

FRANCHISE DISCLOSURE DOCUMENT

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The franchise offered is for a fast casual pizza and pasta restaurant which offers sit-down (except in certain “express locations”), take-out service and delivery service. Our restaurants may be developed in three different formats: a dine-in/party size, dine-in, and take-away and delivery. We offer two franchise programs:

1. A single Pizza Factory restaurant. The total investment necessary to begin operation of a Pizza Factory franchise will range from \$281,000 to \$552,000. This estimate includes the initial payment of \$20,000 to Pizza Factory (which may be reduced to \$15,000 pursuant to the 2021 incentive program).
2. Multiple Pizza Factory restaurants within a defined area pursuant to an Area Development Agreement. There is an initial development fee of one half of the total Initial Franchise Fees payable for all restaurants to be developed under the Area Development Agreement (excluding the first Pizza Factory restaurant), plus \$15,000 representing the initial franchise fee for your first Franchise Agreement. You will pay an initial franchise fee of \$15,000 for the first restaurant. However, we will credit the development fee against the initial franchise fees (at the rate of \$5,000 per Franchise Agreement for the second Pizza Factory restaurant and the rate of \$2,500 per Franchise Agreement for the third and subsequent Pizza Factory restaurants).

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.**

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 an attorney or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,”

which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

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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:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection 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:
 - a. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

ITEM 1
THE FRANCHISOR AND ANY PARENT, PREDECESSORS AND AFFILIATES:

To simplify the language in this Disclosure Document, “we”, “us” or “Pizza Factory” means Pizza Factory, Inc., the Franchisor. “You” means the person, corporation, partnership, or other entity who/which buys the franchise. Pizza Factory is a California corporation that was incorporated on June 3, 1982. Pizza Factory does business in California as “Pizza Factory, Inc.” Pizza Factory’s principal business is located at 49430 Road 426, Suite D, P.O. Box 989, Oakhurst, California, 93644.

Pizza Factory is affiliated with Big Foot Partners, LLC, a California limited liability company doing business as Willow Creek Pizza Factory; PF Burlington, LLC a Washington limited liability company currently doing business as Pizza Factory – Burlington in Burlington, Washington and Riva Partners LLC, a California limited liability company doing business as Wasco Pizza Factory in Wasco, California. Big Foot Partners’ principal place of business is located at 139032 Highway 299, Willow Creek, California 95573. PF Burlington LLC’s principal business address is 107 Cedar Avenue, Burlington, Washington 98233. Riva Partners LLC’s principal place of business is located at 2325 Highway 46, Wasco, California, 93280. No business organization or entity controls Pizza Factory and Pizza Factory has no predecessors or parents.

Pizza Factory’s agents for service of process are set out in Exhibit K of this Disclosure Document.

Pizza Factory’s business is the development, sale and support of franchises which are in the form of pizza restaurants known as Pizza Factory and is not involved in any other type of business activity. Currently, Pizza Factory also owns and operates one Pizza Factory restaurant in Show Low, Arizona.

A traditional Pizza Factory restaurant (typically over 1,500 square feet) serves pizza, pasta, sandwiches, soft drinks, wine, and beer. Pizza Factory express restaurants (typically up to 1,500 square feet) offer all food and beverages that traditional Pizza Factory restaurants do, but in some instances, do not offer wine and beer. All new Pizza Factory restaurants offer dine-in, take-out, and delivery, except that some Pizza Factory express restaurants may not have seating or may offer limited seating.

You will compete with other businesses and restaurants serving prepared foods including other businesses that sell food items. The restaurant business generally is highly competitive and is affected by variations in the preferences of the public, population and traffic trends and patterns, and local and national economic conditions, many of which are beyond the control of either Pizza Factory or the franchisee.

If you participate in our Area Development Program, we assign a defined area within which you must develop and operate a specified number of Pizza Factory restaurants within a specified period of time. The development area may be one city, one or more counties, one or more states, or some other defined geographic area. You will sign an Area Development Agreement (Exhibit E) which will describe your development area and your development schedule and other obligations. For each Pizza Factory restaurant you open pursuant to the Area Development Agreement, promptly after our approval of the site for the Pizza Factory restaurant, you will sign a separate Franchise Agreement on the then current form used by us at the time, except to the extent otherwise provided in your Area Development Agreement.

You must comply with many state and local regulations regarding the construction and operation of your Pizza Factory restaurant. All Pizza Factory restaurants are required to comply with federal, state and local laws applicable to the operation and licensing of a prepared food service restaurant including approvals by local and state health agencies. It is important that you become aware of such local and state regulations and consider such prior to purchasing a franchise.

