Property, plant and equipment, net	500	1,510
Intangible assets definite-lived, net	196	212
Long-term notes receivable	735	803
Deferred tax asset, net	4,060	3,479
Long-term deferred contract charges	232	-
Deposits and other	233	243
Total assets	$ 10,426	$ 10,986
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 400	$ 421
Accounts payable - lease termination impairments	832	353
Accrued expenses	834	1,109
Deferred rent	37	32
Deferred revenues	275	65
Total current liabilities	2,378	1,980
LONG-TERM LIABILITIES		
Convertible notes	1,584	1,562
Deferred rent, net of current portion	397	433
Deferred revenues, net of current portion	1,561	670
Other long-term liabilities	72	42
Total liabilities	5,992	4,687
COMMITMENTS AND CONTINGENCIES (SEE NOTE J)		
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,208,141 and 22,166,674 shares, respectively; outstanding 15,090,837 and 15,047,470 shares, respectively	222	222
Additional paid-in capital	33,327	33,206
Accumulated deficit	(4,483)	(2,493)
Treasury stock at cost		
Shares in treasury: 7,117,304 and 7,119,204, respectively	(24,632)	(24,636)
Total shareholders' equity	4,434	6,299
Total liabilities and shareholders' equity	$ 10,426	$ 10,986

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-in	Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Total
BALANCE, JUNE 25, 2017	**10,667**	**$ 178**	**$ 26,784**	**$ (4,405)**	**(7,119)**	**$ (24,636)**	**$ (2,079)**
Stock compensation expense	-	-	115	-	-	-	115
Conversion of senior notes, net	614	6	1,308	-	-	-	1,314
Sale of shares	3,766	38	5,140	-	-	-	5,178
Equity issue costs - Sr conv notes	-	-	(92)				(92)
Equity issue costs - ATM offering	-	-	(49)	-	-	-	(49)
Net income	-	-	-	1,912		-	1,912
BALANCE, JUNE 24, 2018	**15,047**	**$ 222**	**$ 33,206**	**$ (2,493)**	**(7,119)**	**$ (24,636)**	**$ 6,299**
ASC 606 cumulative opening adjustment	-	-	-	(1,622)	-	-	(1,622)
ASC 606 Q4 tax adjustment	-	-	-	382	-	-	382
Stock compensation expense	-	-	36	-	-	-	36
Conversion of senior notes, net	-	-	-	-	2	4	4
Issuance of common stock	44	-	88	-	-	-	88
Equity issue costs - ATM Offering	-	-	(3)	-	-	-	(3)
Net loss	-	-	-	(750)	-	-	(750)
BALANCE, JUNE 30, 2019	**15,091**	**$ 222**	**$ 33,327**	**$ (4,483)**	**(7,117)**	**$ (24,632)**	**$ 4,434**

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended	
	June 30, 2019	**June 24, 2018**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income / (loss)	$ (750)	$ 1,912
Adjustments to reconcile net income/(loss) to cash provided by (used in) operating activities:		
Impairment of fixed assets and other assets	1,664	894
Stock compensation expense	36	115
Depreciation and amortization	423	835
Amortization of intangible assets definite-lived	43	39
Amortization of debt issue costs	22	35
Gain on the sale of assets	(551)	(144)
Provision for bad debt (accounts receivable)	349	351
Provision for bad debt (notes receivable)	916	-
Deferred tax benefit	(198)	(3,479)
Changes in operating assets and liabilities:		
Accounts receivable	226	908
Operating notes receivable	50	-
Inventories	(1)	73
Prepaid expenses, deposits and other, net	(446)	25
Deferred contract charges	(270)	-
Deferred revenue	(139)	(767)
Accounts payable - trade	(21)	(4,241)
Accounts payable - lease termination impairments	(418)	-
Accrued expenses, deferred rent and other	(276)	(458)
Cash provided by (used in) operating activities	659	(3,902)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable issued for fixed asset sales	201	-
Proceeds from sale of assets	11	1,789
Capital expenditures	(81)	(1,081)
Cash provided by investing activities	131	708
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	88	5,129
Net change in other debt	-	(1,000)
Cash provided by financing activities	88	4,129
Net increase in cash and cash equivalents	878	935
Cash and cash equivalents, beginning of period	1,386	451
Cash and cash equivalents, end of period	$ 2,264	$ 1,386
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 72	$ 187
Income taxes	$ 168	$ 64
Non-cash activities:		
Conversion of note to common shares	$ 4	$ 1,314
Notes receivable issued for sales of fixed assets	$ 654	$ -
Capital expenditures included in accounts payable	$ -	$ 49

See accompanying Notes to Consolidated Financial Statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

Rave Restaurant Group, Inc. and its subsidiaries (collectively referred to as the "Company", or in the first person notations of "we", "us" and "our") franchise pizza buffet, delivery/carry-out and express restaurants domestically and internationally under the trademark "Pizza Inn" and operate and franchise domestic fast casual restaurants under the trademarks "Pie Five Pizza Company" or "Pie Five". We facilitate the procurement and distribution of food, equipment and supplies to our domestic and international system of restaurants through agreements with third party distributors.

As of June 30, 2019, we owned and operated one Pie Five restaurant ("Pie Five Units"). As of that date, we also had 57 franchised Pie Five Units, 194 franchised Pizza Inn restaurants, and nine licensed Pizza Inn Express, or PIE, kiosks ("PIE Units"). The 146 domestic franchised Pizza Inn restaurants were comprised of 87 pizza buffet restaurants ("Buffet Units"), nine delivery/carry-out restaurants ("Delco Units"), and 50 express restaurants ("Express Units"). As of June 30, 2019, there were 48 international franchised Pizza Inn restaurants. Domestic Pizza Inn restaurants and kiosks were located predominantly in the southern half of the United States, with Texas, Arkansas, North Carolina and Mississippi accounting for approximately 25%, 18%, 17% and 8%, respectively, of the total number of domestic units.

Principles of Consolidation:

The consolidated financial statements include the accounts of Rave Restaurant Group, Inc. and its subsidiaries, all of which are wholly owned. All appropriate inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash of $0.2 million at June 30, 2019 and June 24, 2018 is omitted from cash and cash equivalents and is included in other long term assets. The restricted cash is held in an interest-bearing money market account and is restricted pursuant to a letter of credit for an insurance claim dating back to the mid-1980's.

Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. At June 30, 2019 and June 24, 2018, and at various times during the fiscal years then ended, cash and cash equivalents were in excess of Federal Depository Insurance Corporation insured limits. We do not believe we are exposed to any significant credit risk on cash and cash equivalents.

Notes receivable, which potentially subject the Company to concentrations of credit risk, consist primarily of structured Company-financed sales of assets. At June 30, 2019 and June 24, 2018, and at various times during the fiscal years then ended, the Company had concentrations of credit risk with five franchisees on notes receivables with both short and long term maturities. As of June 30, 2019, the Company had one short term note receivable with one franchisee with a balloon payment of $0.2 million due during the third quarter of fiscal 2020. At June 30, 2019, the Company had two additional notes receivable with one franchisee totaling $0.9 million with an allowance reserve of $0.9 million. In addition, the Company had five notes receivable with four franchisees totaling $0.9 million. Each of the financed asset sales was executed with a 4.0-5.0% stated interest rate, principal and interest payments due monthly and a balloon payment due after 24 months.

Inventories:

Inventory consists primarily of food, paper products and supplies stored in and used by Company restaurants and was stated at lower of first-in, first-out ("FIFO") or market.

Closed Restaurants and Discontinued Operations:

In April, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which modifies the definition of discontinued operations to include only disposals of an entity that represent strategic shifts that have or will have a major effect on an entity's operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. The standard was effective prospectively for annual and interim periods beginning after December 15, 2014, with early adoption permitted. This pronouncement did not have a material impact on our consolidated financial statements.

The authoritative guidance on "*Accounting for the Impairment or Disposal of Long-Lived Assets,"* requires that discontinued operations that meet certain criteria be reflected in the statement of operations after results of continuing operations as a net amount. This guidance also requires that the operations of closed restaurants, including any impairment charges, be reclassified to discontinued operations for all periods presented.

The authoritative guidance on "*Accounting for Costs Associated with Exit or Disposal Activities,"* requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This authoritative guidance also establishes that fair value is the objective for initial measurement of the liability.

Discontinued operations include losses attributable to the discontinued Norco distribution and supply division, leased buildings associated with Company-owned restaurants closed in prior years, and Company-owned restaurants closed in the reported period.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Upon the sale or disposition of a fixed asset, the asset and the related accumulated depreciation or amortization are removed from the accounts and the gain or loss is included in operations. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying asset and amortized over the estimated useful life of the asset.

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets or, in the case of leasehold improvements, over the term of the lease including any reasonably assured renewal periods, if shorter. The useful lives of the assets range from three to ten years.

Impairment of Long-Lived Asset and other Lease Charges:

The Company reviews long-lived assets for impairment when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use and eventual disposition of the assets compared to their carrying value. If impairment is recognized, the carrying value of an impaired asset is reduced to its fair value, based on discounted estimated future cash flows. During fiscal year 2019, the Company tested its long-lived assets for impairment and recognized pre-tax, non-cash impairment charges of $0.8 million primarily related to the carrying value of one Pie Five unit. The Company also had lease charges related to closed units of $0.9 million.

Accounts Receivable:

Accounts receivable consist primarily of receivables generated from franchise royalties. The Company records a provision for doubtful receivables to allow for any amounts that may be unrecoverable based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Finance charges may be accrued at a rate of 18% per year, or up to the maximum amount allowed by law, on past due receivables. The interest income recorded from finance charges is immaterial.

Notes Receivable:

Notes receivable primarily consist of promissory notes arising from franchisee agreements. The majority of amounts and terms are evidenced by formal promissory notes and personal guarantees. All notes allow for early payment without penalty. Fixed principle and interest payments are due monthly. Interest income is recognized monthly. Notes receivable mature at various dates through 2022 and bear interest at a weighted average rate of 4.8% at June 30, 2019.

Management evaluates the creditworthiness of franchisees by considering credit history and sales to evaluate credit risk. Management determines interest rates based on credit risk of the underlining franchisee. The Company monitors payment history to determine whether or not a loan should be placed on a nonaccrual status or impaired. The Company charges off notes receivable based on an account-by-account analysis of the borrower's current economic conditions, monthly payments history and historical loss experience. The allowance for doubtful notes receivable is netted within notes receivable.

The principal balance outstanding on the notes receivable and expected principal collections for the next three years were as follows as of June 30, 2019 (in thousands):

	Notes Receivable	
2020	$	389
2021		542
2022		193
	$	1,124

Income Taxes:

Income taxes are accounted for using the asset and liability method pursuant to the authoritative guidance on *Accounting for Income Taxes*. Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes future tax benefits to the extent that realization of such benefits is more likely than not.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. The Company has assessed whether the valuation allowance should be maintained against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for the valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on the Company's review of this evidence, management determined it was appropriate to maintain the existing partial valuation allowance against the Company's deferred tax assets.

Income tax benefit of $0.1 million for fiscal 2019 represents $0.1 million in state and foreign tax expense and a $0.2 million benefit on other deferred taxes. At the end of tax year ended June 30, 2019, the Company had net operating loss carryforwards totaling $23.9 million that are available to reduce future taxable income and will begin to expire in 2032. Under the Tax Cuts and Jobs Act, approximately $0.3 million of the loss carryforwards are limited to 80% and do not expire.

Under ASC 740, we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. From time to time, the Company may be assessed interest and penalties by taxing authorities. In those cases, the charges are recorded as income tax expense in the Consolidated Statements of Operations. There were no such charges or accruals for the years ended June 30, 2019 and June 24, 2018.

Pre-Opening Expense:

The Company's pre-opening costs are expensed as incurred and generally include payroll and other direct costs associated with training new managers and employees prior to opening a new restaurant, rent and other unit operating expenses incurred prior to opening, and promotional costs associated with the opening.

Related Party Transactions:

On December 22, 2016, the Company obtained a $1.0 million loan from its largest shareholder, Newcastle Partners, LP ("Newcastle"), evidenced by a promissory note. The loan bore interest at 10% per annum and was originally due and payable on April 30, 2017. On May 8, 2017, the Company renewed and extended the promissory note on the same terms until the earlier of September 1, 2017, or the Company's receipt of at least $2.0 million in additional debt or equity capital. The note was paid in full in fiscal 2018. Newcastle is an affiliate of the Company's Chairman, Mark E. Schwarz.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. The new lease standard is effective for public companies for fiscal years, (including interim periods therein), beginning after December 15, 2018. Application of ASU 2016-02 will be required beginning in the first quarter of our fiscal 2020. Early adoption of ASU 2016-02 as of its issuance is permitted. This new guidance requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company believes this will have a material impact on the financial statements as it relates to its corporate office lease and various lease obligations for store locations.

Revenue Recognition:

Revenue is measured based on consideration specified in contracts with customers and excludes incentives and amounts collected on behalf of third parties, primarily sales tax. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under GAAP, including industry-specific requirements, and provides companies with a single framework for recognizing revenue from contracts with customers. This update and subsequently issued amendments require companies to recognize revenue at amounts that reflect the consideration to which the companies expect to be entitled in exchange for those goods or services at the time of transfer. Topic 606 requires that we assess contracts to determine each separate and distinct performance obligation. If a contract has multiple performance obligations, we allocate the transaction price using our best estimate of the standalone selling price to each distinct good or service in the contract.

The Company adopted ASU 2014-09 and Topic 606 using the modified retrospective transition method effective June 25, 2018. Results for reporting periods beginning after June 25, 2018 are presented in accordance with Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605, Revenue Recognition.

The adoption of Topic 606 did not impact the recognition and reporting of our two largest sources of revenue: franchise royalties and supplier and distributor incentives. The items impacted by the adoption include the timing of franchise and development revenue recognition and the presentation of advertising funds and supplier convention contributions.

The following describes principal activities, separated by major product or service, from which the Company generates its revenues:

Restaurant Sales

Revenue from restaurant sales is recognized when food and beverage products are sold in Company-owned restaurants. The Company reports revenue net of sales taxes collected from customers and remitted to governmental taxing authorities.

Franchise Revenues

Franchise revenues consist of 1) franchise royalties, 2) supplier and distributor incentive revenues, 3) franchise license fees, 4) area development exclusivity fees and foreign master license fees, 5) advertising funds, and 6) supplier convention funds.

Franchise royalties, which are based on a percentage of franchise restaurant sales, are recognized as sales occur.

Supplier and distributor incentive revenues are recognized when title to the underlying commodities transfer.

Franchise license fees are typically billed upon execution of the franchise agreement and amortized over the term of the franchise agreement which can range from five to 20 years. Fees received for renewal periods are amortized over the life of the renewal period.

Area development exclusivity fees and foreign master license fees are typically billed upon execution of the area development and foreign master license agreements. Area development exclusivity fees are included in deferred revenue in the Consolidated Balance Sheets and allocated on a pro rata basis to all stores opened under that specific development agreement. Area development exclusivity fees that include rights to subfranchise are amortized as revenue over the term of the contract.

For periods prior to adoption of Topic 606, revenue was recognized when we performed our obligations related to such fees, primarily the store opening date for initial franchise fees and area development fees, or the date the renewal option was effective for renewal fees.

Advertising fund contributions for Pie Five units represent contributions collected where we have control over the activities of the fund. Contributions are based on a percentage of net retail sales. The adoption of Topic 606 revises the determination of whether these arrangements are considered principal versus agent. For Pie Five, we have determined that we are the principal in these arrangements, and advertising fund contributions and expenditures are, therefore, reported on a gross basis in the Consolidated Statements of Income. In general, we expect such advertising fund contributions and expenditures to be largely offsetting and, therefore, do not expect a significant impact on our reported income before income taxes. Our obligation related to these funds is to develop and conduct advertising activities. Pie Five marketing fund contributions are billed and collected weekly.

Supplier convention funds are deferred until the obligations of the agreement are met and the event takes place.

Total revenues consist of the following (in thousands):

	Fiscal Year Ended	
	June 30, 2019	June 24, 2018
Restaurant Sales	$ 889	$ 4,254
Franchise Royalties	4,814	4,997
Supplier and Distributor Incentive Revenues	4,519	4,752
Franchise License Fees	1,031	278
Area Development Fees and Foreign Master License Fees	41	835
Advertising Funds	684	-
Supplier Convention Funds	294	-
Other	47	4
	$ 12,319	$ 15,120

The following chart presents the specific line items impacted by the cumulative adjustment to opening retained earnings:

(In thousands, except share amounts)	As Reported June 24, 2018	Total Adjustment	Adjusted Balance Sheet June 25, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,386	$ -	$ 1,386
Accounts receivable, less allowance for bad debts of $158	1,518	-	1,518
Other receivable	300	-	300
Notes receivable	712	-	712
Inventories	6	-	6
Income tax receivable	5	-	5
Property held for sale	539	-	539
Deferred contract charges	-	10	10
Prepaid expenses and other	273	-	273
Total current assets	4,739	10	4,749
LONG-TERM ASSETS			
Property, plant and equipment, net	1,510	-	1,510
Intangible assets definite-lived, net	212	-	212
Long-term notes receivable	803	-	803
Deferred tax asset, net	3,479	-	3,479
Long term deferred contract charges	-	182	182
Deposits and other	243	-	243
Total assets	$ 10,986	$ 192	$ 11,178
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable - trade	$ 421	$ -	$ 421
Accounts payable - lease termination impairments	353	-	353
Accrued expenses	1,109	(4)	1,105
Deferred rent	32	-	32
Deferred revenues	65	243	308
Total current liabilities	1,980	239	2,219
LONG-TERM LIABILITIES			
Convertible notes	1,562	-	1,562
Deferred rent, net of current portion	433	-	433
Deferred revenues, net of current portion	670	1,575	2,245
Other long-term liabilities	42	-	42
Total liabilities	4,687	1,814	6,501
COMMITMENTS AND CONTINGENCIES (SEE NOTE 3)			
SHAREHOLDERS' EQUITY			
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,166,674 shares outstanding 15,047,470 shares	222	-	222
Additional paid-in capital	33,206	-	33,206
Accumulated deficit	(2,493)	(1,622)	(4,115)
Treasury stock at cost			
Shares in treasury: 7,119,204	(24,636)	-	(24,636)
Total shareholders' equity	6,299	(1,622)	4,677
Total liabilities and shareholders' equity	$ 10,986	$ 192	$ 11,178

The following charts present the specific line items impacted by the application of Topic 606 in fiscal 2019.

(In thousands, except share amounts)	As Reported June 30, 2019	Total Adjustment	Balance Sheet Without Adoption of Topic 606
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 2,264	$ -	$ 2,264
Accounts receivable, less allowance for bad debts of $209	1,191	-	1,191
Other receivable	-	-	-
Notes receivable, less allowance of bad debt of $916	389	-	389
Inventories	7	-	7
Income tax receivable	4	-	4
Property held for sale	231	-	231
Deferred contract charges	38	(38)	-
Prepaid expenses and other	346	-	346
Total current assets	4,470	(38)	4,432
LONG-TERM ASSETS			
Property, plant and equipment, net	500	-	500
Intangible assets definite-lived, net	196	-	196
Long-term notes receivable	735	-	735
Deferred tax asset, net	4,060	-	4,060
Long term deferred contract charges	232	(232)	-
Deposits and other	233	-	233
Total assets	$ 10,426	$ (270)	$ 10,156
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable - trade	$ 400	$ -	$ 400
Accounts payable - lease termination impairments	832	-	832
Accrued expenses	834	4	838
Deferred rent	37	-	37
Deferred revenues	275	(275)	-
Total current liabilities	2,378	(271)	2,107
LONG-TERM LIABILITIES			
Convertible notes	1,584	-	1,584
Deferred rent, net of current portion	397	-	397
Deferred revenues, net of current portion	1,561	(1,124)	437
Other long-term liabilities	72	-	72
Total liabilities	5,992	(1,395)	4,597
COMMITMENTS AND CONTINGENCIES (SEE NOTE 3)			
SHAREHOLDERS' EQUITY			
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,208,141 outstanding 15,090,837	222	-	222
Additional paid-in capital	33,327	-	33,327
Accumulated deficit	(4,483)	1,125	(3,358)
Treasury stock at cost			
Shares in treasury: 7,117,304	(24,632)	-	(24,632)
Total shareholders' equity	4,434	1,125	5,559
Total liabilities and shareholders' equity	$ 10,426	$ (270)	$ 10,156

	As Reported Fiscal Year Ended June 30, 2019	Total Adjustments	Income Statement Without Adoption of Topic 606
REVENUES:	$ 12,319	$ (1,398)	$ 10,921
COSTS AND EXPENSES:			
Cost of sales	1,120	-	1,120
General and administrative expenses	5,274	-	5,274
Franchise expenses	3,778	(901)	2,877
Gain on sale of assets	(551)	-	(551)
Impairment of long-lived assets and other lease charges	1,664	-	1,664
Bad debt	1,265	-	1,265
Interest expense	104	-	104
Depreciation and amortization expense	466	-	466
Total costs and expenses	13,120	(901)	12,219
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(801)	(497)	(1,298)
Income tax benefit	(51)	-	(51)
LOSS FROM CONTINUING OPERATIONS	(750)	(497)	(1,247)
Loss from discontinued operations, net of taxes	-	-	-
NET LOSS	$ (750)	$ (497)	$ (1,247)
INCOME PER SHARE OF COMMON STOCK - BASIC:			
Loss from continuing operations	$ (0.05)	$ (0.03)	$ (0.08)
Loss from discontinued operations	-	-	-
Net loss	$ (0.05)	$ (0.03)	$ (0.08)
INCOME PER SHARE OF COMMON STOCK - DILUTED:			
Loss from continuing operations	$ (0.05)	$ (0.03)	$ (0.08)
Loss from discontinued operations	-	-	-
Net loss	$ (0.05)	$ (0.03)	$ (0.08)
Weighted average common shares outstanding - basic	15,070	15,070	15,070
Weighted average common and potential dilutive common shares outstanding	15,070	15,070	15,070

Stock-Based Compensation:

The Company accounts for stock options using the fair value recognition provisions of the authoritative guidance on share-based payments. The Company uses the Black-Scholes formula to estimate the value of stock-based compensation for options granted to employees and directors and expects to continue to use this acceptable option valuation model in the future. The authoritative guidance also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow.