Before you open your Pizza Factory restaurant, you must obtain an appropriate license to permit you to sell beer and wine for consumption on site and unless you are able to obtain such a license, you may not operate a Pizza Factory restaurant. This requirement does not apply if you will be opening and operating a Pizza Factory express restaurant that will not offer or sell beer or wine. The availability, procedures and cost to obtain such a license vary greatly depending upon the location of your Pizza Factory restaurant. Further, state and local laws governing the sale of alcohol vary greatly including possible liability arising from or related to the sale and consumption of alcohol.

There may be numerous other laws that affect the operation of a commercial restaurant including federal, state, and local agencies governing food preparation, service and sanitary conditions, employee's safety, regulations and restrictions, and other agencies or laws which may govern and regulate the emissions of ozone, carbon monoxide and other particular matters, or otherwise regulate air quality inside or around the perimeter of a business, such as limitations on the use of tobacco products. In addition, the Federal government, State governments and local jurisdictions have enacted and may continue to enact various regulations, orders and recommendations addressing the global COVID-19 pandemic, including "shelter in place," "safer at home" and "social distancing" orders, that may apply to the operation of your Pizza Factory restaurant. These regulations and orders may, for example, require the temporary closure of what they define as "non-essential" businesses, temporarily restrict the products and services that may be offered from your Pizza Factory restaurant, limit seating and/or occupancy, and/or limit hours and scope of operations. You should investigate whether there are regulations, orders or other requirements or recommendations that may apply in the geographic area in which you are interested in locating your Pizza Factory restaurant and should consider both their impact and cost of compliance.

Pizza Factory has conducted a business of the type to be operated by you by regularly operating on a temporary basis one or more company-owned Pizza Factory restaurants. Further, the current principal officers and shareholders of Pizza Factory have been in the business of operating pizza and pasta restaurants since 1990. Other than operating a Pizza Factory restaurant, none of our affiliates have offered franchises or operated any other business.

Pizza Factory has offered franchises for Pizza Factory restaurants since 1985. Pizza Factory has never offered franchises in any other line of business and Pizza Factory has no predecessors. Pizza Factory is not involved in any other line of business other than selling Pizza Factory franchises, operating a few company-owned Pizza Factory restaurants and assisting owners of Pizza Factory franchises.

ITEM 2 BUSINESS EXPERIENCE

President – Mary Jane Riva

Ms. Riva has served as our President since September 2012. Prior to that, she was the Managing member of Redhawk Pizza, LLC, which owns and operates Temecula Pizza Factory in Temecula,

California, from 2000 to 2014. She has also served as a Managing Member of Big Foot Partners, LLC, in Ridgecrest, California, since March 2014; a Managing member of Riva Partners LLC, in Winchester, California, since 2006, and a Managing Member of PF Burlington, LLC in Burlington, Washington since 2018. She was a Managing Member of Anza PF, LLC, in Anza, California, from December 2016 to October 2020 and was a Managing Member of PF Port Townsend, LLC in Port Townsend, Washington from 2018 to 2019.

Secretary and Treasurer – Robert Raymond Riva

Mr. Riva has served as our Secretary and Treasurer since September 2012. From 2008 until 2013 he was a Real Estate Agent at Rancon Real Estate in Murrieta, California. He has also served as a Managing Member of Big Foot Partners, LLC, in Ridgecrest, California, since March 2014; a Managing member of Riva Partners LLC, in Winchester, California, since 2006; and a Managing Member of PF Burlington, LLC in Burlington, Washington since 2018. He was a Managing Member of Anza PF, LLC, in Anza, California from December 2016 to October 2020 and was a Managing Member of PF Port Townsend, LLC in Port Townsend, Washington from 2018 to 2019.

Vice President of Operations - Steve Gibbs

Mr. Gibbs joined us in July, 2020 as our Vice President of Operations. Prior to joining us, he was the Director of Company Restaurant Operations for Global Franchise Group, in Elk Grove, California from February, 2015 until May, 2020. Prior to that, he was the Franchise Business Director for Cici's Pizza in Irving, Texas from February, 2009 until May, 2018.

Vice President of Franchise Development - Laura Tanaka

Ms. Tanaka has been our Vice President of Franchise Development since August, 2020. Prior to joining us, from November 2011 to April 2020, she was the Director of Franchise Development for Del Taco, LLC, in Lake Forest, California.