Restricted stock units ("RSU's") represent the right to receive shares of common stock upon the satisfaction of vesting requirements, performance criteria and other terms and conditions. Compensation cost for RSU's is measured as an amount equal to the fair value of the RSU's on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level.

Fair Value of Financial Instruments:

The carrying amounts of accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

Contingencies:

Provisions for legal settlements are accrued when payment is considered probable and the amount of loss is reasonably estimable in accordance with the authoritative guidance on *Accounting for Contingencies*. If the best estimate of cost can only be identified within a range and no specific amount within that range can be determined more likely than any other amount within the range, and the loss is considered probable, the minimum of the range is accrued. Legal and related professional services costs to defend litigation are expensed as incurred.

Use of Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect its reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and other various assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically. Actual results could differ materially from estimates.

Fiscal Year:

The Company's fiscal year ends on the last Sunday in June. The fiscal year ended June 30, 2019 contained 53 weeks and the fiscal year ended June 24, 2018 contained 52 weeks.

Discontinuation of Norco Distribution Division:

During the fiscal quarter ended December 24, 2017, the Company discontinued its Norco distribution division and revised its arrangements with third party suppliers and distributors of food, equipment and supplies. As a result, sale of food, equipment and supplies is no longer recognized as revenue and the cost of such items is no longer included in cost of sales. The Company now recognizes incentives received from third party suppliers and distributors as revenue.

NOTE B – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS:

Property, and plant and equipment consist of the following (in thousands):

	Estimated Useful Lives		June 30, 2019		June 24, 2018
Equipment, furniture and fixtures	3 - 7 yrs	$	867	$	1,090
Software	5 yrs		810		778
Leasehold improvements	10 yrs or lease term, if shorter		434		1,033
			2,111		2,901
Less: accumulated depreciation/amortization			(1,611)		(1,391)
		$	500	$	1,510

Depreciation and amortization expense was approximately $0.5 million and $0.9 million for the fiscal years ended June 30, 2019 and June 24, 2018, respectively.

Intangible assets consist of the following (in thousands):

		June 30, 2019						June 24, 2018					
	Estimated Useful Lives		Acquisition Cost		Accumulated Amortization		Net Value		Acquisition Cost		Accumulated Amortization		Net Value
Trademarks and tradenames	10 years	$	278	$	(153)	$	125	$	264	$	(127)	$	137
Name change	15 years		70		(21)		49		70		(16)		54
Prototypes	5 years		230		(208)		22		218		(197)		21
		$	578	$	(382)	$	196	$	552	$	(340)	$	212

Amortization expense for intangible assets was approximately $43 thousand and $39 thousand for the fiscal years ended June 30, 2019 and June 24, 2018, respectively.

NOTE C - ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

		June 30, 2019		June 24, 2018
Compensation	$	265	$	654
Other		478		404
Professional fees		83		43
Insurance loss reserves		8		8
	$	834	$	1,109

NOTE D - CONVERTIBLE NOTES:

On March 3, 2017, the Company completed a registered shareholder rights offering of its 4% Convertible Senior Notes due 2022 (“Notes”). Shareholders exercised subscription rights to purchase all 30,000 of the Notes at the par value of $100 per Note, resulting in gross offering proceeds to the Company of $3.0 million.

The Notes bear interest at the rate of 4% per annum on the principal or par value of $100 per note, payable annually in arrears on February 15 of each year, commencing February 15, 2018. Interest is payable in cash or, at the Company’s discretion, in shares of Company common stock. The Notes mature on February 15, 2022, at which time all principal and unpaid interest will be payable in cash or, at the Company’s discretion, in shares of Company common stock. The Notes are secured by a pledge of all outstanding equity securities of our two primary direct operating subsidiaries.

Noteholders may convert their notes to common stock as of the 15th day of any calendar month, unless the Company sooner elects to redeem the notes. The conversion price is $2.00 per share of common stock. Accrued interest will be paid through the effective date of the conversion in cash or, at the Company's sole discretion, in shares of Company common stock.

The Company determined that the Notes contained a beneficial conversion feature of $0.1 million since the market price of the Company's common stock was higher than the effective conversion price of the notes when issued. The beneficial conversion feature and the issuance costs of the notes aggregated $0.2 million and were considered a debt discount and are accreted into interest expense using the effective interest method over the debt maturity period.

During fiscal 2019, $4 thousand in par value of the Notes were converted to common shares. At the end of fiscal 2019, $1.7 million in par value of the Notes were outstanding, offset by $0.1 million of unamortized debt issue costs and unamortized debt discounts.

NOTE E - INCOME TAXES:

Provision for income taxes from continuing operations consists of the following (in thousands):

	Fiscal Year Ended	
	June 30, 2019	June 24, 2018
Current - Federal	$ -	$ (33)
Current - Foreign	131	51
Current - State	15	30
Deferred - Federal	(189)	(3,370)
Deferred - State	(8)	-
Provision for income taxes	$ (51)	$ (3,322)

The effective income tax rate varied from the statutory rate for the fiscal years ended June 30, 2019 and June 24, 2018 as reflected below (in thousands):

	June 30, 2019	June 24, 2018
Federal income taxes based on a statutory rate of 21.0% and 27.6%, repectively of pre-tax loss	$ (168)	$ (291)
State income tax, net of federal effect	93	51
Foreign taxes	15	30
Permanent adjustments	8	35
Rate change	-	3,416
Change in valuation allowance	-	(6,597)
Other	1	34
	$ (51)	$ (3,322)

The tax effects of temporary differences that give rise to the net deferred tax assets consisted of the following (in thousands):

	June 30, 2019	June 24, 2018
Current		
Reserve for bad debt	$ 48	$ 36
Deferred fees	17	15
Other reserves and accruals	795	562
	860	613
Non Current		
Credit carryforwards	156	152
Net operating loss carryforwards	5,206	5,122
Depreciable assets	263	17
Total gross deferred tax asset	6,485	5,904
Valuation allowance	(2,425)	(2,425)
Net deferred tax asset	$ 4,060	$ 3,479

At the end of tax year ended June 30, 2019, the Company had net operating loss carryforwards totaling $23.9 million that are available to reduce future taxable income and will begin to expire in 2032. Under the Tax Cuts and Jobs Act, approximately $0.3 million of the loss carryforwards are limited to 80% and do not expire.

As discussed in Note A above, the Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. Following the Company's exit from substantially all Company-owned restaurants in 2017 and 2018, the Company assessed whether the valuation allowance should be maintained against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for the valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets, including an evaluation of negative evidence consisting of the Company's recent history of cumulative losses in recent years together with the Company's historically profitable Pizza Inn Franchising and Pie Five Franchising operations. Based on the Company's review of this evidence, management determined that the historical profitability of its franchising operations together with its exit from its unprofitable Company-owned restaurant operations and forecasts of future income provided sufficient basis for the Company to reverse a portion of the valuation allowance against deferred taxes during the year ended June 24, 2018. The Company will continue to monitor the realization of its tax assets each reporting period.

On December 22, 2017 H.R. 1, originally known as the Tax Act was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate ("Federal Tax Rate") from 35% to 21% effective January 1, 2018. In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (SAB 118), which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Tax Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. Accounting for the income tax effects of the Tax Act was completed by the Company during the year ended June 24, 2018. The remeasurement of the Company's deferred tax assets and liabilities resulted in a $3.4 million discrete tax expense which increased the effective tax rate by 1,173% in the year ended June 24, 2018.

NOTE F - LEASES:

Premises occupied by Company-owned restaurants are leased for initial terms of five to ten years, and each has multiple renewal terms. Certain lease agreements contain either a provision requiring additional rent if sales exceed specified amounts or an escalation clause based upon a predetermined multiple.

The Company leases its 19,576 square foot corporate office facility with average annual lease payments of approximately $17.50 per square foot. This lease began on January 2, 2017 and has a ten year term.

Future minimum rental payments under active non-cancelable leases with initial or remaining terms of one year or more at June 30, 2019 were as follows (in thousands):

		Operating Leases
2020	$	1,862
2021		1,927
2022		1,865
2023		1,659
2024		856
Thereafter		2,348
	$	10,517

Future minimum sublease rental income under active non-cancelable leases with initial or remaining terms of one year or more at June 30, 2019 were as follows (in thousands):

		Sublease Rental Income
2020	$	168
2021		174
2022		175
2023		177
2024		128
Thereafter		53
	$	875

Rental expense consisted of the following (in thousands):

	Fiscal Year Ended			
		June 30, 2019		June 24, 2018
Minimum rentals	$	757	$	1,114
Sublease rentals		(149)		(161)
	$	608	$	953

NOTE G - EMPLOYEE BENEFITS:

The Company has a tax advantaged savings plan that is designed to meet the requirements of Section 401(k) of the Internal Revenue Code (the "Code"). The current plan is a modified continuation of a similar savings plan established by the Company in 1985. Employees who have completed six months of service and are at least 21 years of age are eligible to participate in the plan. The plan provides that participating employees may elect to have between 1% and 15% of their compensation deferred and contributed to the plan subject to certain IRS limitations. Effective June 27, 2005, the Company has a discretionary matching contribution. For calendar years 2018 and 2019, the Company contributed on behalf of each participating employee an amount equal to 50% of the employee's contributions up to 4% of compensation. Separate accounts are maintained with respect to contributions made on behalf of each participating employee. Employer matching contributions and earnings thereon are invested in the same investments as each participant's employee deferral. The plan is subject to the provisions of the Employee Retirement Income Security Act, as amended, and is a profit sharing plan as defined in Section 401(k) of the Code.

For the fiscal years ended June 30, 2019 and June 24, 2018, total matching contributions to the tax advantaged savings plan by the Company on behalf of participating employees were approximately $39,000 and $44,000, respectively.

NOTE H - STOCK BASED COMPENSATION PLANS:

In June 2005, the 2005 Employee Incentive Stock Option Award Plan (the "2005 Employee Plan") was approved by the Company's shareholders with a plan effective date of June 23, 2005. Under the 2005 Employee Plan, officers and employees of the Company were eligible to receive options to purchase shares of the Company's common stock. Options were granted at market value of the stock on the date of grant, were subject to various vesting and exercise periods as determined by the Compensation Committee of the board of directors and could be designated as non-qualified or incentive stock options. A total of 1,000,000 shares of common stock were authorized for issuance under the 2005 Employee Plan. The 2005 Employee Plan expired by its terms on June 23, 2015.

The shareholders also approved the 2005 Non-Employee Directors Stock Award Plan (the "2005 Directors Plan") in June 2005, to be effective as of June 23, 2005. Directors not employed by the Company were eligible to receive stock options under the 2005 Directors Plan. Options for common stock equal to twice the number of shares of common stock acquired during the previous fiscal year, up to 40,000 shares per year, were automatically granted to each non-employee director on the first day of each fiscal year. Options were granted at market value of the stock on the first day of each fiscal year, with vesting periods beginning at a minimum of six months and with exercise periods up to ten years. A total of 650,000 shares of Company common stock were authorized for issuance pursuant to the 2005 Directors Plan. The 2005 Directors Plan expired by its terms on June 23, 2015.

The 2015 Long Term Incentive Plan (the "2015 LTIP") was approved by the Company's shareholders on November 18, 2014 and became effective June 1, 2015. Officers, employees and non-employee directors of the Company are eligible to receive awards under the 2015 LTIP. A total of 1,200,000 shares of common stock are authorized for issuance under the 2015 LTIP. Awards authorized under the 2015 LTIP include incentive stock options, non-qualified stock options, restricted shares, restricted stock units and rights (either with or without accompanying options). The 2015 LTIP provides for options to be granted at market value of the stock on the date of grant and have exercise periods determined by the Compensation Committee of the board of directors. The Compensation Committee may also determine the vesting periods, performance criteria and other terms and conditions of all awards under the 2015 LTIP. The Compensation Committee has adopted resolutions under the 2015 LTIP automatically granting to each non-employee director on the first day of each fiscal year options to purchase twice the number of shares of common stock acquired during the previous fiscal year, up to a maximum of 40,000 shares. Such options are exercisable at the market value of the stock on the first day of the fiscal year, vest six months from the date of grant and expire 10 years from the date of grant.

Share based compensation expense is included in general and administrative expense in the statement of operations.

Stock Options:

A summary of stock option transactions under all of the Company's stock option plans and information about fixed-price stock options is as follows:

	Fiscal Year Ended	
	June 30, 2019	June 24, 2018
	Shares	Shares
Outstanding at beginning of year	478,056	478,056
Granted	-	-
Exercised	-	-
Forfeited/Canceled/Expired	(261,506)	-
Outstanding at end of period	216,550	478,056
Exercisable at end of period	216,550	478,056

	Fiscal Year Ended	
	June 30, 2019	June 24, 2018
	Weighted-Average Exercise Price	Weighted-Average Exercise Price
Outstanding at beginning of year	$ 4.16	$ 4.16
Granted	-	-
Exercised	-	-
Forfeited/Canceled/Expired	4.27	-
Outstanding at end of period	$ 4.82	4.16
Exercisable at end of year	$ 4.82	4.16

At June 30, 2019, the intrinsic value of options outstanding was $0.1 million.

The following table provides information on options outstanding and options exercisable as of June 30, 2019:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding at June 30, 2019	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares Exercisable at June 30, 2019	Weighted-Average Exercise Price
$1.55 - 1.95	9,800	1.0	$1.87	9,800	$1.87
$2.36 - 2.75	40,000	2.0	$2.71	40,000	$2.71
$2.76 - 3.30	55,000	3.0	$3.11	55,000	$3.11
$3.31 - 3.95	50,000	7.0	$3.95	50,000	$3.95
$5.51 - 5.74	8,664	4.0	$5.74	8,664	$5.74
$5.95 - 6.25	28,800	5.0	$6.23	28,800	$6.23
$6.26 - 13.11	24,286	6.0	$13.11	24,286	$13.11
	216,550	4.3	$4.82	216,550	$4.09

We determine fair value following the authoritative guidance as follows:

Valuation and Amortization Method. We estimate the fair value of share-based awards granted using the Black-Scholes option valuation model. We amortize the fair value of all awards on a straight-line basis over the requisite service periods, which are generally the vesting periods.

Expected Life. The expected life of awards granted represents the period of time that they are expected to be outstanding. Unless a life is specifically stated, we determine the expected life using the "simplified method" in accordance with Staff Accounting Bulletin No. 110 since we do not have sufficient historical share option exercise experience.

Expected Volatility. Using the Black-Scholes option valuation model, we estimate the volatility of our common stock at the date of grant based on the historical volatility of our common stock.

Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award.

Expected Dividend Yield. We have not paid any cash dividends on our common stock in the last ten years and we do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model.

Expected Forfeitures. We use historical data to estimate pre-vesting option forfeitures. We record stock-based compensation only for those awards that are expected to vest.

At June 30, 2019, the Company had no unvested options. Stock compensation expense related to stock options of zero and $35 thousand was recognized in fiscal years 2019 and 2018, respectively.

Restricted Stock Units:

Restricted stock units awarded under the 2015 LTIP represent the right to receive shares of common stock upon the satisfaction of vesting requirements, performance criteria and other terms and conditions. During fiscal 2019, there were no grants of performance-based restricted stock units. During fiscal 2018, an aggregate of 488,723 performance-based restricted stock units were granted to certain employees.

The restricted stock units granted to each recipient are allocated among performance criteria pertaining to various aspects of the Company's business, as well as its overall operations, measured based on the second fiscal year following the date of grant. Achievement of the various performance criteria entitles the recipient to receive shares of common stock in amounts ranging from 50% to 150% of the number of restricted stock units granted. Grantees of restricted stock units do not have any rights of a stockholder, and do not participate in any distributions on our common stock, until the award fully vests upon satisfaction of the vesting schedule, performance criteria and other conditions set forth in their award agreement. Therefore, unvested restricted stock units are not considered participating securities under ASC 260, "*Earnings Per Share*," and are not included in the calculation of basic or diluted earnings per share.

Compensation cost is measured as an amount equal to the fair value of the restricted stock units on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level.

A summary of the status of restricted stock units as of June 30, 2019 and June 24, 2018, and changes during the fiscal years then ended is presented below:

	June 30, 2019	June 24, 2018
Outstanding at beginning of year	908,293	487,950
Granted during the year	-	488,723
Forfeited during the year	(753,187)	(68,380)
Outstanding at end of year	155,106	908,293
Vested at beginning of year	-	-
Vested during the year	-	-
Vested at end of year	-	-
Unvested at end of year	155,106	908,293

NOTE I - SHAREHOLDERS' EQUITY:

On April 22, 2009, the board of directors of the Company amended the stock repurchase plan first authorized on May 23, 2007, and previously amended on June 2, 2008, by increasing the aggregate number of shares of common stock the Company may repurchase under the plan to a total of 3,016,000 shares. No shares were repurchased during fiscal 2019 and, as of June 30, 2019, there were 848,425 shares available to repurchase under the plan.

On December 5, 2017, the Company entered into an At Market Issuance Sales Agreement with B. Riley FBR, Inc. ("B. Riley FBR") pursuant to which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $5,000,000 from time to time through B. Riley FBR acting as agent (the "2017 ATM Offering"). The 2017 ATM Offering is being undertaken pursuant to Rule 415 and a shelf Registration Statement on Form S-3 which was declared effective by the SEC on November 6, 2017. Through June 30, 2019, the Company had sold an aggregate of 191,478 shares in the 2017 ATM Offering, realizing aggregate gross proceeds of $0.3 million.

The Company pays to B. Riley FBR a fee equal to 3% of the gross sales price in addition to reimbursing certain costs. The Company had $4 thousand in expenses associated with the 2017 ATM Offering in fiscal 2019.

NOTE J - COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims and contingencies related to employment agreements, franchise disputes, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any such claims and actions currently pending are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition if decided in a manner that is unfavorable to us.

NOTE K - EARNINGS PER SHARE:

The Company computes and presents earnings per share ("EPS") in accordance with the authoritative guidance on *Earnings Per Share*. Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised, converted or resulted in the issuance of common stock that then shared in the earnings of the Company.

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	Fiscal Year Ended	
	June 30, 2019	**June 24, 2018**
Income/(loss) from continuing operations	$ (750)	$ 2,274
Loss from discontinued operations	-	(362)
Net income/(loss) available to common stockholders	$ (750)	$ 1,912
Interest saved on convertible notes of $1,584 at 4%	$ 63	$ 90
Adjusted net income/(loss)	$ (687)	$ 2,002
BASIC:		
Weighted average common shares	15,070	13,854
Income/(loss) from continuing operations per common share	$ (0.05)	$ 0.17
Loss from discontinued operations per common share	-	(0.03)
Net income/(loss) per common share	$ (0.05)	$ 0.14
DILUTED:		
Weighted average common shares	15,070	13,854
Convertible notes	-	1,129
Dilutive stock options	-	-
Weighted average common shares outstanding	15,070	14,983
Income/(loss) from continuing operations per common share	$ (0.05)	$ 0.16
Loss from discontinued operations per common share	-	(0.03)
Net income/(loss) per common share	$ (0.05)	$ 0.13

We had 216,550 and 478,056 shares of common stock potentially issuable upon exercise of employee stock options for years ended June 30, 2019 and June 24, 2018, respectively, that were excluded from the weighted average number of shares outstanding on a diluted basis because the effect of such options would be anti-dilutive. These instruments expire at varying times from fiscal 2020 through fiscal 2026.

NOTE L– SEGMENT REPORTING:

The Company has three reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*: (1) Pizza Inn Franchising, (2) Pie Five Franchising and (3) Company-Owned Restaurants. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The Pizza Inn and Pie Five Franchising segments establish franchisees, licensees and territorial rights. Revenue for this segment is derived from franchise royalties, franchise fees, sale of area development and foreign master license rights and incentive payments from third party suppliers and distributors. Assets for this segment include equipment, furniture and fixtures.

The Company-Owned Restaurants segment includes sales and operating results for all Company-owned restaurants. Assets for this segment include equipment, furniture and fixtures for the Company-owned restaurants.

Corporate administration and other assets primarily include cash and short-term investments, as well as furniture and fixtures located at the corporate office and trademarks and other intangible assets. All assets are located within the United States.

Summarized in the following tables are net sales and operating revenues, depreciation and amortization expense, income from continuing operations before taxes, capital expenditures and assets for the Company's reportable segments as of and for the fiscal years ended June 30, 2019 and June 24, 2018 (in thousands):

	Fiscal Year Ended	
	June 30, 2019	June 24, 2018
Net sales and operating revenues:		
Pizza Inn Franchising	$ 7,192	$ 6,892
Pie Five Franchising	4,192	3,970
Company-Owned Restaurants (1)	887	4,254
Corporate administration and other	48	4
Consolidated revenues	$ 12,319	$ 15,120
Depreciation and amortization:		
Pizza Inn Franchising	$ -	$ -
Pie Five Franchising	-	-
Company-Owned Restaurants (1)	123	459
Combined	123	459
Corporate administration and other (2)	343	415
Depreciation and amortization	$ 466	$ 874
Income/(Loss) from continuing operations before taxes:		
Pizza Inn Franchising	$ 5,512	$ 5,594
Pie Five Franchising	2,094	2,623
Company-Owned Restaurants (1)	(2,001)	(1,763)
Combined	5,605	6,454
Corporate administration and other	(6,406)	(7,502)
Income/(loss) from continuing operations before taxes	$ (801)	$ (1,048)

Notes:

(1) Company stores that were closed are included in discontinued operations in Statement of Operations.

(2) Portions of corporate administration and other have been allocated to segments.

The following table provides information on our foreign and domestic revenues:

Geographic information (revenues):		
United States	$ 12,086	$ 14,566
Foreign countries	233	554
Consolidated total	$ 12,319	$ 15,120

Exhibit 21.1

SUBSIDIARIES OF RAVE RESTAURANT GROUP, INC.

Name of Subsidiary	Jurisdiction of Organization
Pizza Inn, Inc.* (d/b/a Pizza Inn)	Missouri
Pie Five Pizza Company, Inc.* (d/b/a Pie Five Pizza Company or Pie Five)	Texas
Pie Five Restaurants, Inc.*	Texas
PIBC Holding, Inc.*	Texas
Pizza Inn Beverage Corp.*	Texas
Pie Five Beverage Corp.*	Texas

*** Does business under its corporate name as well as any referenced assumed name.**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Rave Restaurant Group, Inc.
The Colony, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 033-71700, 333-77617, 333-76296, 333-177436 and 333-207428) and Forms S-3 (Nos. 333-219483 and 333-221169) of Rave Restaurant Group, Inc. of our report dated September 30, 2019, relating to the consolidated financial statements, which appears in this Form 10-K.

Baker Tilly Virchow Krause, LLP
Plano, TX

September 30, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to section 3.02 of the Sarbanes-Oxley Act of 2002

I, Robert W. Bafundo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rave Restaurant Group, Inc. (“the Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: September 30, 2019

By: /s/ Robert W. Bafundo
Robert W. Bafundo
President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 3.02 of the Sarbanes-Oxley Act of 2002

I, Mark E. Schwarz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rave Restaurant Group, Inc. ("the Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 30, 2019

By: /s/ Mark E. Schwarz
Mark E. Schwarz
Director and Chairman of the Board
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that the accompanying Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 30, 2019

By: /s/ Robert W. Bafundo
President
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that the accompanying Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 30, 2019

By: /s/ Mark E. Schwarz
Mark E. Schwarz
Director and Chairman of the Board
(Principal Financial Officer)

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Rave Restaurant Group, Inc.
The Colony, Texas

We have audited the accompanying consolidated balance sheets of Rave Restaurant Group, Inc. as of June 24, 2018 and June 25, 2017 and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for the fiscal years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rave Restaurant Group, Inc. as of June 24, 2018 and June 25, 2017, and the results of its operations and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Montgomery Coscia Greilich LLP
Plano, Texas
September 19, 2018

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended	
	June 24, 2018	June 25, 2017
REVENUES:	$ 15,120	$ 26,077
COSTS AND EXPENSES:		
Cost of sales	3,654	13,927
General and administrative expenses	7,597	10,801
Franchise expenses	2,645	2,736
Pre-opening expenses	114	162
Loss/(Gain) on sale of assets	(144)	882
Impairment of long-lived assets and other lease charges	894	5,877
Bad debt	351	342
Interest expense	183	106
Depreciation and amortization expense	874	2,434
Total costs and expenses	16,168	37,267
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(1,048)	(11,190)
Income tax expense / (benefit)	(3,322)	53
INCOME/(LOSS) FROM CONTINUING OPERATIONS	2,274	(11,243)
Loss from discontinued operations	(362)	(1,248)
NET INCOME / (LOSS)	$ 1,912	$ (12,491)
INCOME / (LOSS) PER SHARE OF COMMON STOCK - BASIC:		
Income / (loss) from continuing operations	$ 0.17	$ (1.06)
Loss from discontinued operations	(0.03)	(0.12)
Net income / (loss)	$ 0.14	$ (1.18)
INCOME / (LOSS) PER SHARE OF COMMON STOCK - DILUTED:		
Income / (loss) from continuing operations	$ 0.16	$ (1.06)
Loss from discontinued operations	(0.03)	(0.12)
Net income / (loss)	$ 0.13	$ (1.18)
Weighted average common shares outstanding - basic	13,854	10,617
Weighted average common and potential dilutive common shares outstanding	14,983	10,617

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 24, 2018	June 25, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,386	$ 451
Accounts receivable, less allowance for bad debts of $158 and $249, respectively	1,518	2,761
Other receivable	300	-
Notes receivable	712	675
Inventories	6	79
Income tax receivable	5	194
Property held for sale	539	671
Prepaid expenses and other	273	295
Total current assets	4,739	5,126
LONG-TERM ASSETS		
Property, plant and equipment, net	1,510	3,808
Intangible assets definite-lived, net	212	239
Long-term notes receivable	803	127
Deferred tax asset, net	3,479	-
Deposits and other	243	246
Total assets	$ 10,986	$ 9,546
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable - trade	$ 774	$ 4,165
Short-term debt	-	1,000
Accrued expenses	1,109	1,265
Deferred rent	32	101
Deferred revenues	65	212
Total current liabilities	1,980	6,743
LONG-TERM LIABILITIES		
Convertible notes	1,562	2,749
Deferred rent, net of current portion	433	655
Deferred revenues, net of current portion	670	1,425
Other long-term liabilities	42	53
Total liabilities	4,687	11,625
COMMITMENTS AND CONTINGENCIES (SEE NOTE J)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,166,674 and 17,786,049 shares, respectively; outstanding 15,047,470 and 10,666,845 shares, respectively	222	178
Additional paid-in capital	33,206	26,784
Accumulated deficit	(2,493)	(4,405)
Treasury stock at cost		
Shares in treasury: 7,119,204	(24,636)	(24,636)
Total shareholders' equity (deficit)	6,299	(2,079)
Total liabilities and shareholders' equity (deficit)	$ 10,986	$ 9,546

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Common Stock		Additional Paid-in	Retained Earnings (Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit)	Shares	Amount	Total
BALANCE, JUNE 26, 2016	**10,342**	**$ 175**	**$ 25,778**	**$ 8,086**	**(7,119)**	**$ (24,636)**	**$ 9,403**
Stock compensation expense	-	-	58	-	-	-	58
Stock options exercised	315	3	803	-	-	-	806
Conversion of senior notes, net	10	-	145	-	-	-	145
Net loss	-	-	-	(12,491)	-	-	(12,491)
BALANCE, JUNE 25, 2017	**10,667**	**$ 178**	**$ 26,784**	**$ (4,405)**	**(7,119)**	**$ (24,636)**	**$ (2,079)**
Stock compensation expense	-	-	115	-	-	-	115
Conversion of senior notes, net	614	6	1,308	-	-	-	1,314
Sale of shares	3,766	38	5,140	-	-	-	5,178
Equity issue costs - Sr conv notes	-	-	(92)				(92)
Equity issue costs - ATM offering	-	-	(49)	-	-	-	(49)
Net income	-	-	-	1,912		-	1,912
BALANCE, JUNE 24, 2018	**15,047**	**$ 222**	**$ 33,206**	**$ (2,493)**	**(7,119)**	**$ (24,636)**	**$ 6,299**

See accompanying Notes to Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended June 24, 2018	Fiscal Year Ended June 25, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 1,912	$ (12,491)
Adjustments to reconcile net inome/(loss) to cash used by operating activities:		
Impairment of fixed assets and other assets	894	4,773
Stock compensation expense	115	58
Depreciation and amortization	835	2,410
Amortization of intangible assets definite-lived	39	46
Amortization of debt issue costs	35	-
Gain/loss on the sale of assets	(144)	882
Provision for bad debt	351	342
Changes in operating assets and liabilities:		
Accounts receivable	908	(576)
Inventories	73	118
Prepaid expenses, deposits and other, net	25	116
Deferred revenue	(767)	(107)
Accounts payable - trade	(4,241)	350
Deferred rent	-	-
Deferred tax assets	(3,479)	-
Accrued expenses, deferred rent and other	(458)	(1,469)
Cash used by operating activities	(3,902)	(5,548)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	1,789	999
Purchase of intangible assets definite-lived	-	-
Capital expenditures	(1,081)	(573)
Cash provided by investing activities	708	426
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (payments) of short-term debt	(1,000)	1,000
Proceeds from sale of stock	5,129	-
Proceeds from issuance of convertible notes	-	2,894
Proceeds from exercise of stock options	-	806
Cash provided by financing activities	4,129	4,700
Net increase/(decrease) in cash and cash equivalents	935	(422)
Cash and cash equivalents, beginning of year	451	873
Cash and cash equivalents, end of year	$ 1,386	$ 451
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 187	$ 25
Income taxes	$ 64	$ 29
Non-cash activities:		
Capital expenditures included in accounts payable	$ 49	$ -
Conversion of notes to equity	$ 1,314	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

Rave Restaurant Group, Inc. and its subsidiaries (collectively referred to as the "Company", or in the first person notations of "we", "us" and "our") franchise pizza buffet, delivery/carry-out and express restaurants domestically and internationally under the trademark "Pizza Inn" and operate and franchise domestic fast casual restaurants under the trademarks "Pie Five Pizza Company" or "Pie Five". We facilitate the procurement and distribution of food, equipment and supplies to our domestic and international system of restaurants through agreements with third party distributors.

As of June 24, 2018, we owned and operated one Pie Five restaurant ("Pie Five Units"). As of that date, we also had 72 franchised Pie Five Units, 208 franchised Pizza Inn restaurants, and three licensed Pizza Inn Express, or PIE, kiosks ("PIE Units"). The 150 domestic franchised Pizza Inn restaurants were comprised of 90 pizza buffet restaurants ("Buffet Units"), eight delivery/carry-out restaurants ("Delco Units"), and 52 express restaurants ("Express Units"). As of June 24, 2018, there were 58 international franchised Pizza Inn restaurants. Domestic Pizza Inn restaurants and kiosks were located predominantly in the southern half of the United States, with Texas, Arkansas, North Carolina and Tennessee accounting for approximately 24%, 13%, 13% and 7%, respectively, of the total number of domestic units.

Principles of Consolidation:

The consolidated financial statements include the accounts of Rave Restaurant Group, Inc. and its subsidiaries, all of which are wholly owned. All appropriate inter-company balances and transactions have been eliminated.

Reclassifications:

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash of $0.2 million at June 24, 2018 and June 25, 2017 is omitted from cash and cash equivalents and is included in other long term assets. The restricted cash is held in an interest-bearing money market account and is restricted pursuant to a letter of credit for an insurance claim dating back to the mid-1980's.

Concentration of Credit Risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. At June 24, 2018 and June 25, 2017, and at various times during the fiscal years then ended, cash and cash equivalents were in excess of Federal Depository Insurance Corporation insured limits. We do not believe we are exposed to any significant credit risk on cash and cash equivalents.

Notes receivable, which potentially subject the Company to concentrations of credit risk, consist primarily of structured Company-financed sales of assets. At June 24, 2018 and June 25, 2017, and at various times during the fiscal years then ended, the Company had concentrations of credit risk with three franchisees on notes receivables with both short and long term maturities. As of June 24, 2018, the Company had one short term note receivable with one franchisee with a balloon payment of $0.6 million due during the second quarter of fiscal 2019. At June 24, 2018, the Company had three additional notes receivable with three franchisees totaling $0.9 million. Each of the financed asset sales was executed with a 5.0% stated interest rate, principal and interest payments due monthly and a balloon payment due after 24 months.

Inventories:

Inventory consists primarily of food, paper products and supplies stored in and used by Company restaurants and was stated at lower of first-in, first-out ("FIFO") or market. The valuation of such restaurant inventory requires us to estimate the amount of obsolete and excess inventory based on estimates of future retail sales by Company-owned restaurants. Overestimating retail sales by Company-owned restaurants could result in the write-down of inventory which would have a negative impact on the gross margin of such Company-owned restaurants.

Closed Restaurants and Discontinued Operations:

In April, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which modifies the definition of discontinued operations to include only disposals of an entity that represent strategic shifts that have or will have a major effect on an entity's operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. The standard was effective prospectively for annual and interim periods beginning after December 15, 2014, with early adoption permitted. This pronouncement did not have a material impact on our condensed consolidated financial statements.

The authoritative guidance on "*Accounting for the Impairment or Disposal of Long-Lived Assets,"* requires that discontinued operations that meet certain criteria be reflected in the statement of operations after results of continuing operations as a net amount. This guidance also requires that the operations of closed restaurants, including any impairment charges, be reclassified to discontinued operations for all periods presented.

The authoritative guidance on "*Accounting for Costs Associated with Exit or Disposal Activities,"* requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This authoritative guidance also establishes that fair value is the objective for initial measurement of the liability.

Discontinued operations include losses attributable to the discontinued Norco distribution and supply division, leased buildings associated with Company-owned restaurants closed in prior years, and Company-owned restaurants closed in the reported period.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Repairs and maintenance are charged to operations as incurred while major renewals and betterments are capitalized. Upon the sale or disposition of a fixed asset, the asset and the related accumulated depreciation or amortization are removed from the accounts and the gain or loss is included in operations. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying asset and amortized over the estimated useful life of the asset.

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets or, in the case of leasehold improvements, over the term of the lease including any reasonably assured renewal periods, if shorter. The useful lives of the assets range from three to ten years.

Impairment of Long-Lived Asset and other Lease Charges:

The Company reviews long-lived assets for impairment when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of an asset compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value, based on discounted estimated future cash flows. During fiscal year 2018 and 2017, the Company tested its long-lived assets for impairment and recognized pre-tax, non-cash impairment charges of $0.9 million and $5.9 million, respectively, related to the carrying value of multiple Pie Five and Pizza Inn units.

Accounts Receivable:

Accounts receivable consist primarily of receivables generated from franchise royalties and food and supply sales to franchisees prior to the discontinuation of the Norco division. The Company records a provision for doubtful receivables to allow for any amounts that may be unrecoverable based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Finance charges may be accrued at a rate of 18% per year, or up to the maximum amount allowed by law, on past due receivables. The interest income recorded from finance charges is immaterial.

Notes Receivable:

Notes receivable primarily consist of promissory notes arising from franchisee agreements. The majority of amounts and terms are evidenced by formal promissory notes and personal guarantees. All notes allow for early payment without penalty. Fixed principle and interest payments are due monthly. Interest income is recognized monthly. Notes receivable mature at various dates through 2021 and bear interest at a weighted average rate of 5.0% at June 24, 2018.

Management evaluates the creditworthiness of franchisees by considering credit history and sales to evaluate credit risk. Management determines interest rates based on credit risk of the underlining franchisee. The Company monitors payment history to determine whether or not a loan should be placed on a nonaccrual status or impaired. The Company charges off notes receivable based on an account-by-account analysis of the borrower's current economic conditions, monthly payments history and historical loss experience. The allowance for doubtful notes receivable is netted within notes receivable.

The principal balance outstanding on the notes receivable and expected principal collections for the next three years were as follows as of June 24, 2018 (in thousands):

	Notes Receivable	
2019	$	712
2020		317
2021		486
	$	1,515

Income Taxes:

Income taxes are accounted for using the asset and liability method pursuant to the authoritative guidance on *Accounting for Income Taxes*. Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes future tax benefits to the extent that realization of such benefits is more likely than not.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. During the fourth quarter of fiscal year June 24, 2018, the Company reversed a portion of the prior valuation allowance against its deferred tax asset. The valuation allowance decreased by $6.6 million during fiscal year 2018, from $9.0 million at June 25, 2017 to $2.4 million at June 24, 2018. This resulted in a tax benefit of $3.4 million due to expected future taxable income.

The Company assessed whether the valuation allowance should be maintained against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for the valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets. Future sources of taxable income were also considered in determining the amount of the recorded valuation allowance. Based on the Company's review of this evidence, management determined it was appropriate to reverse a portion of the valuation allowance against the Company's deferred tax assets.

Income tax benefit of $3.3 million for fiscal 2018 represents $0.1 million in state and foreign tax expense and a $3.4 million benefit on reversal of a portion of the valuation allowance. At the end of tax year ended June 24, 2018, the Company had net operating loss carryforwards totaling $23.5 million that are available to reduce future taxable income and will begin to expire in 2032.

Pre-Opening Expense:

The Company's pre-opening costs are expensed as incurred and generally include payroll and other direct costs associated with training new managers and employees prior to opening a new restaurant, rent and other unit operating expenses incurred prior to opening, and promotional costs associated with the opening.

Related Party Transactions:

On February 20, 2014, the Company entered into an Advisory Services Agreement (the "Agreement") with NCM Services, Inc. ("NCMS") pursuant to which NCMS will provide certain advisory and consulting services to the Company. NCMS is indirectly owned and controlled by Mark E. Schwarz, the Chairman of the Company. The term of the Agreement commenced December 30, 2013, and continues quarterly thereafter until terminated by either party. Pursuant to the Agreement, NCMS was paid an initial fee of $150,000 and earns quarterly fees of $50,000 and an additional fee of up to $50,000 per quarter (not to exceed an aggregate of $100,000 in additional fees). The quarterly and additional fees are waived if the Company is not in compliance with all financial covenants under its primary credit facility or to the extent that payment of those fees would result in non-compliance with such financial covenants. The Agreement was terminated at the end of fiscal 2017.

On December 22, 2016, the Company obtained a $1.0 million loan from its largest shareholder, Newcastle Partners, LP ("Newcastle"), evidenced by a promissory note. The loan bore interest at 10% per annum and was originally due and payable on April 30, 2017. On May 8, 2017, the Company renewed and extended the promissory note on the same terms until the earlier of September 1, 2017, or the Company's receipt of at least $2.0 million in additional debt or equity capital. The note was paid in full in fiscal 2018. Newcastle is an affiliate of the Company's Chairman, Mark E. Schwarz.

Revenue Recognition:

Revenue from restaurant sales is recognized when food and beverage products are sold. The Company reports revenue net of sales taxes collected from customers and remitted to governmental taxing authorities.

Franchise revenues consist of income from license fees, royalties, and area development and foreign master license fees and supplier and distributor incentive revenues. License fees are recognized as income when there has been substantial performance under the agreement by the Company. Domestic license fees are generally recognized at the time the restaurant is opened. Foreign master license fees are generally recognized upon execution of the agreement as all material services relating to the sale have been substantially performed by the Company and the fee has been collected. Royalties are recognized as income when earned. Supplier and distributor incentive revenues are recognized when title to the underlying commodities transfer.

Stock Options:

The Company accounts for stock options using the fair value recognition provisions of the authoritative guidance on share-based payments. The Company uses the Black-Scholes formula to estimate the value of stock-based compensation for options granted to employees and directors and expects to continue to use this acceptable option valuation model in the future. The authoritative guidance also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow.

The Company's stock-based compensation plans are described more fully in Note H. Stock options under these plans are granted at exercise prices equal to the fair market value of the Company's stock at the dates of grant. Generally those options vest ratably over various vesting periods.

Restricted Stock Units:

Compensation cost is measured as an amount equal to the fair value of the restricted stock units on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level.

Fair Value of Financial Instruments:

The carrying amounts of accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

Advertising and Marketing Costs:

Advertising and marketing costs are expensed as incurred and totaled $0.7 million for fiscal year ended June 24, 2018 and $0.8 million for fiscal year ended June 25, 2017. Advertising and marketing costs are included in cost of sales and franchise expenses in the consolidated statements of operations.

Contingencies:

Provisions for legal settlements are accrued when payment is considered probable and the amount of loss is reasonably estimable in accordance with the authoritative guidance on *Accounting for Contingencies*. If the best estimate of cost can only be identified within a range and no specific amount within that range can be determined more likely than any other amount within the range, and the loss is considered probable, the minimum of the range is accrued. Legal and related professional services costs to defend litigation are expensed as incurred.