ITEM 3 LITIGATION

Pizza Factory, Inc. v. Willow Glen Pizza Factory, Inc., Superior Court of the State of California in and for the County of Madera, Case No. MCV081699. On Jul 29, 2019, Pizza Factory, Inc. filed a lawsuit for (1) breach of contract; and (2) breach of guaranty against Willow Glen Pizza Factory, Inc. ("Willow Glen"), its predecessor-in-interest Hardwood Flooring Installers Supply Co., Inc. ("Hardwood Flooring") and guarantor Vernon Butch Kirk. (October 17, 2019). On October 17, 2019, Willow Glen, Hardwood Flooring and Mr. Kirk filed a cross-complaint against Pizza Factory, Inc., its shareholder Mary Jane Riva and another individual Robert Riva alleging that Pizza Factory and the Rivas purportedly assured him that they would assist him to make sure his business succeeded by, among other things, conducting a professional study to determine the correct location for a Pizza Factory store in or around San Jose, California. Based on these allegations, the Cross-Complaint includes claims for Breach of Contract, Negligent Misrepresentation, Breach of Oral Agreement, Fraud and Deceit, and Breach of the Covenant of Good Faith and Fair Dealing. Willow Glen sought attorney's fees, costs of suit, general damages, compensatory damages, special damages and any other legally recoverable damages in addition to punitive and exemplary damages. In February 2021, the parties settled this

matter in exchange for releases and dismissal of the matter. Under certain circumstances, we agreed to pay Kirk up to \$65,000 in connection with the settlement together with Willow Glen's agreement to transfer to us certain assets that were owned by Willow Glen.

There is no other litigation that is required to be disclosed in this item.

ITEM 4 BANKRUPTCY

There is no bankruptcy that is required to be disclosed in this item.

ITEM 5 INITIAL FEE

Franchise Agreement

You must pay a \$20,000 lump sum initial franchise fee when you sign the franchise agreement. The initial franchise fee is the same regardless of the type of Pizza Factory restaurant you operate. The initial franchise fee is not refundable under any circumstances.

If you are a new franchisee or qualified existing franchisee (as described below), sign a franchise agreement with us by May 1, 2022, and open your Pizza Factory restaurant developed under that franchise agreement within one year following signing that agreement, you will be entitled to the benefits described in the table below (the "2021 Incentive Program"). A qualified existing franchisee is a franchisee that is a party to an existing franchise agreement, is not in default of that franchise agreement, and the restaurant that is operated pursuant to that franchise agreement is open and operating as of December 31, 2020. A franchise agreement entered into in connection with a renewal or transfer or assignment of an existing franchise agreement or restaurant shall not be entitled to participate in the 2021 Incentive Program.

BENEFIT	NEW FRANCHISEE	QUALIFIED EXISTING FRANCHISEE
Franchise Fee	\$15,000	\$0
Royalty fee	0% for first three months after opening 3% for next 9 months 5% thereafter	0% for first four months after opening 2% for next 8 months 5% thereafter
Included Speedline POS Station(s)	2 Speedline POS Stations (franchisee is responsible for all installation costs, software license and subscription fees, maintenance and other operating subscriptions and costs)	1 Speedline POS Station (franchisee is responsible for all installation costs, software license and subscription fees, maintenance and other operating subscriptions and costs)

If you are signing your franchise agreement as a renewal franchise agreement, your initial franchisee fee will be revised to reflect the fee you must pay under your existing agreement.

Area Development Agreement

When you sign our current form of Area Development Agreement, you must pay us an initial development fee equal to one half of the total Initial Franchise Fees payable for all restaurants to be developed under the Area Development Agreement (excluding the first Pizza Factory restaurant), plus \$15,000 representing the initial franchise fee for your first Franchise Agreement. When we accept the site for each Pizza Factory restaurant, you will sign a separate Franchise Agreement and pay us an initial franchise fee as outlined in the chart below.

Restaurants	Initial Franchise Fee
1 st Traditional Pizza Factory restaurant	\$15,000
2 nd Traditional Pizza Factory restaurants	\$10,000
3 rd and subsequent Traditional Pizza Factory restaurants	\$5,000

However, we will credit the development fee against the initial franchise fees at the rate of \$5,000 per Franchise Agreement for the second Pizza Factory restaurant and the rate of \$2,500 per Franchise Agreement for the third and subsequent Pizza Factory restaurants, until the development fee is exhausted. If you signed a form of Franchise Agreement which differs from our current form, your initial franchise fees will be determined in accordance with your Area Development Agreement. The development fee is fully earned by us when paid, is uniform for franchises currently being offered in this state and is not refundable under any circumstances.

At an appropriate time prior to the scheduled opening of your first Pizza Factory restaurant, Pizza Factory will provide to you an initial training program which either one or two persons may attend and additional personnel may attend the initial training program at the same time for an additional charge (presently \$3,500 per person). The charge for either one or two persons to attend the initial training program at the same time is included in the franchise fee. The charge for additional personnel to attend at the same time is \$3,500 per person.