Use of Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect its reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and other various assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically. Actual results could differ materially from estimates.

Fiscal Year:

The Company's fiscal year ends on the last Sunday in June. The fiscal years ended June 24, 2018 and June 25, 2017 both contained 52 weeks.

Discontinuation of Norco Distribution Division:

During the fiscal quarter ended December 24, 2017, the Company discontinued its Norco distribution division and revised its arrangements with third party suppliers and distributors of food, equipment and supplies. As a result, sale of food, equipment and supplies is no longer recognized as revenue and the cost of such items is no longer included in cost of sales. The Company now recognizes incentive revenues received from third party suppliers and distributors as revenue.

NOTE B – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS:

Property, and plant and equipment consist of the following (in thousands):

	Estimated Useful Lives	June 24, 2018	June 25, 2017
Equipment, furniture and fixtures	3 - 7 yrs	$ 1,090	$ 4,791
Software	5 yrs	778	1,143
Leasehold improvements	10 yrs or lease term, if shorter	1,033	3,949
		2,901	9,883
Less: accumulated depreciation/amortization		(1,391)	(6,075)
		$ 1,510	$ 3,808

Depreciation and amortization expense was approximately $0.9 million and $2.4 million for the fiscal years ended June 24, 2018 and June 25, 2017, respectively.

Intangible assets consist of the following (in thousands):

		June 24, 2018			June 25, 2017		
	Estimated Useful Lives	Acquisition Cost	Accumulated Amortization	Net Value	Acquisition Cost	Accumulated Amortization	Net Value
Trademarks and tradenames	10 years	$ 264	$ (127)	$ 137	$ 261	$ (101)	$ 160
Name change	15 years	70	(16)	54	70	(11)	59
Prototypes	5 years	218	(197)	21	208	(188)	20
		$ 552	$ (340)	$ 212	$ 539	$ (300)	$ 239

Amortization expense for intangible assets was approximately $39 thousand and $46 thousand for the fiscal years ended June 24, 2018 and June 25, 2017, respectively.

NOTE C - ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	June 24, 2018	June 25, 2017
Compensation	$ 654	$ 836
Other	404	254
Professional fees	43	167
Insurance loss reserves	8	8
	$ 1,109	$ 1,265

NOTE D - CONVERTIBLE NOTES:

On March 3, 2017, the Company completed a registered shareholder rights offering of its 4% Convertible Senior Notes due 2022 (“Notes”). Shareholders exercised subscription rights to purchase all 30,000 of the Notes at the par value of $100 per Note, resulting in gross offering proceeds to the Company of $3.0 million.

The Notes bear interest at the rate of 4% per annum on the principal or par value of $100 per note, payable annually in arrears on February 15 of each year, commencing February 15, 2018. Interest is payable in cash or, at the Company’s discretion, in shares of Company common stock. The Notes mature on February 15, 2022, at which time all principal and unpaid interest will be payable in cash or, at the Company’s discretion, in shares of Company common stock. The Notes are secured by a pledge of all outstanding equity securities of our two primary direct operating subsidiaries.

Noteholders may convert their notes to common stock effective February 15, May 15, August 15 and November 15 of each year, unless the Company sooner elects to redeem the notes. The conversion price is $2.00 per share of common stock. Accrued interest will be paid through the effective date of the conversion in cash or, at the Company's sole discretion, in shares of Company common stock.

The Company determined that the Notes contained a beneficial conversion feature of $0.1 million since the market price of the Company's common stock was higher than the effective conversion price of the notes when issued. The beneficial conversion feature and the issuance costs of the notes aggregated $0.2 million and were considered a debt discount and accreted into interest expense using the effective interest method over the debt maturity period.

During fiscal 2018, $1.3 million in par value of the Notes were converted to common shares. At the end of fiscal 2018, $1.7 million in par value of the Notes were outstanding, offset by $0.1 million of unamortized debt issue costs and unamortized debt discounts.

NOTE E - INCOME TAXES:

Provision for income taxes from continuing operations consists of the following (in thousands):

	Fiscal Year Ended	
	June 24, 2018	June 25, 2017
Current - Federal	$ (33)	$ -
Current - Foreign	51	-
Current - State	30	53
Deferred - Federal	-	-
Deferred - State	-	-
Provision for income taxes	$ 48	$ 53

Included in loss from discontinued operations is $60 thousand and $0 of tax benefit for the fiscal years ended June 24, 2018 and June 25, 2017, respectively.

The effective income tax rate varied from the statutory rate for the fiscal years ended June 24, 2018 and June 25, 2017 as reflected below (in thousands):

	June 24, 2018	June 25, 2017
Federal income taxes blended statutory rate of 27.64% of pre-tax loss	$ (291)	$ (4,119)
State income tax, net of federal effect	51	35
Foreign taxes	30	-
Permanent adjustments	35	24
Rate change	3,416	-
Valuation allowance	(6,597)	4,019
Other	34	94
	$ (3,322)	$ 53

The tax effects of temporary differences that give rise to the net deferred tax assets consisted of the following (in thousands):

	June 24, 2018	June 25, 2017
Current		
Reserve for bad debt	$ 36	$ 89
Deferred fees	15	27
Other reserves and accruals	562	1,323
	613	1,439
Non Current		
Credit carryforwards	153	199
Net operating loss carryforwards	5,122	4,799
Depreciable assets	17	2,585
Total gross deferred tax asset	5,905	9,022
Valuation allowance	(2,426)	(9,022)
Net deferred tax asset	$ 3,479	$ -

At the end of tax year ended June 24, 2018, the Company had net operating loss carryforwards totaling $23.5 million that are available to reduce future taxable income and will begin to expire in 2032.

NOTE F - LEASES:

Premises occupied by Company-owned restaurants are leased for initial terms of five to ten years, and each has multiple renewal terms. Certain lease agreements contain either a provision requiring additional rent if sales exceed specified amounts or an escalation clause based upon a predetermined multiple.

The Company leases its 19,576 square foot corporate office facility with average annual lease payments of approximately $17.50 per square foot. This lease began on January 2, 2017 and has a ten year term.

Future minimum rental payments under active non-cancelable leases with initial or remaining terms of one year or more at June 24, 2018 were as follows (in thousands):

	Operating Leases
2019	$ 2,007
2020	2,024
2021	2,091
2022	2,035
2023	1,833
Thereafter	4,264
	$ 14,254

Future minimum sublease rental income under active non-cancelable leases with initial or remaining terms of one year or more at June 24, 2018 were as follows (in thousands):

	Sublease Rental Income
2019	$ 162
2020	168
2021	174
2022	175
2023	177
Thereafter	181
	$ 1,037

Rental expense consisted of the following (in thousands):

	Fiscal Year Ended	
	Year Ended June 24, 2018	Year Ended June 25, 2017
Minimum rentals	$ 1,114	$ 1,878
Sublease rentals	(161)	(129)
	$ 953	$ 1,749

NOTE G - EMPLOYEE BENEFITS:

The Company has a tax advantaged savings plan that is designed to meet the requirements of Section 401(k) of the Internal Revenue Code (the "Code"). The current plan is a modified continuation of a similar savings plan established by the Company in 1985. Employees who have completed six months of service and are at least 21 years of age are eligible to participate in the plan. The plan provides that participating employees may elect to have between 1% and 15% of their compensation deferred and contributed to the plan subject to certain IRS limitations. Effective June 27, 2005, the Company has a discretionary matching contribution. For calendar years 2016 and 2017, the Company contributed on behalf of each participating employee an amount equal to 50% of the employee's contributions up to 4% of compensation. Separate accounts are maintained with respect to contributions made on behalf of each participating employee. Employer matching contributions and earnings thereon are invested in the same investments as each participant's employee deferral. The plan is subject to the provisions of the Employee Retirement Income Security Act, as amended, and is a profit sharing plan as defined in Section 401(k) of the Code.

For the fiscal years ended June 24, 2018 and June 25, 2017, total matching contributions to the tax advantaged savings plan by the Company on behalf of participating employees were approximately $44,000 and $40,000, respectively.

NOTE H - STOCK BASED COMPENSATION PLANS:

In June 2005, the 2005 Employee Incentive Stock Option Award Plan (the "2005 Employee Plan") was approved by the Company's shareholders with a plan effective date of June 23, 2005. Under the 2005 Employee Plan, officers and employees of the Company were eligible to receive options to purchase shares of the Company's common stock. Options were granted at market value of the stock on the date of grant, were subject to various vesting and exercise periods as determined by the Compensation Committee of the board of directors, and could be designated as non-qualified or incentive stock options. A total of 1,000,000 shares of common stock were authorized for issuance under the 2005 Employee Plan. The 2005 Employee Plan expired by its terms on June 23, 2015.

The shareholders also approved the 2005 Non-Employee Directors Stock Award Plan (the "2005 Directors Plan") in June 2005, to be effective as of June 23, 2005. Directors not employed by the Company were eligible to receive stock options under the 2005 Directors Plan. Options for common stock equal to twice the number of shares of common stock acquired during the previous fiscal year, up to 40,000 shares per year, were automatically granted to each non-employee director on the first day of each fiscal year. Options were granted at market value of the stock on the first day of each fiscal year, with vesting periods beginning at a minimum of six months and with exercise periods up to ten years. A total of 650,000 shares of Company common stock were authorized for issuance pursuant to the 2005 Directors Plan. The 2005 Directors Plan expired by its terms on June 23, 2015.

The 2015 Long Term Incentive Plan (the "2015 LTIP") was approved by the Company's shareholders on November 18, 2014, and became effective June 1, 2015. Officers, employees and non-employee directors of the Company are eligible to receive awards under the 2015 LTIP. A total of 1,200,000 shares of common stock are authorized for issuance under the 2015 LTIP. Awards authorized under the 2015 LTIP include incentive stock options, non-qualified stock options, restricted shares, restricted stock units and rights (either with or without accompanying options). The 2015 LTIP provides for options to be granted at market value of the stock on the date of grant and have exercise periods determined by the Compensation Committee of the board of directors. The Compensation Committee may also determine the vesting periods, performance criteria and other terms and conditions of all awards under the 2015 LTIP. The Compensation Committee has adopted resolutions under the 2015 LTIP automatically granting to each non-employee director on the first day of each fiscal year options to purchase twice the number of shares of common stock acquired during the previous fiscal year, up to a maximum of 40,000 shares. Such options are exercisable at the market value of the stock on the first day of the fiscal year, vest six months from the date of grant and expire 10 years from the date of grant.

Share based compensation expense is included in general and administrative expense in the statement of operations.

Stock Options:

A summary of stock option transactions under all of the Company's stock option plans and information about fixed-price stock options is as follows:

	Twelve Months Ended			
	June 24, 2018		June 25, 2017	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	478,056	$ 4.16	847,556	$ 3.77
Granted	-	-	50,000	$ 3.95
Exercised	-	-	(315,000)	$ 2.56
Forfeited/Canceled/Expired	-	-	(104,500)	$ 5.67
Outstanding at end of period	478,056	$ 4.16	478,056	$ 4.16
Exercisable at end of year	478,056	$ 4.16	388,056	$ 3.54
Weighted-average fair value of options granted during the year		-		1.11
Total intrinsic value of options exercised		$ -		$ 806,400

At June 24, 2018, there was no intrinsic value of options outstanding.

The following table provides information on options outstanding and options exercisable as of June 24, 2018:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding at Jun 24, 2018	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares Exercisable at Jun 24, 2018	Weighted-Average Exercise Price
$1.55 - 1.95	81,306	1.1	$1.90	81,306	$1.90
$1.96 - 2.35	90,000	0.0	$2.32	90,000	$2.32
$2.36 - 2.75	40,000	3.0	$2.71	40,000	$2.71
$2.76 - 3.30	55,000	4.0	$3.11	55,000	$3.11
$3.31 - 3.95	50,000	8.0	$3.95	50,000	$3.95
$5.51 - 5.74	8,664	5.0	$5.74	8,664	$5.74
$5.95 - 6.25	128,800	5.9	$6.07	128,800	$6.07
$6.26 - 13.11	24,286	7.0	$13.11	24,286	$13.11
	478,056	3.8	$4.16	478,056	$4.16

We determine fair value following the authoritative guidance as follows:

Valuation and Amortization Method. We estimate the fair value of share-based awards granted using the Black-Scholes option valuation model. We amortize the fair value of all awards on a straight-line basis over the requisite service periods, which are generally the vesting periods.

Expected Life. The expected life of awards granted represents the period of time that they are expected to be outstanding. Unless a life is specifically stated, we determine the expected life using the "simplified method" in accordance with Staff Accounting Bulletin No. 110 since we do not have sufficient historical share option exercise experience.

Expected Volatility. Using the Black-Scholes option valuation model, we estimate the volatility of our common stock at the date of grant based on the historical volatility of our common stock.

Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award.

Expected Dividend Yield. We have not paid any cash dividends on our common stock in the last ten years and we do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model.

Expected Forfeitures. We use historical data to estimate pre-vesting option forfeitures. We record stock-based compensation only for those awards that are expected to vest.

The following weighted average assumptions were used for options granted in the last two fiscal years:

Fiscal Year Ended	June 24, 2018	June 25, 2017
Expected life (in years)	n/a	5.5
Expected volatility	n/a	34.6%
Risk-free interest rate	n/a	1.1%
Expected forfeiture rate	n/a	61.8%

At June 24, 2018, the Company had no unvested options. Stock compensation expense related to stock options of $35 thousand and $58 thousand was recognized in fiscal years 2018 and 2017, respectively.

Restricted Stock Units:

Restricted stock units awarded under the 2015 LTIP represent the right to receive shares of common stock upon the satisfaction of vesting requirements, performance criteria and other terms and conditions. During fiscal 2018, an aggregate of 488,723 performance-based restricted stock units were granted to certain employees. During fiscal 2017, an aggregate of 536,310 performance-based restricted stock units were granted to certain employees.

The restricted stock units granted to each recipient are allocated among performance criteria pertaining to various aspects of the Company's business, as well as its overall operations, measured based on the second fiscal year following the date of grant. Achievement of the various performance criteria entitles the recipient to receive shares of common stock in amounts ranging from 50% to 150% of the number of restricted stock units granted. Grantees of restricted stock units do not have any rights of a stockholder, and do not participate in any distributions on our common stock, until the award fully vests upon satisfaction of the vesting schedule, performance criteria and other conditions set forth in their award agreement. Therefore, unvested restricted stock units are not considered participating securities under ASC 260, "*Earnings Per Share*," and are not included in the calculation of basic or diluted earnings per share.

Compensation cost is measured as an amount equal to the fair value of the restricted stock units on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level. The grant date fair value of the restricted stock units granted in fiscal 2018 was $1.27 per unit.

A summary of the status of restricted stock units as of June 24, 2018 and June 25, 2017, and changes during the fiscal years then ended is presented below:

	June 24, 2018	June 25, 2017
Outstanding at beginning of year	487,950	79,620
Granted during the year	488,723	536,310
Forfeited during the year	(68,380)	(127,980)
Outstanding at end of year	908,293	487,950
Vested at beginning of year	-	-
Vested during the year	-	-
Vested at end of year	-	-
Unvested at end of year	908,293	487,950

NOTE I - SHAREHOLDERS' EQUITY:

On April 22, 2009, the board of directors of the Company amended the stock repurchase plan first authorized on May 23, 2007, and previously amended on June 2, 2008, by increasing the aggregate number of shares of common stock the Company may repurchase under the plan to a total of 3,016,000 shares. No shares were repurchased during fiscal 2018 and, as of June 24, 2018, there were 848,425 shares available to repurchase under the plan.

On December 5, 2017, the Company entered into an At Market Issuance Sales Agreement with B. Riley FBR, Inc. ("B. Riley FBR") pursuant to which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $5,000,000 from time to time through B. Riley FBR acting as agent (the "2017 ATM Offering"). The 2017 ATM Offering is being undertaken pursuant to Rule 415 and a shelf Registration Statement on Form S-3 which was declared effective by the SEC on November 6, 2017.

The Company pays to B. Riley FBR a fee equal to 3% of the gross sales price in addition to reimbursing certain costs. The Company had $8 thousand in expenses associated with the 2017 ATM Offering in fiscal 2018.

NOTE J - COMMITMENTS AND CONTINGENCIES:

The Company is subject to various claims and contingencies related to employment agreements, franchise disputes, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any such claims and actions currently pending are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition if decided in a manner that is unfavorable to us.

NOTE K - EARNINGS PER SHARE:

The Company computes and presents earnings per share ("EPS") in accordance with the authoritative guidance on *Earnings Per Share*. Basic EPS excludes the effect of potentially dilutive securities while diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised, converted or resulted in the issuance of common stock that then shared in the earnings of the Company.

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	Fiscal Year Ended	
	June 24, 2018	**June 25, 2017**
Income/(loss) from continuing operations	$ 2,274	$ (11,243)
Loss from discontinued operations	(362)	(1,248)
Net income/(loss) available to common stockholders	$ 1,912	$ (12,491)
Interest saved on Notes of $2,258.4 at 4%	$ 90	$ -
Adjusted net income/(loss)	$ 2,002	$ (12,491)
BASIC:		
Weighted average common shares	13,854	10,617
Income/(loss) from continuing operations per common share	$ 0.17	$ (1.06)
Loss from discontinued operations per common share	(0.03)	(0.12)
Net income/(loss) per common share	$ 0.14	$ (1.18)
DILUTED:		
Weighted average common shares	13,854	10,617
Convertible Notes	1,129	-
Dilutive stock options	-	-
Weighted average common shares outstanding	14,983	10,617
Income/(loss) from continuing operations per common share	$ 0.16	$ (1.06)
Loss from discontinued operations per common share	(0.03)	(0.12)
Net income/(loss) per common share	$ 0.13	$ (1.18)

We had 478,056 shares and 388,056 shares of common stock potentially issuable upon exercise of employee stock options for years ended June 24, 2018 and June 25, 2017, respectively, that were excluded from the weighted average number of shares outstanding on a diluted basis because the effect of such options would be anti-dilutive. These instruments expire at varying times from fiscal 2019 through fiscal 2026.

NOTE L– SEGMENT REPORTING:

The Company has three reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*: (1) Pizza Inn Franchising, (2) Pie Five Franchising and (3) Company-Owned Restaurants. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The Pizza Inn and Pie Five Franchising segments establish franchisees, licensees and territorial rights. Revenue for this segment is derived from franchise royalties, franchise fees, sale of area development and foreign master license rights and incentive payments from third party suppliers and distributors. Assets for this segment include equipment, furniture and fixtures.

The Company-Owned Restaurant segment includes sales and operating results for all Company-owned restaurants. Assets for this segment include equipment, furniture and fixtures for the Company-owned restaurants.

Corporate administration and other assets primarily include cash and short-term investments, as well as furniture and fixtures located at the corporate office and trademarks and other intangible assets. All assets are located within the United States.

Summarized in the following tables are net sales and operating revenues, depreciation and amortization expense, income from continuing operations before taxes, capital expenditures and assets for the Company's reportable segments as of and for the fiscal years ended June 24, 2018 and June 25, 2017 (in thousands):

	Fiscal Year Ended	
	June 24, 2018	June 25, 2017
Net sales and operating revenues:		
Pizza Inn Franchising	$ 6,892	$ 7,307
Pie Five Franchising	3,970	3,521
Company-Owned Restaurants (Note 1)	4,254	15,233
Interest income	4	16
Consolidated revenues	$ 15,120	$ 26,077
Depreciation and amortization:		
Pizza Inn Franchising	$ -	$ -
Pie Five Franchising	-	-
Company-Owned Restaurants (Note 1)	459	1,964
Combined	459	1,964
Corporate administration and other (Note 2)	415	470
Depreciation and amortization	$ 874	$ 2,434
Gain/(Loss) from continuing operations before taxes:		
Pizza Inn Franchising	$ 5,594	$ 5,952
Pie Five Franchising	2,623	2,140
Company-Owned Restaurants (Note 1)	(1,763)	(9,674)
Combined	6,454	(1,582)
Corporate administration and other	(7,502)	(9,608)
Loss from continuing operations before taxes	$ (1,048)	$ (11,190)

Notes:

(1) Company stores that were closed are included in discontinued operations in the accompanying Condensed Consolidated Statement of Operations.

(2) Portions of corporate administration and other have been allocated to segments.

The following table provides information on our foreign and domestic revenues:

Geographic information (revenues):		
United States	$ 14,566	$ 25,807
Foreign countries	554	270
Consolidated total	$ 15,120	$ 26,077

Exhibit 21.1

SUBSIDIARIES OF RAVE RESTAURANT GROUP, INC.