In certain cases, and at the sole discretion of Pizza Factory, the amount of the franchise fee may be reduced for existing franchisees in good standing. In addition to the reduced franchise fee, the applicant must pay Pizza Factory for the services of Pizza Factory's personnel to the extent that their assistance is necessary to aid the applicant beyond what is normally required to develop and open a new franchise restaurant. Currently, Pizza Factory is charging the sum of \$150 per hour or \$500 per day for field work plus reimbursement for any travel, lodging or other expenses incurred to provide such services. Further, Pizza Factory is also currently charging the sum of \$125 per hour for administrative services (work not performed in the field) plus reimbursement for any expenses incurred to provide such services. The charge for any additional training which might be required would be the amount then being charged for additional training, currently \$500 per day.

In 2020, franchisees paid us initial franchise fees ranging from \$0 to \$30,000. We offer a 25% discount on the initial fee for qualified Veterans of the U.S. Armed Forces. In order to qualify, you must, among other business requirements, have received an Honorable Discharge and must own at least 50% of the ownership interests in the franchisee entity, or the Pizza Factory restaurant. You must advise us of Veteran status (and provide evidence of qualification) before signing your Franchise Agreement.

ITEM 6 OTHER FEES¹

Type of fee ³	Amount	Due Date	Remarks
Royalty	5% of total Net Sales ⁴ .	Payable monthly on or around last day of the following month (as specified from time to time by us). ²	“Net Sales” is the total of all revenues received or receivable by you as payment, on account of any and all goods, merchandise, services or products sold or provided in or from your Pizza Factory restaurant, or which are promoted or sold under any of the Marks. “Net Sales” excludes the following: (i) taxes collected directly from customers; (ii) tips or gratuities paid to employees; and (iii) proceeds from isolated sales of equipment. Net Sales will be calculated before reduction of any amounts (whether fees or expenses) from any third-party order or delivery applications, platforms, marketplaces, or the like, and other persons or vendors that may collect funds from a customer and remit a balance to you. If you qualify for and participate in the discount program, the Royalty Rate may be less for a period of time.
Advertising Fee	3% of Net Sales.	Same as royalty fee. ²	The Advertising Fee is imposed by us and payable to us. The Advertising Fee is

Type of fee ³	Amount	Due Date	Remarks
			non-refundable and varies among franchisees.
Technology Fee	Our then-current monthly fee, presently \$200 per month	Same as royalty fee ²	We may change the amount of the Technology Fee on not less than 30 days prior written notice. Among other things, we will use the technology fee (which may be used in connection with other funds, including advertising fees collected) to offset, reimburse us or pay for our direct and indirect expenses in connection with the use and implementation of various technology, including, by way of example and not limitation, online ordering systems and loyalty programs.
Service Fee	\$75 per month or 10% of amount due, whichever is greater.	Immediately upon assessment.	Assessment for each month that the Royalty fee <u>or</u> Advertising fee remains unpaid. If both remain unpaid then the fee is \$75 per month (per fee) or 10% of each amount due, whichever is greater.
Initial Training for an Additional Person	\$3,500 per person	Prior to commencement of training.	The initial training covered by the initial franchise fee is for two persons. Each additional person attending at the same time requires an additional payment.
Optional Initial Training	\$500 per person per day for the first two persons and \$250 per day for each additional person.	At time training is scheduled.	You and we may agree upon extended initial training.
Other Supplemental or Additional Training	The rate then being charged for additional training, currently \$500 per	At the time training is scheduled.	Supplemental training required by us; additional training if existing franchisee

Type of fee ³	Amount	Due Date	Remarks
	day for the first two persons and \$250 per day for each additional person.		acquires additional restaurant, etc.
Transfer Fee	\$15,000	Prior to consummation of transfer.	Payable when you sell, transfer or assign your Pizza Factory restaurant subject to reduction at our sole discretion.
Renewal Fee	\$5,000	30 days before expiration of term.	
Voluntary or Mandatory recurrent training.	The rate then being charged for additional training, currently \$500 per day for the first two persons and \$250 per day for each additional person.	On or before date training commences.	Failure to attend a scheduled voluntary or mandatory recurrent training will result in a charge of \$250 per day unless excused.
Relocation Fees and In- Store Training Fees	(1) for field work, \$150 per hour or \$500 per day; (2) \$125 per hour for administrative services (non-field work); (3) reimbursement of travel, lodging, and other expenses incurred.	Within 30 days of invoicing.	See Item 12 (Territory) regarding requirements for relocation.
Sales taxes, trademark license taxes, and other taxes imposed on, collected from or paid by us based on services or products provided to you.	Actual amount paid, imposed, or collected by taxing authority.	At time of payment for services or product or within 10 days of invoice.	Does not include corporate income taxes. You must reimburse us for any sales taxes, trademark license taxes, and other taxes paid by us on your behalf.
Liquidated damages			24 times the average monthly royalty and technology fee during the prior two years of operation.