Name of Subsidiary	Jurisdiction of Organization
Pizza Inn, Inc.* (d/b/a Pizza Inn)	Missouri
Pie Five Pizza Company, Inc.* (d/b/a Pie Five Pizza Company or Pie Five)	Texas
Pie Five Restaurants, Inc.*	Texas
PIBC Holding, Inc.*	Texas
Pizza Inn Beverage Corp.*	Texas
Pie Five Beverage Corp.*	Texas

*** Does business under its corporate name as well as any referenced assumed name.**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Rave Restaurant Group, Inc.
The Colony, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 033-71700, 333-77617, 333-76296, 333-177436 and 333-207428) and Forms S-3 (Nos. 333-219483 and 333-221169) of Rave Restaurant Group, Inc. of our report dated September 19, 2018, relating to the consolidated financial statements, which appears in this Form 10-K.

Montgomery Coscia Greilich LLP
Plano, Texas

September 19, 2018

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to section 3.02 of the Sarbanes-Oxley Act of 2002

I, Scott Crane, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rave Restaurant Group, Inc. ("the Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 19, 2018

By: /s/ Scott Crane
Scott Crane
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 3.02 of the Sarbanes-Oxley Act of 2002

I, Andrea K. Allen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Rave Restaurant Group, Inc. ("the Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: September 19, 2018

By: /s/ Andrea K. Allen
Andrea K. Allen
Chief Accounting and Administrative Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Rave Restaurant Group, Inc. (the “Company”), does hereby certify, to such officer’s knowledge, that the accompanying Annual Report on Form 10-K for the fiscal year ended June 24, 2018, and filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 19, 2018

By: /s/ Scott Crane
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that the accompanying Annual Report on Form 10-K for the fiscal year ended June 24, 2018, and filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 19, 2018

By: /s/ Andrea K. Allen
Andrea K. Allen
Chief Accounting and Administrative Officer
(Principal Financial Officer)

THE FOLLOWING 10-Q IS PREPARED WITHOUT AN AUDIT. INVESTORS IN, OR SELLERS OF, FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

RAVE RESTAURANT GROUP, INC.

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PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	September 29, 2019	September 23, 2018
REVENUES:	$ 2,876	$ 2,991
COSTS AND EXPENSES:		
Cost of sales	134	159
General and administrative expenses	1,363	1,414
Franchise expenses	866	1,061
Gain on sale of assets	(11)	(4)
Impairment of long-lived assets and other lease charges	148	15
Bad debt	(8)	24
Interest expense	27	25
Depreciation and amortization expense	47	139
Total costs and expenses	2,566	2,833
INCOME BEFORE TAXES	310	158
Income tax expense	73	50
NET INCOME	$ 237	$ 108
INCOME PER SHARE OF COMMON STOCK - BASIC:	$ 0.02	$ 0.01
INCOME PER SHARE OF COMMON STOCK - DILUTED:	$ 0.02	$ 0.01
Weighted average common shares outstanding - basic	15,106	15,064
Weighted average common and potential dilutive common shares outstanding	15,924	15,897

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	(Unaudited) September 29, 2019	June 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,421	$ 2,264
Accounts receivable, less allowance for bad debts of $203 and $209, respectively	927	1,191
Notes receivable, less allowance for bad debt of $916 and $916, respectively	596	389
Inventories	6	7
Income tax receivable	4	4
Property held for sale	231	231
Deferred contract charges	267	38
Prepaid expenses and other	300	346
Total current assets	4,752	4,470
LONG-TERM ASSETS		
Property, plant and equipment, net	482	500
Operating lease right of use asset, net	3,313	-
Intangible assets definite-lived, net	184	196
Long-term notes receivable	484	735
Deferred tax asset, net	3,989	4,060
Long-term deferred contract charges	-	232
Deposits and other	234	233
Total assets	$ 13,438	$ 10,426
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 290	$ 400
Accounts payable - lease termination impairments	607	832
Accrued expenses	762	834
Deferred rent	-	37
Operating lease liability, current	531	-
Deferred revenues	266	275
Total current liabilities	2,456	2,378
LONG-TERM LIABILITIES		
Convertible notes	1,529	1,584
Deferred rent, net of current portion	-	397
Operating lease liability, net of current portion	3,224	-
Deferred revenues, net of current portion	1,445	1,561
Other long-term liabilities	51	72
Total liabilities	8,705	5,992
COMMITMENTS AND CONTINGENCIES (SEE NOTE 4)		
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value; authorized 26,000,000 shares; issued 22,208,141 and 22,208,141 shares, respectively; outstanding 15,122,887 and 15,090,837 shares, respectively	222	222
Additional paid-in capital	33,294	33,327
Accumulated deficit	(4,246)	(4,483)
Treasury stock at cost		
Shares in treasury: 7,085,254 and 7,117,304, respectively	(24,537)	(24,632)
Total shareholders' equity	4,733	4,434
Total liabilities and shareholders' equity	$ 13,438	$ 10,426

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Total
Balance, June 24, 2018	**22,167**	**$ 222**	**$ 33,206**	**$ (2,493)**	**(7,119)**	**$ (24,636)**	**$ 6,299**
ASC 606 Cumulative Adjustment				(1,622)			(1,622)
Stock compensation expense	-	-	101	-	-	-	101
Issuance of common stock	24	-	36	-	-	-	36
Net income	-	-	-	108		-	108
Balance, September 23, 2018	**22,191**	**$ 222**	**$ 33,343**	**$ (4,007)**	**(7,119)**	**$ (24,636)**	**$ 4,922**

	Common Stock		Additional Paid-in	Accumulated	Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Total
Balance, June 30, 2019	**22,208**	**$ 222**	**$ 33,327**	**$ (4,483)**	**(7,117)**	**$ (24,632)**	**$ 4,434**
Conversion of senior notes, net	-	-	(31)	-	32	95	64
Equity issue costs - ATM Offering	-	-	(2)	-	-	-	(2)
Net Income	-	-	-	237	-	-	237
Balance, September 29, 2019	**22,208**	**$ 222**	**$ 33,294**	**$ (4,246)**	**(7,085)**	**$ (24,537)**	**$ 4,733**

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

RAVE RESTAURANT GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	September 29, 2019	September 23, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 237	$ 108
Adjustments to reconcile net income to cash provided by operating activities:		
Impairment of fixed assets and other assets	148	-
Stock compensation expense	-	101
Depreciation and amortization	35	129
Amortization of operating lease asset	115	-
Amortization of intangible assets definite-lived	12	10
Amortization of debt issue costs	9	5
Gain on the sale of assets	(11)	(4)
Provision for bad debt	(8)	24
Deferred income tax	71	17
Changes in operating assets and liabilities:		
Accounts receivable	272	296
Inventories	1	-
Prepaid expenses, deposits and other, net	44	(79)
Deferred revenue	(122)	234
Accounts payable - trade	(110)	23
Accounts payable - lease termination impairments	(373)	-
Operating lease liability	(120)	-
Accrued expenses, deferred rent and other	(68)	(274)
Cash provided by operating activities	132	590
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable issued for fixed asset sales	44	-
Proceeds from sale of assets	-	4
Purchase of property, plant and equipment	(17)	(10)
Cash provided by (used in) investing activities	27	(6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	-	36
Equity issuance costs	(2)	-
Cash provided by (used in) financing activities	(2)	36
Net increase in cash and cash equivalents	157	620
Cash and cash equivalents, beginning of period	2,264	1,386
Cash and cash equivalents, end of period	$ 2,421	$ 2,006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ 2	$ 2
Income taxes	$ 1	$ 4
Non-cash activities:		
Conversion of notes to common shares	$ 64	$ -

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

The accompanying condensed consolidated financial statements of Rave Restaurant Group, Inc. (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements have been omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods reflected. Except as noted, all adjustments are of a normal recurring nature. Results of operations for the fiscal periods presented are not necessarily indicative of fiscal year-end results.

(1) Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All appropriate intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fiscal Quarters
The three month periods ended September 29, 2019 and September 23, 2018 each contained 13 weeks.

Use of Management Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company's management to make estimates and assumptions that affect its reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and other various assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically, and actual results could differ materially from estimates.

Revenue Recognition

Revenue is measured based on consideration specified in contracts with customers and excludes incentives and amounts collected on behalf of third parties, primarily sales tax. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

The following describes principal activities, separated by major product or service, from which the Company generates its revenues:

Restaurant Sales

Revenue from restaurant sales is recognized when food and beverage products are sold in Company-owned restaurants. The Company reports revenue net of sales taxes collected from customers and remitted to governmental taxing authorities.

Franchise Revenues

Franchise revenues consist of 1) franchise royalties, 2) supplier and distributor incentive revenues, 3) franchise license fees, 4) area development exclusivity fees and foreign master license fees, 5) advertising funds, and 6) supplier convention funds.

Franchise royalties, which are based on a percentage of franchise restaurant sales, are recognized as sales occur.

Supplier and distributor incentive revenues are recognized when title to the underlying commodities transfer.

Franchise license fees are typically billed upon execution of the franchise agreement and amortized over the term of the franchise agreement which can range from five to 20 years. Fees received for renewal periods are amortized over the life of the renewal period.

Area development exclusivity fees and foreign master license fees are typically billed upon execution of the area development and foreign master license agreements. Area development exclusivity fees are included in deferred revenue in the Condensed Consolidated Balance Sheets and allocated on a pro rata basis to all stores opened under that specific development agreement. Area development exclusivity fees that include rights to subfranchise are amortized as revenue over the term of the contract.

Advertising fund contributions for Pie Five units represent contributions collected where we have control over the activities of the fund. Contributions are based on a percentage of net retail sales. The adoption of Topic 606 revises the determination of whether these arrangements are considered principal versus agent. For Pie Five, we have determined that we are the principal in these arrangements, and advertising fund contributions and expenditures are, therefore, reported on a gross basis in the Condensed Consolidated Statements of Income. In general, we expect such advertising fund contributions and expenditures to be largely offsetting and, therefore, do not expect a significant impact on our reported income before income taxes. Our obligation related to these funds is to develop and conduct advertising activities. Pie Five marketing fund contributions are billed and collected weekly.

Supplier convention funds are deferred until the obligations of the agreement are met and the event takes place.

Total revenues consist of the following (in thousands):

	Three Months Ended	
	September 29, 2019	September 23, 2018
Restaurant Sales	$ 108	$ 114
Franchise Royalties	1,108	1,277
Supplier and Distributor Incentive Revenues	1,023	1,109
Supplier Convention Funds	215	216
Franchise License Fees	211	53
Advertising Funds	152	193
Rental Income	41	-
Area Development Fees and Foreign Master License Fees	7	19
Other	11	10
	$ 2,876	$ 2,991

Stock-Based Compensation
The Company accounts for stock options using the fair value recognition provisions of the authoritative guidance on share-based payments. The Company uses the Black-Scholes formula to estimate the value of stock-based compensation for options granted to employees and directors and expects to continue to use this acceptable option valuation model in the future. The authoritative guidance also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow.

Compensation cost for restricted stock units (“RSU’s”) is measured as an amount equal to the fair value of the RSU’s on the date of grant and is expensed over the vesting period if achievement of the performance criteria is deemed probable, with the amount of the expense recognized based on the best estimate of the ultimate achievement level.

(2) **Adoption of ASU 2014-09, “Revenue from Contracts with Customers”**

The Company adopted ASU 2014-09 and Topic 606 using the modified retrospective transition method effective June 25, 2018. A cumulative effect adjustment of $1.6 million was recorded as a reduction to retained earnings as of June 25, 2018 to reflect the impact of adopting Topic 606.

The adoption of Topic 606 did not impact the recognition and reporting of our two largest sources of revenue: franchise royalties and supplier and distributor incentives. The items impacted by the adoption includes the timing of franchise and development revenue recognition and the presentation of advertising funds and supplier convention contributions.

Cumulative adjustment from adoption

As noted above, an after-tax reduction of $1.6 million was recorded to retained earnings to reflect the cumulative impact of adopting Topic 606. This was comprised of $1.3 million related to domestic franchise and renewal fees, $0.2 million related to domestic area development fees and $0.3 million related to international development and franchise master license fees partially offset by $0.2 million in deferral of contract-related expenses.

(3) **Adoption of ASC 842, "Leases"**

In February 2016, FASB issued Accounting Standards Codification 842, Leases ("ASC 842") which requires an entity to recognize a right of use asset and lease liability for all leases. Classification of leases as either a finance or operating lease determines the recognition, measurement and presentation of expenses.

The new standard was effective for the Company in the first quarter of fiscal 2020 and was adopted using a modified retrospective approach with the date of initial application on July 1, 2019. Consequently, upon transition, the Company recognized a right of use asset (or operating lease right-of-use asset) and a lease liability.

The Company applied the following practical expedients as provided in the standards update which provide elections to:

- not apply the recognition requirements to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option);
- not reassess whether a contract contains a lease, lease classification and initial direct costs; and
- not reassess certain land easements in existence prior to July 1, 2019.

Through the implementation process, the Company evaluated each of its lease arrangements and enhanced its systems to track and calculate additional information required upon adoption of this standards update. The adoption had an impact to the Condensed Consolidated Balance Sheet as of July 1, 2019 relating to the recognition of right of use assets and operating lease liabilities for operating leases which represented approximately a 30% change to total assets and a 64% change to total liabilities. The impact of adoption of this new standards update is as follows (in thousands):

	July 1, 2019		
	Adoption	Reclassification (1)	Total Adjustment
Balance Sheet:			
Operating lease right of use assets	$ 3,428	$ 434	$ 3,862
Operating lease liabilities - current	528		528
Operating lease liabilities - long-term	3,347		3,347

(1) As of June 30, 2019, the Company had $132 thousand recorded within deferred rent for lease incentives incurred at the inception of the affected leases and $302 thousand in deferred rent tenant improvements. Upon adoption of the new standards update, these lease incentives were included within the lease liability.

Adoption of the new standard did not materially impact the Condensed Consolidated Statements of Operations, Cash Flows or Shareholders' Equity.

Leases

The Company determines if an arrangement is a lease at inception of the arrangement. To the extent that it can be determined that an arrangement represents a lease, it is classified as either an operating lease or a finance lease. The Company does not currently have any finance leases. The Company capitalizes operating leases on the Condensed Consolidated Balance Sheets through a right of use asset and a corresponding lease liability. Right of use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Short-term leases that have an initial term of one year or less are not capitalized but are disclosed below. Short-term lease costs exclude expenses related to leases with a lease term of one month or less.

Operating lease right of use assets and liabilities are recognized at the commencement date of an arrangement based on the present value of lease payments over the lease term. In addition to the present value of lease payments, the operating lease right of use asset also includes any lease payments made to the lessor prior to lease commencement less any lease incentives and initial direct costs incurred. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Nature of Leases

The Company leases certain office space, restaurant space, and information technology equipment under non-cancelable leases to support its operations. A more detailed description of significant lease types is included below.

Office Agreements

The Company rents office space from third parties for its corporate location. Office agreements are typically structured with non-cancelable terms of one to 10 years. The Company has concluded that its office agreements represent operating leases with a lease term that equals the primary non-cancelable contract term. Upon completion of the primary term, both parties have substantive rights to terminate the lease. As a result, enforceable rights and obligations do not exist under the rental agreements subsequent to the primary term.

Restaurant Space Agreements

The Company rents restaurant space from third parties for its Company-owned restaurants. Restaurant space agreements are typically structured with non-cancelable terms of one to 10 years. The Company has concluded that its office agreements represent operating leases with a lease term that equals the primary non-cancelable contract term. Upon completion of the primary term, both parties have substantive rights to terminate the lease. As a result, enforceable rights and obligations do not exist under the rental agreements subsequent to the primary term.

The Company also subleases some of its restaurant space to third parties. The Company's two subleases have terms that end in 2023 and 2025. The sublease agreements are noncancelable through the end of the term and both parties have substantive rights to terminate the lease when the term is complete. Sublease agreements are not capitalized and are recorded as rental income in the period that rent is received.

Information Technology Equipment

The Company rents information technology equipment, primarily printers and copiers, from a third party for its corporate office location. Information technology equipment agreements are typically structured with non-cancelable terms of one to five years. The Company has concluded that its information technology equipment commitments are operating leases.

Discount Rate

Leases typically do not provide an implicit rate. Accordingly, the Company is required to use incremental borrowing rate in determining the present value of lease payments based on the information available at commencement date. The Company's incremental borrowing rate reflects the estimated rate of interest that it would pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company uses the implicit rate in the limited circumstances in which that rate is readily determinable.

Lease Guarantees

The Company has guaranteed the financial responsibilities of certain franchised store leases. These guaranteed leases are not considered operating leases because the Company does not have the right to control the underlying asset. If the franchisee abandons the lease and fails to meet the lease's financial obligations, the lessor may assign the lease to the Company for the remainder of the term. If the Company does not expect to assign the abandoned lease to a new franchisee within 12 months, the lease will be considered an operating lease and a right-of-use asset and liability will be recognized.

Practical Expedients and Accounting Policy Elections

Certain lease agreements include lease and non-lease components. For all existing asset classes with multiple component types, the Company has utilized the practical expedient that exempts it from separating lease components from non-lease components. Accordingly, the Company accounts for the lease and non-lease components in an arrangement as a single lease component.

In addition, for all existing asset classes, the Company has made an accounting policy election not to apply the lease recognition requirements to short-term leases (that is, a lease that, at commencement, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise). Accordingly, we recognize lease payments related to our short-term leases in our statement of operations on a straight-line basis over the lease term which has not changed from our prior recognition. To the extent that there are variable lease payments, we recognize those payments in our statement of operations in the period in which the obligation for those payments is incurred.

The components of total lease expense for the three months ended September 29, 2019, the majority of which is included in general and administrative expense, are as follows (in thousands):

	Three Months Ended September 29, 2019
Operating lease cost	$ 153
Sublease income	(41)
Total lease expense, net of sublease income	$ 112

Supplemental cash flow information related to operating leases is included in the table below (in thousands):

	Three Months Ended September 29, 2019
Cash paid for amounts included in the measurement of lease liabilities	158
Right of use assets added in exchange for lease obligations (since adoption)	-

Supplemental balance sheet information related to operating leases is included in the table below (in thousands):

	September 29, 2019
Operating lease right of use assets	$ 3,313
Accrued liabilities - current	531
Operating lease liabilities - long-term	3,224

Weighted average remaining lease term and weighted average discount rate for operating leases are as follows:

	September 29, 2019
Weighted average remaining lease term	7 years
Weighted average discount rate	4.0%

Lease liabilities with enforceable contract terms that are greater than one year mature as follows (in thousands):

	Operating Leases
Remainder of fiscal year 2020	$ 470
2021	641
2022	654
2023	664
2024	571
Thereafter	1,294
Total lease payments	$ 4,294
Less imputed interest	(539)
Total lease liability	$ 3,755

(4) **Stock Purchase Plan**

On May 23, 2007, the Company's board of directors approved a stock purchase plan (the "2007 Stock Purchase Plan") authorizing the purchase on our behalf of up to 1,016,000 shares of our common stock in the open market or in privately negotiated transactions. On June 2, 2008, the Company's board of directors amended the 2007 Stock Purchase Plan to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 2,016,000 shares. On April 22, 2009 the Company's board of directors amended the 2007 Stock Purchase Plan again to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock purchases in the fiscal quarters ended September 29, 2019 or September 23, 2018.

(5) **Commitments and Contingencies**

The Company is subject to various claims and contingencies related to employment agreements, franchise disputes, lawsuits, taxes, food product purchase contracts and other matters arising out of the normal course of business. Management believes that any such claims and actions currently pending are either covered by insurance or would not have a material adverse effect on the Company's annual results of operations or financial condition if decided in a manner that is unfavorable to the Company.

(6) **Stock-Based Compensation**

Stock Options:

For the fiscal quarters ended September 29, 2019 and September 23, 2018, the Company did not recognize any stock-based compensation expense related to stock options. As of September 29, 2019, there was no unamortized stock-based compensation expense related to stock options.

The following table summarizes the number of shares of the Company's common stock subject to outstanding stock options:

	Three Months Ended	
	September 29, 2019	**September 23, 2018**
	Shares	Shares
Outstanding at beginning of year	216,550	478,056
Granted	-	-
Exercised	-	-
Forfeited/Canceled/Expired	-	(100,000)
Outstanding at end of period	216,550	378,056
Exercisable at end of period	216,550	378,056

Restricted Stock Units:

For the fiscal quarter ended September 29, 2019, the Company had no stock-based compensation expense related to RSU's compared to $0.1 million in the same period of the prior year. As of September 29, 2019, unamortized stock-based compensation expense related to RSU's was $0.1 million.

A summary of the status of restricted stock units as of September 29, 2019, and changes during the fiscal quarter then ended is presented below:

Number of Restricted Stock Units	
Unvested at June 30, 2019	155,106
Granted	-
Vested	-
Forfeited	-
Unvested at September 29, 2019	155,106

(7) **Earnings per Share (EPS)**

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	Three Months Ended	
	September 29, 2019	September 23, 2018
Net income available to common stockholders	$ 237	$ 108
Interest saved on convertible notes of $1,630 at 4%	$ 16	$ 17
Adjusted net income	$ 253	$ 125
BASIC:		
Weighted average common shares	15,106	15,064
Net income per common share	$ 0.02	$ 0.01
DILUTED:		
Weighted average common shares	15,106	15,064
Convertible notes	815	833
Dilutive stock options	3	-
Weighted average common shares outstanding	15,924	15,897
Net income per common share	$ 0.02	$ 0.01

For the three months ended September 29, 2019, options to purchase 216,550 shares of common stock at exercise prices from $2.71 to $13.11 were excluded from the computation of diluted EPS because their inclusion would have been anti-dilutive.