Notes:

- 1) No portion of any of these fees is refundable except portions of the training fees for additional personnel. Fees are uniformly imposed in this state. In our discretion we may waive renewal or transfer fees in whole or in part in our discretion. These fees are imposed by and are payable to Pizza Factory. The fees are non-refundable and subject to change.
- 2) You must make payments of Royalties, Advertising fees and Service fees by electronic transfer on a monthly basis. No less than 30 days prior to opening your Pizza Factory restaurant, you must provide bank information to us to allow for electronic transfer and, thereafter, provide us with any changes to that information within 48 hours of the effective time of the change.
- 3) Your obligation to make these payments and perform other obligations of the Franchise Agreement is secured by a standard security agreement and a UCC-1 financing statement, sample copies of which are attached as Exhibit J. By signing the security agreement and authorizing us to file a UCC-1 financing statement, you will give us a security interest in all of your assets. You must sign the security agreement prior to opening your store for business. We will accept a security interest in the equipment and fixtures which is second in priority only to a security interest you have given a lender for the purpose of establishing your Pizza Factory restaurant or purchasing the equipment or fixture. Otherwise, the security interest you must give us must be first in priority.
- 4) The royalty fee will be reduced if you participate in the 2021 Incentive Program. If you sign an Area Development Agreement from the date of this Disclosure Document through May 1, 2022 and commit to develop at least 3 Restaurants over 24 months (1st Restaurant due within 12 months, 2nd Restaurant within 18 months and 3rd within 24 months) following the date of the Area Development Agreement, the royalty fee for each Restaurant developed thereon will be 0% for the first three months after the applicable Restaurant options and 3% for the 21 months immediately thereafter.

ITEM 7
ESTIMATED INITIAL INVESTMENT

The following chart describes the estimated initial investment for a single Pizza Factory restaurant:

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE (Note 8)	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
INITIAL FRANCHISE FEE (Note 1)	\$15,000	\$20,000	Lump sum	At signing of Franchise Agreement	Pizza Factory

TYPE OF EXPENDITURE (Note 8)	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
WAGES, TRAVEL AND LIVING EXPENSES DURING TRAINING	\$10,000	\$15,000	As incurred	During training	Airlines, hotels and restaurants (non-refundable)
REAL ESTATE AND IMPROVEMENTS (Note 2)	\$91,000	\$250,000	As incurred	As incurred	Vendors
SIGNAGE (Note 8)	\$10,000	\$15,000	As incurred	Prior to opening	Vendors
EQUIPMENT, AND FIXTURES (Notes 3, 8)	\$97,000	\$155,000	As incurred	As incurred	Vendors
DEPOSITS, LICENSE FEES & OTHER PREPAID EXPENSES (Note 4)	\$10,000	\$20,000	As incurred	Prior to opening	Suppliers, utilities, Insurance providers, government agencies, etc. (Note 5)
OPENING INVENTORY /INCIDENTALS	\$10,000	\$12,000	Lump sum	Prior to opening	Suppliers and vendors. Normally non-refundable.
ADVERTISING FOR OPENING (Note 5)	\$1,000	\$3,000	As incurred	As incurred	Newspapers, radios, printers, etc. not including payments to Pizza Factory Advertising Fund
ADVERTISING - First 3 months after opening in addition to contributions to Advertising Fund (Note 6)	\$2,000	\$2,000	As incurred	Monthly	Newspapers, radios, printers, etc.

TYPE OF EXPENDITURE (Note 8)	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
ADDITIONAL FUNDS - 3 months (Note 7)	\$35,000	\$60,000	As incurred	As incurred	Employees, suppliers, utilities, etc.
TOTAL (Note 8)	\$281,000.00	\$552,000.00			

As described in Item 5, if you sign an Area Development Agreement, you must pay us an initial development fee equal to one half of the total Initial Franchise Fees payable for all restaurants to be developed under the Area Development Agreement (excluding the first Pizza Factory restaurant), plus \$5,000 representing the initial franchise fee for your first Franchise Agreement. When we accept the site for each Pizza Factory restaurant, you will sign a separate Franchise Agreement and pay us an initial franchise fee as outlined in the chart below.

Restaurants	Initial Franchise Fee
1 st Traditional Pizza Factory restaurant	\$15,000
2 nd Traditional Pizza Factory restaurants	\$10,000
3 rd and subsequent Traditional Pizza Factory restaurants	\$5,000

However, we will credit the development fee against the initial franchise fees at the rate of \$5,000 per Franchise Agreement for the second Pizza Factory restaurant and the rate of \$2,500 per Franchise Agreement for the third and subsequent Pizza Factory restaurants, until the development fee is exhausted.

(Notes to Item No. 7.)