For the three months ended September 23, 2018, options to purchase 378,056 shares of common stock at exercise prices ranging from $1.55 to $13.11 were excluded from the computation of diluted EPS because their inclusion would have been anti-dilutive.

(8) **Income Taxes**

For the three months ended September 29, 2019, the Company recorded an income tax expense of $73 thousand calculated at a rate consistent with the 21% statutory U.S. federal rate. Income tax expense consisted of $3 thousand in current state taxes, $65 thousand in deferred federal taxes and $5 thousand in deferred state taxes. The Company anticipates utilizing net operating loss carryforwards to offset any federal taxes.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. In assessing the need for the valuation allowance, the Company considers both positive and negative evidence related to the likelihood of realization of deferred tax assets. Future sources of taxable income are also considered in determining the amount of the recorded valuation allowance.

As of September 29, 2019, the Company had $6.4 million of deferred tax assets and a valuation allowance of $2.4 million. The Company determined it was not appropriate to increase or decrease the valuation allowance. However, the Company will continue to review the need for an adjustment to the valuation allowance.

(9) Segment Reporting

The Company has three reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on Disclosures about Segments of an Enterprise and Related Information: (1) Pizza Inn Franchising, (2) Pie Five Franchising and (3) Company-Owned Restaurants. These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of non-recurring items.

The Pizza Inn and Pie Five Franchising segments establish franchisees, licensees and territorial rights. Revenue for this segment is derived from franchise royalties, franchise fees, sale of area development and foreign master license rights and incentive payments from third party suppliers and distributors. Assets for this segment include equipment, furniture and fixtures.

The Company-Owned Restaurant segment includes sales and operating results for all Company-owned restaurants. Assets for this segment include equipment, furniture and fixtures for the Company-owned restaurants.

Corporate administration and other assets primarily include cash and short-term investments, as well as furniture and fixtures located at the corporate office and trademarks and other intangible assets. All assets are located within the United States.

Summarized in the following table are net sales and operating revenues, depreciation and amortization expense, income before taxes, capital expenditures and assets for the Company's reportable segments as of the three months ended September 29, 2019 and September 23, 2018 (in thousands):

	Three Months Ended	
	September 29, 2019	September 23, 2018
Net sales and operating revenues:		
Pizza Inn Franchising	$ 1,864	$ 1,904
Pie Five Franchising	852	963
Company-Owned Restaurants	108	114
Corporate administration and other	52	10
Consolidated revenues	$ 2,876	$ 2,991
Depreciation and amortization:		
Pizza Inn Franchising	$ -	$ -
Pie Five Franchising	-	-
Company-Owned Restaurants	-	31
Combined	-	31
Corporate administration and other	47	108
Depreciation and amortization	$ 47	$ 139
Income before taxes:		
Pizza Inn Franchising	$ 1,412	$ 1,347
Pie Five Franchising	438	459
Company-Owned Restaurants	(203)	(129)
Combined	1,647	1,677
Corporate administration and other	(1,337)	(1,519)
Income before taxes	$ 310	$ 158
Geographic information (revenues):		
United States	$ 2,817	$ 2,894
Foreign countries	59	97
Consolidated total	$ 2,876	$ 2,991

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended June 30, 2019 and may contain certain forward-looking statements that are based on current management expectations. Generally, verbs in the future tense and the words "believe," "expect," "anticipate," "estimate," "intends," "opinion," "potential" and similar expressions identify forward-looking statements. Forward-looking statements in this report include, without limitation, statements relating to our business objectives, our customers and franchisees, our liquidity and capital resources, and the impact of our historical and potential business strategies on our business, financial condition, and operating results. Our actual results could differ materially from our expectations. Further information concerning our business, including additional factors that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q, are set forth in our Annual Report on Form 10-K for the year ended June 30, 2019. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements contained herein speak only as of the date of this Quarterly Report on Form 10-Q and, except as may be required by applicable law, we do not undertake, and specifically disclaim any obligation to, publicly update or revise such statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Results of Operations

Overview

Rave Restaurant Group, Inc., through its subsidiaries (collectively, the "Company" or "we," "us" or "our") operates and franchises pizza buffet ("Buffet Units"), delivery/carry-out ("Delco Units") and express ("Express Units") restaurants under the trademark "Pizza Inn" and operates and franchises fast casual pizza restaurants ("Pie Five Units") under the trademarks "Pie Five Pizza Company" or "Pie Five". The Company also licenses Pizza Inn Express, or PIE, kiosks ("PIE Units") under the trademark "Pizza Inn". We facilitate food, equipment and supply distribution to our domestic and international system of restaurants through agreements with third party distributors. At September 29, 2019, Company-owned, franchised and licensed units consisted of the following:

Three Months Ended September 29, 2019
(in thousands, except unit data)

	Pizza Inn		Pie Five		All Concepts	
	Ending Units	Retail Sales	Ending Units	Retail Sales	Ending Units	Retail Sales
Domestic Franchised/Licensed	152	$ 21,894	55	$ 8,728	207	$ 30,622
Company-Owned	-	-	1	108	1	108
Total Domestic Units	152	$ 21,894	56	$ 8,836	208	$ 30,730
International Franchised	34		-		34	

Domestic units are located in 22 states predominantly situated in the southern half of the United States. International units are located in seven foreign countries.

Basic income per common share improved $0.01 per share to $0.02 per share for the three months ended September 29, 2019, compared to net income of $0.01 per share in the comparable period in the prior fiscal year. The Company had net income of $0.2 million for the three months ended September 29, 2019 and net income of $0.1 million in the comparable period in the prior fiscal year, on revenues of $2.9 million for the three months ended September 29, 2019 compared to $3.0 million in the comparable period in the prior fiscal year. The increase in net income from the prior year was primarily due to a decrease in total costs and expenses partially offset by a decrease in total revenues.

Adjusted EBITDA for the fiscal quarter ended September 29, 2019, decreased $0.1 million compared to the same period of the prior fiscal year. The following table sets forth a reconciliation of net income to Adjusted EBITDA for the periods shown (in thousands):

	Three Months Ended	
	September 29, 2019	September 23, 2018
Net income	$ 237	$ 108
Interest expense	27	25
Income taxes	73	50
Depreciation and amortization	47	139
EBITDA	$ 384	$ 322
Stock compensation expense	-	101
Gain on sale/disposal of assets	(11)	(4)
Impairment of long-lived assets and other lease charges	148	15
Franchisee default and closed store revenue/expense	(147)	-
Closed and non-operating store costs	6	22
Adjusted EBITDA	$ 380	$ 456

Pizza Inn Brand Summary

The following tables summarize certain key indicators for the Pizza Inn franchised and licensed domestic units that management believes are useful in evaluating performance.

	Three Months Ended	
	September 29, 2019	September 23, 2018
Pizza Inn Retail Sales - Total Domestic Units	**(in thousands, except unit data)**	
Domestic Units		
Buffet Units - Franchised	$ 20,285	$ 20,133
Delco/Express Units - Franchised	1,545	1,815
PIE Units - Licensed	64	39
Total Domestic Retail Sales	$ 21,894	$ 21,987
Pizza Inn Comparable Store Retail Sales - Total Domestic	21,068	20,444
Pizza Inn Average Units Open in Period		
Domestic Units		
Buffet Units - Franchised	84	88
Delco/Express Units - Franchised	59	61
PIE Units - Licensed	9	3
Total Domestic Units	152	152

Total Pizza Inn domestic retail sales decreased $0.1 million, or 0.4%, for the three months ended September 29, 2019 when compared to the same period of the prior year. Pizza Inn domestic comparable store retail sales increased by $0.6 million, or 3.1%, for the three months ended September 29, 2019 when compared to the same period of the prior year.

The following chart summarizes Pizza Inn unit activity for the three months ended September 29, 2019:

	Three Months Ended September 29, 2019				
	Beginning Units	Opened	Concept Change	Closed	Ending Units
Domestic Units					
Buffet Units - Franchised	87	-	-	4	83
Delco/Express Units - Franchised	59	-	-	1	58
PIE Units - Licensed	9	2	-	-	11
Total Domestic Units	155	2	-	5	152
International Units (all types)	48	1	-	15	34
Total Units	203	3	-	20	186

There was a net decrease of three domestic Pizza Inn units during the three months ended September 29, 2019. There was a net decrease of 14 international Pizza Inn units in the three months ended September 29, 2019 due to the closure of the Company's subfranchisee in Saudi Arabia. We believe the decrease in domestic and international unit counts is stabilizing and will begin to increase in future periods.

Pie Five Brand Summary

The following tables summarize certain key indicators for the Pie Five franchised and Company-owned restaurants that management believes are useful in evaluating performance.

	Three Months Ended	
	September 29, 2019	September 23, 2018
	(in thousands, except unit data)	
Pie Five Retail Sales - Total Units		
Domestic Units - Franchised	$ 8,728	$ 11,529
Domestic Units - Company-owned	108	114
Total Domestic Retail Sales	$ 8,836	$ 11,643
Pie Five Comparable Store Retail Sales - Total	$ 8,087	$ 9,214
Pie Five Average Units Open in Period		
Domestic Units - Franchised	57	71
Domestic Units - Company-owned	1	1
Total Domestic Units	58	72

Pie Five system-wide retail sales decreased $2.8 million, or 24.1%, for the three months ended September 29, 2019 when compared to the same period of the prior year. Compared to the same fiscal quarter of the prior year, average units open in the period decreased from 72 to 58. Comparable store retail sales decreased by $1.1 million, or 12.2%, during the first quarter of fiscal 2020 compared to the same period of the prior year.

The following chart summarizes Pie Five Unit activity for the three months ended September 29, 2019:

	Three Months Ended September 29, 2019				
	Beginning Units	Opened	Transfer	Closed	Ending Units
Domestic - Franchised	57	-	-	2	55
Domestic - Company-owned	1	-	-	-	1
Total Domestic Units	58	-	-	2	56

The net decrease of two Pie Five Units during the three months ended September 29, 2019 was primarily the result of the closure of poor-performing stores. We believe the net closure of Pie Five units will continue to moderate in the near term and eventually reverse in future periods.

Pie Five - Company-Owned Restaurants	Three Months Ended	
(in thousands, except store weeks and average data)	September 29, 2019	September 23, 2018
Store weeks (excluding partial weeks)	13	13
Average weekly sales	8,308	8,769
Average number of units	1	1
Restaurant sales (excluding partial weeks)	108	114
Restaurant sales	108	114
Loss before taxes	(203)	(129)
Allocated marketing and advertising expenses	5	6
Depreciation/amortization expense	-	31
Impairment, other lease charges and non-operating store costs	154	37
Restaurant operating cash flow	(44)	(55)

Average weekly sales for Company-owned Pie Five Units decreased $461, or 5.3%, to $8,308 for the three months ended September 29, 2019 compared to $8,769 for the same period of the prior fiscal year. Company-owned Pie Five restaurant operating cash flow decreased $11 thousand during the first quarter of fiscal 2020 compared to the same period of prior year. Loss before taxes for Company-owned Pie Five stores increased $74 thousand for the three months ended September 29, 2019 compared to the same period of the prior year. The increased loss was primarily related to impairment of long-lived assets and other lease charges partially offset by decreases in amortization and depreciation expense and cost of sales.

Non-GAAP Financial Measures and Other Terms

The Company's financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP"). However, the Company also presents and discusses certain non-GAAP financial measures that it believes are useful to investors as measures of operating performance. Management may also use such non-GAAP financial measures in evaluating the effectiveness of business strategies and for planning and budgeting purposes. However, these non-GAAP financial measures should not be viewed as an alternative or substitute for the results reflected in the Company's GAAP financial statements.

We consider EBITDA and Adjusted EBITDA to be important supplemental measures of operating performance that are commonly used by securities analysts, investors and other parties interested in our industry. We believe that EBITDA is helpful to investors in evaluating our results of operations without the impact of expenses affected by financing methods, accounting methods and the tax environment. We believe that Adjusted EBITDA provides additional useful information to investors by excluding non-operational or non-recurring expenses to provide a measure of operating performance that is more comparable from period to period. We believe that restaurant operating cash flow is a useful metric to investors in evaluating the ongoing operating performance of Company-owned restaurants and comparing such store operating performance from period to period. Management also uses these non-GAAP financial measures for evaluating operating performance, assessing the effectiveness of business strategies, projecting future capital needs, budgeting and other planning purposes.

The following key performance indicators presented herein, some of which represent non-GAAP financial measures, have the meaning and are calculated as follows:

- "EBITDA" represents earnings before interest, taxes, depreciation and amortization.
- "Adjusted EBITDA" represents earnings before interest, taxes, depreciation and amortization, stock compensation expense, pre-opening expense, gain/loss on sale of assets, costs related to impairment and other lease charges, discontinued operations, franchisee default and closed store revenue/expense, and closed and non-operating store costs.
- "Retail sales" represents the restaurant sales reported by our franchisees and Company-owned restaurants, which may be segmented by brand or domestic/international locations.
- "System-wide retail sales" represents combined retail sales for franchisee and Company-owned restaurants for a specified brand.
- "Comparable store retail sales" includes the retail sales for restaurants that have been open for at least 18 months as of the end of the reporting period. The sales results for a restaurant that was closed temporarily for remodeling or relocation within the same trade area are included in the calculation only for the days that the restaurant was open in both periods being compared.
- "Store weeks" represent the total number of full weeks that specified restaurants were open during the period.
- "Average units open" reflects the number of restaurants open during a reporting period weighted by the percentage of the weeks in a reporting period that each restaurant was open.
- "Average weekly sales" for a specified period is calculated as total retail sales (excluding partial weeks) divided by store weeks in the period.
- "Restaurant operating cash flow" represents the pre-tax income earned by Company-owned restaurants before (1) allocated marketing and advertising expenses, (2) depreciation and amortization, (3) pre-opening expenses, (4) operations management and extraordinary expenses, (5) impairment and other lease charges, and (6) non-operating store costs.
- "Pre-opening expenses" consist primarily of certain costs incurred prior to the opening of a Company-owned restaurant, including: (1) marketing and promotional expenses, (2) accrued rent, and (3) manager salaries, employee payroll and related training costs.
- "Non-operating store costs" represent gain or loss on asset disposal, store closure expenses, lease termination expenses and expenses related to abandoned store sites.
- "Franchisee default and closed store revenue/expense" represents the net of accelerated revenues and costs attributable to defaulted area development agreements and closed franchised stores.

Financial Results

The Company defines its operating segments as Pizza Inn Franchising, Pie Five Franchising and Company-Owned Restaurants. The following is additional business segment information for the three months ended September 29, 2019 and September 23, 2018 (in thousands):

	Pizza Inn Franchising		Pie Five Franchising		Company-Owned Restaurants		Corporate		Total	
	Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended		Fiscal Quarter Ended	
	September 29, 2019	September 23, 2018	September 29, 2019	September 23, 2018	September 29, 2019	September 23, 2018	September 29, 2019	September 23, 2018	September 29, 2019	September 23, 2018
REVENUES:										
Franchise and license revenues	$ 1,864	$ 1,904	$ 852	$ 963	$ -	$ -	$ -	$ -	$ 2,716	$ 2,867
Restaurant sales	-	-	-	-	108	114	-	-	108	114
Rental Income	-	-	-	-	-	-	41	-	41	-
Interest income and other	-	-	-	-	-	-	11	10	11	10
Total revenues	1,864	1,904	852	963	108	114	52	10	2,876	2,991
COSTS AND EXPENSES:										
Cost of sales	-	-	-	-	134	159	-	-	134	159
General and administrative expenses	-	-	-	-	29	38	1,334	1,376	1,363	1,414
Franchise expenses	452	557	414	504	-	-	-	-	866	1,061
Gain on sale of assets	-	-	-	-	-	-	(11)	(4)	(11)	(4)
Impairment of long-lived assets and other lease charges	-	-	-	-	148	15	-	-	148	15
Bad debt	-	-	-	-	-	-	(8)	24	(8)	24
Interest expense	-	-	-	-	-	-	27	25	27	25
Amortization and depreciation expense	-	-	-	-	-	31	47	108	47	139
Total costs and expenses	452	557	414	504	311	243	1,389	1,529	2,566	2,833
INCOME/(LOSS) BEFORE TAXES	$ 1,412	$ 1,347	$ 438	$ 459	$ (203)	$ (129)	$ (1,337)	$ (1,519)	$ 310	$ 158

Revenues:

Revenues are derived from franchise royalties, franchise fees, supplier incentives, advertising funds and convention funds, and sales by Company-owned restaurants. The volume of supplier incentive revenues is dependent on the level of chain-wide retail sales, which are impacted by changes in comparable store sales and restaurant count, and the products sold to franchisees through third-party food distributors.

Total revenues for the three month period ended September 29, 2019 and for the same period in the prior fiscal year were $2.9 million and $3.0 million, respectively. The decrease in total revenues was driven by a reduction in Pie Five franchise and license revenues due to fewer domestic franchise units open during the three month period ended September 29, 2019 as compared to the same period of the prior year.

Pizza Inn Franchise Revenues

Pizza Inn franchise revenues remained stable at $1.9 million for the three month periods ended September 29, 2019 and September 23, 2018.

Pie Five Franchise Revenues

Pie Five franchise revenues decreased by $0.1 million to $0.9 million for the three month period ended September 29, 2019. The decrease was primarily driven by decreases in supplier incentives, domestic royalties and brand fund revenues due to lower total retail sales, partially offset by increases in default and closed store revenues from defaulted area development agreements.

Restaurant Sales

Restaurant sales, which consist of revenue generated by Company-owned restaurants remained relatively stable at $0.1 million for the three month periods ended September 29, 2019 and September 23, 2018. The $6 thousand decrease was primarily the result of lower average weekly sales.

Costs and Expenses:

Cost of Sales - Total

Total cost of sales, which primarily includes food and supply costs, labor, and general and administrative expenses directly related to Company-owned restaurant sales, decreased to $0.1 thousand for the three month period ended September 29, 2019 compared to $0.2 million in the three month period ended September 23, 2018. The decrease was primarily the result of decreased food and labor expense.

General and Administrative Expenses

Total general and administrative expenses decreased $51 thousand to $1.4 million for the three month period ended September 29, 2019. The decrease in general and administrative expenses for the three month period was primarily attributable to a reduction in the number of general and administrative employees at the corporate level.

Franchise Expenses

Franchise expenses include general and administrative expenses directly related to the continuing service of domestic and international franchises. Franchise expenses decreased by $0.1 million in each of the Pizza Inn and Pie Five segments to a total of $0.9 million for the three month period ended September 29, 2019 compared to $1.1 million for the same period of the prior year. The decrease was primarily related to a reduction in employees supporting Pizza Inn and Pie Five franchising.

Impairment of Long-lived Assets and Other Lease Charges

Impairment of long-lived assets and other lease charges were $148 thousand for the three month period ended September 29, 2019 compared to $15 thousand for the same period in the prior fiscal year. For the three month period ended September 29, 2019, these charges related to lease termination expenses.

Bad Debt Expense

The Company monitors franchisee receivable balances and adjusts credit terms when necessary to minimize the Company's exposure to high risk accounts receivable. Bad debt expense decreased $32 thousand for the three month period ended September 29, 2019 as compared to the comparable period in the prior fiscal year.

Interest Expense

Interest expense remained stable in the three month period ended September 29, 2019 compared to the same fiscal quarter of the prior year.

Provision for Income Tax

For the three months ended September 29, 2019, the Company recorded an income tax expense of $73 thousand calculated at a rate consistent with the 21% statutory U.S. federal rate. Income tax expense consisted of $3 thousand in current state taxes, $65 thousand in deferred federal taxes and $5 thousand in deferred state taxes. The Company anticipates utilizing net operating loss carryforwards to offset any federal taxes.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. In assessing the need for the valuation allowance, the Company considers both positive and negative evidence related to the likelihood of realization of deferred tax assets. Future sources of taxable income are also considered in determining the amount of the recorded valuation allowance.

As of September 29, 2019, the Company had $6.4 million of deferred tax assets and a valuation allowance of $2.4 million. The Company determined it was not appropriate to increase or decrease the valuation allowance. However, the Company will continue to review the need for an adjustment to the valuation allowance.

Liquidity and Capital Resources

During the three month period ended September 29, 2019, our primary source of liquidity was cash flows from operating activities.

Cash flows from operating activities generally reflect net income or losses adjusted for certain non-cash items including depreciation and amortization, changes in deferred tax assets, share based compensation, and changes in working capital. Cash provided by operating activities was $0.1 million for the three month period ended September 29, 2019 compared to cash provided of $0.6 million for the three month period ended September 23, 2018. The primary driver of decreased cash flows during the three month period ended September 29, 2019 was lease termination payments of $0.4 million related to closed Pie Five stores.

Cash flows from investing activities reflect net proceeds from the sale of assets and capital expenditures for the purchase of Company assets. Cash provided by investing activities of $27 thousand during the three month period ended September 29, 2019 was primarily attributable to $44 thousand in payments received on notes receivable partially offset by capital expenditures of $17 thousand. Cash used by investing activities during the three month period ended September 23, 2018 of $6 thousand was primarily attributed $10 thousand in capital expenditures for technology partially offset by $4 thousand in proceeds from the sale of assets.

Cash flows from financing activities generally reflect changes in the Company's stock and debt activity during the period. Net cash used by financing activities was $2 thousand for the three month period ended September 29, 2019 compared to $36 thousand net cash provided for the three month period ended September 23, 2018. Cash flows from financing activities for the three months ended September 29, 2019 were related to expenses from the sale of stock. Cash flows from financing activities for the three months ended September 23, 2018 were primarily attributable to at-the-market sales of common stock.

On December 5, 2017, the Company entered into an At Market Issuance Sales Agreement with B. Riley FBR, Inc. ("B. Riley FBR") pursuant to which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $5,000,000 from time to time through B. Riley FBR acting as agent (the "2017 ATM Offering"). The 2017 ATM Offering is being undertaken pursuant to Rule 415 and a shelf Registration Statement on Form S-3 which was declared effective by the SEC on November 6, 2017. Through September 29, 2019, the Company had sold an aggregate of 191,478 shares in the 2017 ATM Offering, realizing aggregate gross proceeds of $0.3 million.

Management believes the cash on hand combined with cash from operations and proceeds from at-the-market sales of common stock under its shelf registration will be sufficient to fund operations for the next 12 months.

Convertible Notes

On March 3, 2017, the Company completed a registered shareholder rights offering of its 4% Convertible Senior Notes due 2022 ("Notes"). Shareholders exercised subscription rights to purchase all 30,000 of the Notes at the par value of $100 per Note, resulting in gross offering proceeds to the Company of $3.0 million.

The Notes bear interest at the rate of 4% per annum on the principal or par value of $100 per note, payable annually in arrears on February 15 of each year, commencing February 15, 2018. Interest is payable in cash or, at the Company's discretion, in shares of Company common stock. The Notes mature on February 15, 2022, at which time all principal and unpaid interest will be payable in cash or, at the Company's discretion, in shares of Company common stock. The Notes are secured by a pledge of all outstanding equity securities of our two primary direct operating subsidiaries.

Noteholders may convert their notes to common stock as of the 15th day of any calendar month, unless the Company sooner elects to redeem the notes. The conversion price is $2.00 per share of common stock. Accrued interest will be paid through the effective date of the conversion in cash or, at the Company's sole discretion, in shares of Company common stock.

During three month period ended September 29, 2019, $64 thousand in par value of the Notes were converted to common shares. As of September 29, 2019, $1.6 million in par value of the Notes were outstanding, offset by $0.1 million of unamortized debt issue costs and unamortized debt discounts.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and various other assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically. Actual results could differ materially from estimates.

The Company believes the following critical accounting policies require estimates about the effect of matters that are inherently uncertain, are susceptible to change, and therefore require subjective judgments. Changes in the estimates and judgments could significantly impact the Company's results of operations and financial condition in future periods.

Accounts receivable consist primarily of receivables generated from franchise royalties and supplier concessions. The Company records a provision for doubtful receivables to allow for any amounts which may be unrecoverable based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. Actual realization of accounts receivable could differ materially from the Company's estimates.

The Company reviews long-lived assets for impairment when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the assets compared to their carrying value. If impairment is recognized, the carrying value of an impaired asset is reduced to its fair value, based on discounted estimated future cash flows.

Franchise revenue consists of income from license fees, royalties, area development and foreign master license agreements, advertising fund revenues, supplier incentive and convention contribution revenues. Franchise fees, area development and foreign master license agreement fees are amortized into revenue on a straight-line basis over the term of the related contract agreement. Royalties and advertising fund revenues, which are based on a percentage of franchise retail sales, are recognized as income as retail sales occur. Supplier incentive revenues are recognized as earned, typically as the underlying commodities are shipped.

The Company continually reviews the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. The Company assesses whether a valuation allowance should be established against its deferred tax assets based on consideration of all available evidence, using a "more likely than not" standard. In assessing the need for a valuation allowance, the Company considers both positive and negative evidence related to the likelihood of realization of deferred tax assets. In making such assessment, more weight is given to evidence that can be objectively verified, including recent losses. Future sources of taxable income are also considered in determining the amount of the recorded valuation allowance.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, which prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. ASC 740-10 requires that a company recognize in its financial statements the impact of tax positions that meet a "more likely than not" threshold, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. As of September 29, 2019 and September 23, 2018, the Company had no uncertain tax positions.

The Company assesses its exposures to loss contingencies from legal matters based upon factors such as the current status of the cases and consultations with external counsel and provides for the exposure by accruing an amount if it is judged to be probable and can be reasonably estimated. If the actual loss from a contingency differs from management's estimate, operating results could be adversely impacted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Company's principal executive officer and principal financial officer, or persons performing similar functions, have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer, or persons performing similar functions, have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. During the most recent fiscal quarter, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to claims and legal actions in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it are either adequately covered by insurance or would not have a material adverse effect on the Company's annual results of operations, cash flows or financial condition if decided in a manner that is unfavorable to the Company.

Item 1A. Risk Factors

Not required for a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

On May 23, 2007, the Company's board of directors approved a stock purchase plan (the "2007 Stock Purchase Plan") authorizing the purchase on our behalf of up to 1,016,000 shares of our common stock in the open market or in privately negotiated transactions. On June 2, 2008, the Company's board of directors amended the 2007 Stock Purchase Plan to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 2,016,000 shares. On April 22, 2009 the Company's board of directors amended the 2007 Stock Purchase Plan again to increase the number of shares of common stock the Company may repurchase by 1,000,000 shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock repurchases in the fiscal quarter ended September 29, 2019.

The Company's ability to repurchase shares of our common stock is subject to various laws, regulations and policies as well as the rules and regulations of the SEC. Subsequent to September 29, 2019, the Company has not repurchased any outstanding shares but may make further repurchases under the 2007 Stock Purchase Plan. The Company may also repurchase shares of our common stock other than pursuant to the 2007 Stock Purchase Plan or other publicly announced plans or programs.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of Rave Restaurant Group, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed January 8, 2015).
3.2	Amended and Restated Bylaws of Rave Restaurant Group, Inc. (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed January 8, 2015).
4.1	Indenture for 4% Convertible Senior Notes due 2022 (filed as Exhibit 4.1 to Form S-3/A filed January 6, 2017 and incorporated herein by reference).
4.2	Pledge Agreement (filed as Exhibit 4.2 to Form S-3/A filed January 6, 2017 and incorporated herein by reference).
4.3	Supplemental Indenture Number 1 dated as of October 31, 2017, between Rave Restaurant Group, Inc. and Securities Transfer Corporation (filed as Exhibit 4.1 to Form 8-K filed November 9, 2017 and incorporated herein by reference).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer.
32.2	Section 1350 Certification of Principal Financial Officer.
101	Interactive data files pursuant to Rule 405 of Regulation S-T.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAVE RESTAURANT GROUP, INC.
(Registrant)

By: /s/ Brandon L. Solano
Brandon L. Solano
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Mark E. Schwarz
Mark E. Schwarz
Director and Chairman of the Board
(Principal Financial Officer)

Dated: November 13, 2019

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brandon L. Solano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rave Restaurant Group, Inc. (“the Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 13, 2019

By: /s/ Brandon L. Solano
Brandon L. Solano
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark E. Schwarz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rave Restaurant Group, Inc. (“the Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 13, 2019

By: /s/ Mark E. Schwarz
Mark E. Schwarz
Director and Chairman of the Board
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

> The accompanying Quarterly Report on Form 10-Q for the quarter ended September 29, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: November 13, 2019

By: /s/ Brandon L. Solano
Brandon L. Solano
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Rave Restaurant Group, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

> The accompanying Quarterly Report on Form 10-Q for the quarter ended September 29, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: November 13, 2019

By: /s/ Mark E. Schwarz
Mark E. Schwarz
Director and Chairman of the Board
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT K

PARENT GUARANTY

GUARANTEE OF PERFORMANCE

For value received, RAVE RESTAURANT GROUP, INC. a Missouri corporation located 3551 Plano Parkway, The Colony, Texas 75056 (the "Guarantor"), absolutely and unconditionally guarantees the performance by PIE FIVE PIZZA COMPANY, INC., a Texas corporation, located at 3551 Plano Parkway, The Colony, Texas 75056 (the "Franchisor"), of all obligations under the Illinois Franchise Disclosure Act and Rules, and of all of the obligations of Franchisor to furnish goods and/or services necessary to establish and open the business of franchisees to whom franchises are granted by Franchisor pursuant to the registration of such franchises in the State of Illinois and the terms and conditions of its franchise and other agreements entered into after this date with franchisees under the jurisdiction of the Illinois Franchise Disclosure Act, as the same have been or may hereafter be amended, modified, renewed or extended from time to time.

This guaranty shall continue in force until all such obligations of Franchisor shall have been satisfied or until such liability of Franchisor to such franchisees has been completely discharged, whichever first occurs. Guarantor shall not be discharged from liability hereunder as long as any such claim by a franchisee against Franchisor remains outstanding. Notice of acceptance is waived. Notice of default on the part of Franchisor is not waived. This guaranty shall be binding upon Guarantor, its successors and assigns.

In witness whereof, Guarantor has, by a duly authorized officer, executed this guarantee at The Colony, Texas, this 4th day of November, 2019.

ATTEST:

Linda Jermin
____

RAVE RESTAURANT GROUP, INC.
Guarantor

By: _____________________
Brandon Solano, CEO

EXHIBIT L

STATE ADDENDA AND RIDERS

ADDITIONAL DISCLOSURES
FOR THE FRANCHISE DISCLOSURE DOCUMENT OF PIE FIVE PIZZA COMPANY, INC.

The following are additional disclosures for the Franchise Disclosure Document of Pie Five Pizza Company, Inc. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

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

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR AREA DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT.

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

4. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in

Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following paragraphs are added at the end of Item 17: California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Area Development Agreement or Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Area Development Agreement and Franchise Agreement restricting venue to a forum outside the State of California.

The Area Development Agreement and Franchise Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Area Development Agreement and Franchise Agreement (Standard Restaurant) provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Area Development Agreement and Franchise Agreement requires application of the laws of the State of Texas. This provision might not be enforceable under California law.

The Franchise Agreement contains a lost revenue damages clause. Under California Civil Code Section 1671, certain lost revenue damages clauses are unenforceable.

The Area Development Agreement and Franchise Agreement require you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

Under the Franchise Agreement, the Franchisor reserves the right to require that franchisees comply with maximum and minimum prices it sets for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the California's Cartwright Act (Cal. Bus. and Prof. Code §§ 16700 to 16770).

ILLINOIS

1. The following paragraph is added to the end of Items 5 and 7:

Pursuant to an order of the Illinois Attorney General's Office, based on our financial condition, we will defer collection of the Initial Franchise Fee under the applicable Franchise Agreement and the Development Fee under the Development Agreement until we have completed our pre-opening obligations to you under the applicable agreement and you have commenced doing business under the Franchise Agreement.

2. The following language is added to the end of Item 17:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void.

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

HAWAII

1. The following paragraph is added to the end of Items 5 and 21:

At the request of the Hawaii Department of Commerce and Consumer Affairs, based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

MARYLAND

1. The following is added to the end of Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until you have opened your Restaurant.

2. For all charts in Item 17, the following is added to the end of the "Summary" sections of Item 17(c), entitled "Requirements for you to renew or extend", and Item 17(m), entitled "Conditions for our approval of transfer":

Pursuant to COMAR 02.02.08.16L(1), any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. For the charts relating to the Area Development Agreement and Standard Franchise Agreement, the following is added to the end of the "Summary" section of Item 17(h), entitled "'Cause' defined – non-curable defaults"

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

4. For all charts in Item 17, the "Summary" sections of Item 17(v) of each chart, entitled "Choice of forum" and 17(w) of each chart, entitled "Choice of Law" is amended to add the following:

You may bring a suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MINNESOTA

1. The following paragraph is added to the end of Items 5 and 7:

At the request of the Minnesota Department of Commerce, based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

2. "Trademarks." The following is added at the end of Item 13:

Provided you have complied with all provisions of the Area Development Agreement and Franchise Agreement applicable to the trademarks, we will protect your rights to use the trademarks and we also will indemnify you from any loss, costs, or expenses from any claims, suits or demands regarding your use of the trademarks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

3. "Renewal, Termination, Transfer and Dispute Resolution". The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Area Development Agreement and Franchise Agreement and 180 days' notice for non-renewal of the Area Development Agreement and Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the Area Developer or Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the

Disclosure Document, Area Development Agreement or Franchise Agreement can abrogate or reduce any of Area Developer's or Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Area Developer's or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Area Development Agreement or Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE DEVELOPER OR FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to us, our predecessor, our parent, affiliates, the persons identified in Item 2, or an affiliate offering franchises under our *principal trademark*:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, no such party has civil actions pending against that party, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

B. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices; or comparable allegations.

C. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Except as provided above, with regard to us, our affiliate, our predecessor, officers or general partners, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document, no such party, has during the 10-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; or (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee and development fee constitute part of our general operating funds and will be used as such in our discretion.

5. For all charts, the following is added to the end of the "Summary" section of Item 17(c), entitled "Requirements for you to renew or extend" and for the charts relating to the Area Development Agreement and Standard Franchise Agreement, the following is added to Item 17(m), entitled "Conditions for our approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. For all charts, the following is added to the end of the "Summary" section of Item 17(d), entitled "Termination by you":

You may terminate the Franchise Agreement or Area Development Agreement on any grounds available by law.

7. For all charts, the following is added to the end of the "Summary" section of Item 17(j), entitled "Assignment of contract by us":

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under the Area Development Agreement or Franchise Agreement.

8. For all charts, the following is added to the end of the "Summary" sections of Item 17(v), entitled "Choice of forum, and Item 17(w), entitled "Choice of law":

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

1. The Item 6 line item entitled, "Lost Revenue Damages (applicable only to standard Pie Five

Restaurants),” is deleted in its entirety.

2. For all charts, the following is added to the end of the “Summary” section of Item 17(c), entitled “Requirements for you to renew or extend” and for the charts relating to the Area Development Agreement and Standard Franchise Agreement, the following is added to Item 17(m), entitled “Conditions for our approval of transfer”:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. For all charts, the following is added to the end of the “Summary” section of Item 17(r), entitled “Non-competition covenants after the franchise is terminated or expires”:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

4. For the charts applicable to the Standard Franchise Agreement and the Captive Market Franchise Agreement, the following is added to the ends of Section 17(i):

To the extent required by North Dakota law, we will not enforce any provision requiring you to pay us lost revenue damages upon termination of the Franchise Agreement.

5. For all charts, the “Summary” section of Item 17(v), entitled “Choice of forum”, is deleted and replaced with the following:

You must sue us in Denton County, Texas, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

6. For all charts, the “Summary” section of Item 17(w), entitled “Choice of law”, is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Texas shall apply.

RHODE ISLAND

1. For all charts, the “Summary” sections of Item 17(v), entitled “Choice of forum” and Item 17(w), entitled “Choice of law”, are deleted and replaced with the following:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in an franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA

1. For all charts, the “Summary” section of Item 17(e), entitled “Termination by us without cause”, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following paragraph is added to the end of Items 5 and 7:

At the request of the Washington Department of Financial Institutions, based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

2. The following paragraphs are added at the end of Item 17:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement or Area Development Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE AREA DEVELOPMENT AGREEMENT

RIDER TO THE PIE FIVE PIZZA COMPANY, INC. AREA DEVELOPMENT AGREEMENT

FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC**., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is______________________________________("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **DEVELOPMENT FEE.** The following language is added at the end of Section 4 of Area Development Agreement:

> Payment of all Initial Development Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

3. **DEFAULT AND TERMINATION.** The following language is added at the end of Section 12 of the Area Development Agreement:

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

4. **CHOICE OF LAW**. Section 19.1 of the Area Development Agreement is deleted and replaced with the following:

> This Agreement, your franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois without regard to its conflict of laws rules.

5. **CHOICE OF FORUM**. Section 19.2 of the Area Development Agreement is deleted and replaced with the following:

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

6. **LIMITATION OF ACTIONS**. The following is added to the end of Section 19.3 of the Area Development Agreement:

However, nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

7. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 22 of the Area Development Agreement:

22. ILLINOIS FRANCHISE DISCLOSURE ACT. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ___________________________________

Print Name: ____________________________

Title: __________________________________

AREA DEVELOPER

____

By: ___________________________________

Print Name: ____________________________

Title: __________________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN HAWAII

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC**., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Hawaii and the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in Hawaii, and/or (b) you are domiciled in Hawaii.

2. **DEVELOPMENT FEE**. The following language is added at the end of Section 4 of Area Development Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate under the Development Agreement until we have performed our pre-opening obligations to you, and you have commenced doing business (the "Payment Trigger"). You will pay the Development Fee, on a pro rata basis, as the Payment Trigger is achieved for each Restaurant.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ________________________________

Print Name: __________________________

Title: ______________________________

AREA DEVELOPER

____

By: ________________________________

Print Name: __________________________

Title: ______________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC.,** a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated __________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in Maryland.

2. **DEVELOPMENT FEE**. The following language is added at the end of Section 4 of the Area Development Agreement:

We will defer collection of all initial fees you owe us or our affiliate under the Development Agreement until we have performed our pre-opening obligations to you, and you have commenced doing business (the "Payment Trigger"). You will pay the Development Fee, on a pro rata basis, as the Payment Trigger is achieved for each Restaurant.

3. **RELEASES.** The following is added to the end of Sections 1.3.3 (Extension of Term), 9.3.4 (Transfer Generally) and 10 (General Release) of the Area Development Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY**. The following is added to the end of Section 12.1.4 (Grounds for Termination) of the Area Development Agreement:

However, we and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CHOICE OF LAW**. The following statement is added at the end of Section 19.1 of the Area Development Agreement:

All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C Section 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the state of Texas without regard to its conflict of laws rules, except that (1) any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchise owner will not apply unless its jurisdictional requirements are met independently without reference to this paragraph, and (2) to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CHOICE OF FORUM**. The following is added to the end of Section 19.2 of the Area Development Agreement:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATION OF ACTIONS**. The following is added to the end of Section 19.3 of the Area Development Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

8. The Area Development Agreement is further amended to state that "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________________

Print Name: _______________________________

Title: _____________________________________

AREA DEVELOPER

____

By: ______________________________________

Print Name: _______________________________

Title: _____________________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____(“Area Developer”, "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **DEVELOPMENT FEE.** The following language is added at the end of Section 4 of the Area Development Agreement:

We will defer collection of all initial fees you owe us or our affiliate under the Development Agreement until we have performed our pre-opening obligations to you, and you have commenced doing business (the "Payment Trigger"). You will pay the Development Fee, on a pro rata basis, as the Payment Trigger is achieved for each Restaurant.

3. **RELEASES.** The following is added to the end of Sections 1.3.3 (Extension of Term), 9.3.4 (Transfer Generally) and 10 (General Release) of the Area Development Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE AND TERMINATION OF AGREEMENT**. The following is added to the end of Sections 9.8 (Non-Conforming Transfers) and 12.2.1 (Termination Following Expiration of Cure Period) of the Area Development Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **CHOICE OF LAW**. The following is added to the end of Section 19.1 of the Area Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **LIMITATION OF ACTIONS**. The following is added to the end of Section 19.3 of the Area Development Agreement:

;provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

7. **NOTIFICATION OF INFRINGEMENT OF CLAIMS**: The following is added to the Area Development Agreement:

Provided you have complied with all provisions of the Area Development Agreement applicable to the trademarks, we will protect your rights to use the trademarks and we also will indemnify you from any loss, costs, or expenses from any claims, suits or demands regarding your use of the trademarks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

8. **CHOICE OF FORUM**. The following is added to the end of Section 19.2 of the Area Development Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. Nothing in this Area Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

9. **INJUNCTIVE RELIEF**. Section 20.5 of the Area Development Agreement is deleted and replaced with the following:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against threatened conduct that will cause us, the Marks, and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). A court will determine if a bond is required.

10. **MINNESOTA LAW**. Notwithstanding anything to the contrary contained in the Area Development Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

AREA DEVELOPER

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN THE STATE OF NEW
YORK**

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ______________________________, (the "Area Development Agreement") that has been signed concurrently with this Rider. This Rider is being signed because (a) you are domiciled in the State of New York and the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in New York.