1. Initial Franchise fee is \$20,000, except if you qualify for the 2021 Incentive Program or if you are purchasing your franchise in connection with the second and subsequent Restaurant under an Area Development Agreement. No portion of this fee will be refunded once paid. We do not finance this or any other fee or cost incurred by you.
2. This estimate for Real Estate and Improvement costs is based upon leasing or purchase of adequate space. If you are developing an express Restaurant estimate the range of costs is \$91,000 to \$110,000 and the range of costs for other formats of a Restaurant the range of costs is \$125,000 to \$250,000. You are responsible for finding a location for your Pizza

Factory restaurant which substantially complies with the Site Selection Guidelines provided to you by us. If you are not purchasing the building from which to operate your Pizza Factory restaurant, you must enter into a lease with an initial term of no less than five (5) years with option(s) to renew totaling no less than an additional five (5) years; subsequent renewals must be for a term of no less than five (5) years or the remaining term of the franchise, whichever is less; month-to-month leases are prohibited without our express written consent. **The cost of purchasing commercial property may be much higher and may vary greatly depending upon location, size, age, and type of construction of the building.** The total amount of funds necessary to lease suitable restaurant premises will vary from location to location depending on a number of factors, including: location, size, term of lease, the extent of new construction or remodeling, the extent to which the landlord will build or remodel, and the amount of the security deposit. Currently, the typical Pizza Factory restaurant has 2,500 to 3,500 square feet and is usually located in shopping centers or storefront type buildings. Express Restaurants are up to approximately 1,500 square feet. If you are leasing a location for your Pizza Factory restaurant, you negotiate and obtain the lease, contract directly with the landlord of the premises and make whatever financial and creditor arrangements necessary with the landlord or other third parties, and obtain necessary funds or credit for leasehold improvements from whatever sources you choose. Prior to signing the lease or purchasing the premises, you must obtain written confirmation from Pizza Factory that the location and lease or any renewal or modification of a lease, substantially complies with the Site Selection Guidelines Pizza Factory will provide to you. Again, we do not offer any form of financing for any of the fees or investment costs. These costs are normally not refundable except for security deposits depending upon your arrangement with your landlord.

3. Although we may assist you in contacting professionals and negotiating with them for the preparation of plans, and contacting and negotiating with suppliers for the installation of fixtures and equipment, you contract directly with the contractors, purveyors and suppliers and make whatever financial and credit arrangements are necessary directly with them or obtain necessary funds or credit from whatever source you choose. Based upon our experience, you should be able to finance approximately one-half of the equipment and fixtures through either the suppliers, purveyors or other sources of financing which you might choose. Normally, the expenses you incur for these services, equipment and fixtures are non-refundable. The amount estimated includes all equipment, signage, fixtures, and computer/Point of Sale equipment and software to commence operation of a Pizza Factory restaurant. The range of costs for an express Restaurant is \$97,000 to \$125,000 and the range of costs for other formats of Restaurant is \$97,000 to \$155,000
4. Although we do not require you to pay any security deposits, you may be responsible for paying security deposits to the landlord as well as to utility suppliers. This category also includes application fees and costs for an on-sale beer and wine license and any other licenses or permits required by the state or local law in order to commence operation of your Pizza Factory restaurant. Depending upon arrangements with utility companies and providers of supplies, deposits may be fully or partially refundable. Normally, license fees are non-refundable.
5. Many franchisees wish to purchase special advertisements locally, especially at the time they open their business. Normally, fees for advertising are non-refundable depending on the

arrangement made with the provider and the amount of work which has been performed by the provider at the point of cancellation. This expense is in addition to advertising fees paid to us.

6. This estimates other initial start-up expenses over and above typical revenue during the first three months. These expenses include additional payroll costs normally incurred during the first three months after opening. These figures are estimates and we can not guarantee that you will not have additional expenses starting the business. Your costs will depend upon factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Pizza Factory products; the prevailing wage rate; competition; and the sales level reached during the initial period. Once incurred, these expenses are normally not refundable.
7. We relied on the substantial experience of its principal officers in the pizza and pasta restaurant business to compile these estimates. You should review these figures carefully with a business advisor, commercial real estate broker, certified public accountant, contractors, and suppliers, all of whom you contact directly before making any decision to enter into the Franchise Agreement, pay the franchise fee, and purchase or lease a site at which you will operate your Pizza Factory restaurant.
8. We do not offer direct or indirect financing to you for any of these items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All requirements of dough mix, spaghetti sauce spice, salad bar items, pizza sauce spice, fiesta seasoning and meatball seasoning, and any other ingredient for authorized menu items, as may be designated by us at any time, must be purchased from the purveyor designated by us. All other requirements of food, beverages (other than beer), equipment, fixtures, Point of Sale register, hardware and software, other materials and supplies must be purchased from suppliers designated by us and, if not designated, from any other supplier meeting the standards and requirements set by us. All signs, posters, or other forms of displays or advertisements used in the operation of a Pizza Factory restaurant must be approved by us and those bearing the name and trademarks of Pizza Factory must be leased or purchased from us, from a supplier designated by us, or as otherwise approved by us.