2. **TRANSFERS BY US**. The following language is added to the end of Section 8 of the Area Development Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES**. The following is added to the end of Sections 1.3.3 (Extension of Term), 9.3.4 (Transfer Generally) and 10 (General Release) of the Area Development Agreement:

Notwithstanding the foregoing 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 thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **CHOICE OF LAW**. The following statement is added at the end of Section 19.1 of the Area Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

5. **CHOICE OF FORUM**. The following is added to the end of Section 19.2 of the Area Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **DEFAULT AND TERMINATION.** The following language is added to the end of Section 12.1 (Grounds for Termination) of the Area Development Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ____

Print Name: ____________________________________

Title: ____

AREA DEVELOPER

____

By: ____

Print Name: ____________________________________

Title: ____

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated _________________________, 20___ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Pie Five Restaurant that you will develop under the Area Development Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 1.3.3 (Extension of Term), 9.3.4 (Transfer Generally) and 10 (General Release) of the Area Development Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **RESTRICTIONS AFTER TERMINATION, EXPIRATION OR TRANSFER.** The following is added to the end of Section 11.3 of the Area Development Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **CHOICE OF LAW**. Section 19.1 of the Area Development Agreement is deleted and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Texas without regard to its conflict of laws rules; except that (1) any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your amazing lash studio is located.

5. **CHOICE OF FORUM**. The following is added to the end of Section 19.2 of the Area Development Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. **LIMITATION OF ACTIONS**. The following is added to the end of Section 19.3 of the Area Development Agreement:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

7. **MUTUAL WAIVER OF JURY TRIAL.** To the extent required by the North Dakota Franchise Investment Law, Section 19.4 of the Area Development Agreement is deleted.

8. **MUTUAL WAIVER OF PUNITIVE DAMAGES**. To the extent required by the North Dakota Franchise Investment Law, Section 19.5 of the Area Development Agreement is deleted.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: ______________________________

Title: ______________________________

AREA DEVELOPER

____

By: ______________________________

Print Name: ______________________________

Title: ______________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Pie Five Restaurant that you will develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **CHOICE OF LAW**. The following is added at the end of Section 19.1 of the Area Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "[a] provision in a [area development] agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. **CHOICE OF FORUM**. The following is added at the end of Section 19.2 of the Area Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "[a] provision in a [area development] agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

AREA DEVELOPER

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
AREA DEVELOPMENT AGREEMENT
FOR USE IN WASHINGTON

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC**., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("Pie Five", "we" or "us"), and ____, whose principal business address is____________________________________("Area Developer", "you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated __________________________, 20____ (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the Pie Five Restaurant that you will develop under the Area Development Agreement will be located or operated in Washington; and/or (c) the offer for the sale of a Pie Five Restaurant was accepted by you in Washington.

2. **DEVELOPMENT FEE**. The following language is added at the end of Section 4 of the Area Development Agreement:

At the request of the Washington Department of Financial Institutions,

based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

3. **WASHINGTON LAW**. The following paragraphs are added to the end of the Area Development Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which may supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which supersede this Agreement in your relationship with us, including termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by Franchisee shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

, Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimate or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Area Development Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ____

Print Name: ____________________________________

Title: ____

AREA DEVELOPER

____

By: ____

Print Name: ____________________________________

Title: ____

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT (STANDARD RESTAURANT)

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC**., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated __________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Section 6.1 of the Franchise Agreement:

Payment of all Initial Development Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

3. **DEFAULT AND TERMINATION.** The following language is added at the end of Section 19 of the Franchise Agreement:

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

4. **CHOICE OF LAW**. Section 28.1 of the Franchise Agreement is deleted and replaced with the following:

This Agreement, your franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois without regard to its conflict of laws rules.

5. **CHOICE OF FORUM**. Section 28.2 of the Franchise Agreement is deleted and replaced with the following:

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

6. **LIMITATION OF ACTIONS**. The following statement is added at the end of Section 28.3 of the Franchise Agreement:

However, nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

7. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 31. of the Franchise Agreement:

31. **ILLINOIS FRANCHISE DISCLOSURE ACT**. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: ______________________________

Title: ______________________________

FRANCHISEE

____

By: ______________________________

Print Name: ______________________________

Title: ______________________________

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN HAWAII**

THIS RIDER is made and entered into by and between **PIE FIVE PIZZA COMPANY, INC**., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated ________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Hawaii and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Hawaii, and/or (b) you are domiciled in Hawaii.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Section 6.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ____

Print Name: _________________________________

Title: ______________________________________

FRANCHISEE

____

By: ____

Print Name: _________________________________

Title: ______________________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated __________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Maryland.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Section 6.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

3. **RELEASES.** The following is added to the end of Sections 2.2.6 (Successor Franchise Terms), 16.3.5 (Transfer Generally) and 17 (General Release) of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY**. The following is added to the end of Section 19.1.3 (Grounds for Termination) of the Franchise Agreement:

The provisions in this Agreement which provide for termination upon your bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **CHOICE OF LAW**. The following statement is added at the end of Section 28.1 of the Franchise Agreement:

All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C Section 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the state of Texas without regard to its conflict of laws rules, except that (1) any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchise owner will not apply unless its jurisdictional requirements are met independently without reference to this paragraph, and (2) to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CHOICE OF FORUM**. The following statement is added at the end of Section 28.2 of the Franchise Agreement:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATION OF ACTIONS**. The following statement is added at the end of Section 28.3 of the Franchise Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

8. The Franchise Agreement is further amended to state that "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ________________________________

Print Name: ________________________________

Title: ________________________________

FRANCHISEE

____

By: ________________________________

Print Name: ________________________________

Title: ________________________________

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated ________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Section 6.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

3. **RELEASES.** The following is added to the end of Sections 2.2.6 (Successor Franchise Terms), 16.3.5 (Transfer Generally) and 17 (General Release) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **THIRD PARTY CHALLENGES**. The following statement is added at the end of Section 13.5 of the Franchise Agreement:

Provided you have complied with all provisions of the Franchise Agreement applicable to the trademarks, we will protect your rights to use the trademarks and we also will indemnify you from any loss, costs, or expenses from any claims, suits or demands regarding your use of the trademarks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

5. **SUCCESSION, RENEWAL AND TERMINATION**. The following is added to the end of Sections 2.2, 16.2, and 19.2 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

6. **CHOICE OF LAW**. The following statement is added at the end of Section 28.1 of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **CHOICE OF FORUM**. The following statement is added at the end of Section 28.2 of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. Nothing in this Area Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

8. **LOST REVENUE DAMAGES**. The following language is added to the end of Section 20.5 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

9. **LIMITATION OF ACTIONS**. The following is added to the end of Section 28.3 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

10. **MUTUAL WAIVER OF JURY TRIAL/MUTUAL WAIVER OF PUNITIVE DAMAGES**. Sections 28.4 (Mutual Waiver of Jury Trial) and 28.5 (Mutual Waiver of Punitive Damages) of the Franchise Agreement are deleted in their entirety.

11. **REMEDIES NOT EXCLUSIVE.** The following language is added to the end of Section 28.6 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400(J). However, we and you agree to enforce the provision to the extent the law allows.

12. **INJUNCTIVE RELIEF**. Section 29.5 of the Franchise Agreement is deleted and replaced with the following:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief in addition to such further or other relief as may be available at law or in equity.

You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). Also, a court will determine if a bond is required.

13. **MINNESOTA LAW**. Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: ______________________________

Title: ______________________________

FRANCHISEE

____

By: ______________________________

Print Name: ______________________________

Title: ______________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN NEW YORK

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated ________________________________, (the "Franchise Agreement") that has been signed concurrently with this Rider. This Rider is being signed because (a) you are domiciled in the State of New York and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER BY US**. The following statement is added at the end of Section 15 of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES**. The following is added to the end of Sections 2.2.6 (Successor Franchise Terms), 16.3.5 (Transfer Generally) and 17 (General Release) of the Franchise Agreement:

Notwithstanding the foregoing 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 thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **DEFAULT AND TERMINATION**. The following language is added as Section 19.1 (Grounds for Termination) of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **CHOICE OF LAW**. The following statement is added at the end of Section 28.1 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **CHOICE OF FORUM**. The following is added to the end of Section 28.2 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ____

Print Name: ______________________________________

Title: ____

FRANCHISEE

____

By: ____

Print Name: ______________________________________

Title: ____

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN NORTH DAKOTA

THIS RIDER is made and entered into as of the _____day of ______________, 20___ (the "Effective Date") (regardless of the dates of the parties' signatures) by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated __________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) you are a resident of North Dakota and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 2.2.6 (Successor Franchise Terms), 16.3.5 (Transfer Generally) and 17 (General Release) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANTS**. The following is added to the end of Section 18.3 (Restrictions after Termination, Expiration or Transfer) of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **LOST REVENUE DAMAGES**. To the extent required by North Dakota law, Section 20.5 of the Franchise Agreement is deleted in its entirety.

5. **CHOICE OF LAW**. The following statement is added at the end of Section 28.1 of the Franchise Agreement:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Texas without regard to its conflict of laws rules; except that (1) any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your amazing lash studio is located.

6. **CHOICE OF FORUM**. The following is added to the end of Section 28.2 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **MUTUAL WAIVER OF JURY TRIAL**. To the extent required by the North Dakota Franchise

Investment Law, Section 28.4 of the Franchise Agreement is deleted.

8. **MUTUAL WAIVER OF PUNITIVE DAMAGES**. To the extent required by the North Dakota Franchise Investment Law, Section 28.5 of the Franchise Agreement is deleted.

9. **REIMBURSEMENT OF COSTS AND EXPENSES**. The following is added to the end of Section 28.7 of the Franchise Agreement:

Sections of the Franchise Agreement requiring you to pay all costs and expenses incurred by us in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated ________________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **CHOICE OF LAW**. The following is added at the end of Section 28.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. **CHOICE OF FORUM**. The following is added at the end of Section 28.2 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (STANDARD RESTAURANT)
FOR USE IN WASHINGTON

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **<u>BACKGROUND</u>**. We and you are parties to that certain Franchise Agreement (Standard Restaurant) dated ____________________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) the offer for the sale of a Pie Five Restaurant was accepted by you in Washington.

2. **<u>INITIAL FRANCHISE FEE</u>.** The following language is added at the end of Section 6.1 of the Franchise Agreement:

At the request of the Washington Department of Financial Institutions, based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

3. **<u>WASHINGTON LAW</u>**. The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which may supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which supersede this Agreement in your relationship with us, including termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by Franchisee shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimate or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____,whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated ___________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Section 4.1 of the Franchise Agreement:

Payment of all Initial Development Fees owed to Franchisor/affiliate will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

3. **DEFAULT AND TERMINATION.** The following language is added at the end of Section 16 of the Franchise Agreement:

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

4. **CHOICE OF LAW**. Section 25.1 of the Franchise Agreement is deleted and replaced with the following:

This Agreement, your franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois without regard to its conflict of laws rules.

5. **CHOICE OF FORUM**. Section 25.2 of the Franchise Agreement is deleted and replaced with the following:

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

6. **LIMITATION OF ACTIONS**.The following statement is added at the end of Section 25.3 of the Franchise Agreement:

However, nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

7. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 31. of the Franchise Agreement:

31. **ILLINOIS FRANCHISE DISCLOSURE ACT**. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: _____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: _____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN HAWAII

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated _________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) any of the offering or sales activity relating to the Franchise Agreement occurred in Hawaii and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Hawaii, and/or (b) you are domiciled in Hawaii.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Section 4.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: _____________________________

Print Name: ______________________

Title: ___________________________

FRANCHISEE

____

By: _____________________________

Print Name: ______________________

Title: ___________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated __________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) you are domiciled in Maryland, and/or (b) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Maryland.

2. **INITIAL FRANCHISE FEE.** The following language is added at the end of Section 4.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

3. **RELEASES.** The following is added to the end of Sections 2.2 (Successor Term) of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **CHOICE OF LAW**. The following statement is added at the end of Section 25.1 of the Franchise Agreement:

All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C Section 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other United States federal law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the state of Texas without regard to its conflict of laws rules, except that (1) any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchise owner will not apply unless its jurisdictional requirements are met independently without reference to this paragraph, and (2) to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **CHOICE OF FORUM**. The following statement is added at the end of Section 25.2 of the Franchise Agreement:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **LIMITATION OF ACTIONS**. The following statement is added at the end of Section 25.3 of the Franchise Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated ___________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Section 4.1 of the Franchise Agreement:

We agree that we will defer collection of all initial fees owed to us or our affiliate until we have performed our pre-opening obligations to you, and you have commenced doing business.

3. **RELEASES.** The following is added to the end of Sections 2.2 (Successor Term) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **THIRD PARTY CHALLENGES**. The following statement is added at the end of Section 11.5 of the Franchise Agreement:

Provided you have complied with all provisions of the Franchise Agreement applicable to the trademarks, we will protect your rights to use the trademarks and we also will indemnify you from any loss, costs, or expenses from any claims, suits or demands regarding your use of the trademarks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

5. **SUCCESSION, TRANSFER, AND TERMINATION**. The following is added to the end of Sections 2.2, 14.2, and 16 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

6. **CHOICE OF LAW**. The following statement is added at the end of Section 25.1 of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **CHOICE OF FORUM**. The following statement is added at the end of Section 25.2 of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. Nothing in this Area Development Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

8. **LIMITATION OF ACTIONS**. The following is added to the end of Section 25.3 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. **MUTUAL WAIVERS**. Section 25.4 of the Franchise Agreement is deleted in its entirety.

10. **REMEDIES NOT EXCLUSIVE.** The following language is added to the end of Section 25.5 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400(J). However, we and you agree to enforce the provision to the extent the law allows.

11. **INJUNCTIVE RELIEF**. Section 26.2 of the Franchise Agreement is deleted and replaced with the following:

Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). Also, a court will determine if a bond is required.

12. **MINNESOTA LAW**. Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN NEW YORK

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated ______________________________, (the "Franchise Agreement") that has been signed concurrently with this Rider. This Rider is being signed because (a) you are domiciled in the State of New York and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER BY US**. The following statement is added at the end of Section 13 of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES**. The following is added to the end of Sections 2.2 (Successor Term) of the Franchise Agreement:

Notwithstanding the foregoing 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 thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **DEFAULT AND TERMINATION**. The following language replaces Section 16 of the Franchise Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **CHOICE OF LAW**. The following statement is added at the end of Section 25.1 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **CHOICE OF FORUM**. The following is added to the end of Section 25.2 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN NORTH DAKOTA

THIS RIDER is made and entered into as of the _____day of ________________, 20___ (the "Effective Date") (regardless of the dates of the parties' signatures) by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____("you" or "your"), whose principal business address is ____.

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated __________________________, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because

(a) you are a resident of North Dakota and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 2.2 (Successor Term) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANTS**. The following is added to the end of Section 15.2 (Restrictions) of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **CHOICE OF LAW**. The following statement is added at the end of Section 25.1 of the Franchise Agreement:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Texas without regard to its conflict of laws rules; except that (1) any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your amazing lash studio is located.

5. **CHOICE OF FORUM**. The following is added to the end of Section 25.2 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

6. **MUTUAL WAIVERS**. The following language is added to the end of Section 25.4 of the Franchise

Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

7. **REIMBURSEMENT OF COSTS AND EXPENSES**. The following is added to the end of Section 25.6 of the Franchise Agreement:

Sections of the Franchise Agreement requiring you to pay all costs and expenses incurred by us in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

**RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____________________ ("you" or "your"), whose principal business address is ____________________ ____________________.

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated ____________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Pie Five Restaurant that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **CHOICE OF LAW**. The following is added at the end of Section 25.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. **CHOICE OF FORUM**. The following is added at the end of Section 25.2 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ____________________

Print Name: ____________________

Title: ____________________

FRANCHISEE

____

By: ____________________

Print Name: ____________________

Title: ____________________

RIDER TO THE PIE FIVE PIZZA COMPANY, INC.
FRANCHISE AGREEMENT (CAPTIVE MARKET RESTAURANT)
FOR USE IN WASHINGTON

THIS RIDER is made and entered into by and between PIE FIVE PIZZA COMPANY, INC., a Delaware limited liability company with its principal business address at 3551 Plano Parkway, The Colony, Texas 75056 ("we," "us," or "our"), and ____, whose principal business address is____("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement (Captive Market Restaurant) dated __________________________, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the Pie Five Restaurant that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) the offer for the sale of a Pie Five Restaurant was accepted by you in Washington.

2. **INITIAL FRANCHISE FEE**. The following language is added at the end of Section 6.1 of the Franchise Agreement:

At the request of the Washington Department of Financial Institutions, based upon the financial condition of our parent (whose financial statements are included in the FDD and who has guaranteed our obligations), we will defer collection of all initial fees and payments owed by you until all of our pre-opening obligations to you have been met and your restaurant has opened for business.

3. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which may supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which supersede this Agreement in your relationship with us, including termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by Franchisee shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.

Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimate or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

PIE FIVE PIZZA COMPANY, INC.

By: ______________________________

Print Name: _______________________

Title: ____________________________

FRANCHISEE

____

By: ______________________________

Print Name: _______________________

Title: ____________________________

EXHIBIT M

REPESENTATIONS AND ACKNOWLEDGEMENT STATEMENT

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT N

SAMPLE GENERAL RELEASE

SAMPLE GENERAL RELEASE (this "Release Agreement")

The undersigned ("**Releasor**") and my heirs, administrators, executors, ancestors, and assigns, (collectively "**Releasor Agent(s)**"), for good and valuable consideration, the receipt of which is hereby acknowledged, hereby remise, release, and forever discharge PIE FIVE PIZZA COMPANY, INC., a Texas corporation ("**Franchisor**"), with its principal business offices located at 3551 Plano Parkway, The Colony, Texas 75056 and its parent company, Affiliates, and their respective owners, officers, directors, regional directors, managers, shareholders, members, employees, agents, successors and assigns, (collectively, the "**Franchisor Parties**") from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands whatsoever, at law or in equity, that Releasor and/or any Releasor Agent ever had, now have, or that any of their respective heirs, administrators, ancestors, executors, and/or assigns may have against the Franchisor Parties including, without limitation, (i) any and all claims arising out of or related to that certain Franchise Agreement between Franchisor and _______________ dated _______________, 20___ (ii) the offer and sale of the PIE FIVE franchise opportunity, (iii) any and all claims arising under federal, state, and local laws, rules, and ordinances.

[If Releasor is domiciled or has his or her principal place of business in the State of California:]

WAIVER OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE.

___________________ ("**Releasor**") for myself and on behalf of all persons acting by or through me, acknowledge that I am familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

With respect to those claims being released, I acknowledge, for myself and on behalf of all persons acting by or through me, which I am releasing unknown claims and waive all rights I have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this paragraph, I shall be considered to be creditors of Franchisor Parties, and each of them.

I acknowledge that this general release extends to claims which I do not know or suspect to exist in my favor at the time of executing this Release Agreement, which if were known to me may have materially affected my decision to enter into this Release Agreement. I understand that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. I expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth below.

Signature:________________________________

Name:__________________________________

Date:_____________________________

[This Release Agreement will be modified as necessary for consistency with any state law regulating franchising.]

RECEIPTS

RECEIPT (OUR COPY)

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 Pie Five Pizza Company, Inc. offers you a franchise, Pie Five Pizza Company, Inc. must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least

10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first

If Pie Five Pizza Company, 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 to the appropriate state agency listed in Exhibit A.

Franchise Seller Information: Name – Brett Heinen, Director of Franchise Development; Address – 3551 Plano Parkway, The Colony, Texas 75056; and Telephone Number – (469) 384-5000.

Issuance Date: December 6, 2019

I have received a Franchise Disclosure Document issued on December 6, 2019. This disclosure document included the following exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process	Exhibit H	List of Current Developers and Franchisees
Exhibit I	List of Former Developers and Franchisees	Exhibit I	List of Former Developers and Franchisees
Exhibit B	Area Development Agreement	Exhibit J	Financial Statements
Exhibit C	Franchise Agreement for Standard Pie Five Restaurant	Exhibit K	Parent Guarantee
		Exhibit L	State Addenda and Riders
Exhibit D	Franchise Agreement for Captive Market Pie Five Restaurant	Exhibit M	Representations and Acknowledgement Statement
Exhibit E	Lease Addendum	Exhibit N	Sample General Release
Exhibit F	Confidentiality Agreement		
Exhibit G	Table of Contents of Manual		

Date Disclosure Document Received	Date Disclosure Document Received
Print Name	Print Name
Signature	Signature
Company Name	Company Name
Address City, State Zip Code	Address City, State Zip Code
Area Code Phone Number	Area Code Phone Number

RECEIPT (YOUR COPY)

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 Pie Five Pizza Company, Inc. offers you a franchise, Pie Five Pizza Company, Inc. must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least

10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first

If Pie Five Pizza Company, 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 to the appropriate state agency listed in Exhibit A.

Franchise Seller Information: Name – Brett Heinen, Director of Franchise Development; Address – 3551 Plano Parkway, The Colony, Texas 75056; and Telephone Number – (469) 384-5000.

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Exhibit G	Table of Contents of Manual
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Exhibit K	Parent Guarantee
Exhibit L	State Addenda and Riders
Exhibit M	Representations and Acknowledgement Statement
Exhibit N	Sample General Release

Date Disclosure Document Received

Print Name

Signature

Company Name

Address City, State Zip Code

Area Code Phone Number

Date Disclosure Document Received

Print Name

Signature

Company Name

Address City, State Zip Code

Area Code Phone Number