We estimate that required purchases and leases will represent 80%-85% of your overall purchases in establishing a restaurant and substantially all of your overall purchases to operate a restaurant.

From time to time, we may be able to negotiate a contract with a major distributor, such as Coca-Cola, which may provide a marketing incentive in the event that all our franchisees agree to purchase the designated product. We reserve the right, upon 30 days' notice, to require that you purchase such a designated product. We reserve the right to retain any marketing incentives received as compensation for arranging for such products. There are no purchasing or distribution cooperatives associated with the franchise program. We may, but are not required to directly or indirectly provide any material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers. We currently contribute the marketing incentive received from Coca-Cola to the Pizza Factory Advertising Fund.

In the year ending December 31, 2020, we received no revenue of any type from the lease or purchase to franchisees of any signs, posters, or other forms of displays except those amounts received as compensation from the Advertising Fund as described in Item 11.D.(3) of this Disclosure Document. We received no payments or other consideration from any designated suppliers based on franchisee purchases except as follows: Coca-Cola, Dr. Pepper and Dining Alliance. The total revenue received by us from all required purchases and leases of products and services to franchisees for the year ending December 31, 2020 was \$109,318.10 which amounted to 2.3% of Pizza Factory's total revenues of \$4,731,212.

The fixtures and decoration of your Pizza Factory restaurant premises must be in accordance with the specifications provided by us. Also, dishes, glassware, eating utensils, table linens and menus must be in accordance with the specifications set out by us and must be purchased by suppliers we approve. All other foods (other than pizza sauce spice, spaghetti sauce spice, fiesta seasoning, meatball seasoning, dough mix, salad bar items, and any other ingredient for authorized menu items which currently are or may be designated by us), beverages (other than beer), materials and supplies must be purchased from suppliers who meet the standards and requirements provided by us, subject to our rights to designate a particular product or purveyor in the future upon 30 days' notice. All specifications necessary to establish and operate your Pizza Factory restaurant are either contained in the Operations Brand Standards Manual (the "Manual") or will be provided to you by us in writing after you sign the Franchise Agreement.

Your Pizza Factory restaurant must be operated in accordance with the standard of conduct and procedures set forth in the Pizza Factory Manual. The Manual requires that you maintain the uniformity of appearance, service, products, and marketing procedures including maintenance of the authorized appearance and size of the premises, display of trade names and trademarks, maintenance of specified equipment, furnishings, signs and other personal property in excellent working condition and to our specifications which may be updated from time to time. Total for all refurbishments may not exceed 5% of your Net Sales from the date you open your restaurant to the date you are required to make the refurbishment. Newspaper racks, jukeboxes, gum machines, games, recreational equipment (e.g., bounce houses, playground equipment, etc.) are not permitted on the premises and cigarettes, other tobacco products, and any other items may not be sold on the premises unless authorized by us in writing. You may install arcade vending machines at a location in or on the premises if it is approved in advance and in writing by us. The premises are to be operated in a quiet, respectable, and appropriate fashion suitable for a family-style restaurant and other types of businesses may not be operated from a Pizza Factory restaurant. Pizza Factory franchisees must accept payment by United States coin, currency, bank debit cards, and common credit cards including VISA® and MasterCard®.

Neither Pizza Factory nor any of our officers, principals, or affiliates hold an ownership interest in any supplier of goods or services required to either establish or operate a Pizza Factory franchise.

Presently, you must purchase particular items to establish and operate your Pizza Factory restaurant. You must purchase the following items from approved and/or designated suppliers, as we prescribe: (i) Seasoning, Dough Mix and Spices; (ii) other required Pizza Factory Brand ("Proprietary") food items; (iii) Non-Pizza Factory brand ("non-proprietary") food items but specific brand/type/supplier required; (iv) Required non-proprietary food items - no specific brand/type required; (v) Required paper products with Pizza Factory Service or Trademarks; (vi) other required

paper products - specific brand/type required; (vii) other required paper products - no specific brand/type required; (viii) Restaurant Equipment – specific brand/type required; (ix) Interior Colors and seating package – specific brand/design required; (x) Computer/Cash Register System – specific brand/type of hardware and software; and (xi) Advertising products. Currently, the approved suppliers for these products are: Roma, Saladino's, Inc., and Food Services, Inc. ("non-affiliated suppliers"). Disclosure of the specific brands, models, specification and other particulars for required goods, services and equipment will be made to you as part of the franchise program, after you sign the franchise agreement.

Neither Pizza Factory nor any of our officers, nor any of our shareholders own an interest in a "non-affiliated supplier." Although you may not be restricted as to the supplier which provides these items, you must still comply with any brand/type/design requirements specified by us. All advertising material must be approved by us in writing before you may use it regardless of whether you use an approved or non-approved supplier.

We approve suppliers based upon the supplier's demonstration that it is able to supply a commodity to the franchisee which meets our specifications for such commodity, and that the supplier is of good standing in the business community with respect to its financial soundness and the reliability of its product and service. Except for items required to be purchased only from Sierra Seasoning, alternate suppliers may be approved for other products and supplies. Although certain brand items are required to be used by Pizza Factory restaurants, alternate brands or type of products for other restricted items may be approved for use. If you would like to purchase an item from another supplier or would like to use a different brand/type of product than required, you may request that the alternate supplier/brand be approved by us. Based upon the information and samples you supply to us, we will test the item supplied for its suitability for use in a Pizza Factory restaurant and/or review the proposed supplier's/manufacture's financial records, business reputation, delivery performance, credit rating and other information. Our review typically is completed in 30 days and we will not unreasonably withhold approval. However, you will be charged an amount by us which will not exceed the actual cost of such testing and investigation. This procedure does not apply to any product for which we have designated a specific supplier, such as Sierra Seasoning or a particular product such as Sierra Seasoning's products or Pizza Factory brand items. The criteria we use for approval of an alternate supplier and/or brand is available to you upon written request. However, you are not permitted to contract with any alternative supplier or use non-approved required suppliers or products without our prior written approval.

We reserve the right to grant or revoke approval of suppliers or specific brands at any time for reasonable cause based upon the performance and reliability of the supplier/manufacture and/or if the product offered fails to meet the minimum criteria. If approval is granted to a new supplier or if approval of a supplier/brand is revoked by us, all franchisees will be notified in writing of the approval or revocation and the effective date of such.

There may be times when you must make certain necessary refurbishments to your Pizza Factory restaurant which must be made within 30 days after notice from us subject to certain limitations as mentioned in Sections 5.3 and 5.5 of the Franchise Agreement, a copy of which is attached as Exhibit D.

We issue specifications for the purpose of maintaining the uniformity and quality standards of Pizza Factory restaurants and for the purpose of presenting a unique product, served in a unique

manner, which the public can identify as being a Pizza Factory product. We reserve the right to modify the specifications at any time. You will be notified in writing of the nature of the modification and its effective date as far in advance as possible. In the case of modifications of fixtures, architectural design or decoration of the restaurant premises, such modifications will not be applicable to existing franchises or to franchises which are in the process of being constructed or remodeled, unless such modifications can be implemented without substantial additional cost to you (not to exceed 5% of the Net Sales from the date of its opening for existing franchisees and a maximum of \$5,000 for franchisees still in the process of opening unless we agree to pay for or provide a credit to you for the difference). In the case of modifications in the specifications of goods, services and supplies, you will have three months from the effective date of the modification in which to implement the modification.

You must obtain a products liability and public liability insurance policy of no less than \$2,000,000 per occurrence and \$4,000,000 in the aggregate. You must also obtain an appropriate auto insurance policy to cover your delivery service (non-owner and/or commercial) providing benefits of no less than \$1,000,000 for public liability and public damage. You are required to increase these coverages on 180 days' notice by us. You must provide proof of compliance with these insurance requirements before beginning your business and for so long as you own or operate a Pizza Factory restaurant. Pizza Factory must be named as an additional insured. If we or any of our employees or agents are named as a party to any legal action arising out of the operation of your Pizza Factory restaurant, you must defend us in that suit and hold us harmless from any damages.

Your Pizza Factory restaurant must maintain a delivery service on all days it is open for business during the term of your Franchise Agreement. Prior to utilizing any non-employee, third party delivery service, that service must provide you with proof of insurance for commercial delivery with coverage of no less than \$1,000,000. You must confirm that insurance maintained by said delivery service is in full force and effect at all times while you are utilizing that service and provide that proof to us whenever demanded. Regardless of whether you use an employee or non-employee third party delivery service, you must confirm that the delivery person is properly licensed and is not exhibiting any behaviors which would indicate that person was under the influence of alcohol or mind-altering prescriptions or non-prescription drugs of any nature.

In addition to the contribution you make to the Pizza Factory Advertising Fund, you must spend no less than 1% of the Net Sales of your Pizza Factory restaurant during any quarter (three month period) on local advertising and promotion of your Pizza Factory restaurant during that quarter.

All of your bookkeeping and accounting records (including the charts of accounts you use for your profit and loss statements), financial statements, and all reports you submit to us must conform to our then-current specifications, standards, guidelines (including site selection guidelines), policies, procedures, methods of operation, and rules we prescribe for the development, ownership and operation of Pizza Factory Restaurants and the offer and sale of products and services from a Pizza Factory Restaurant, as modified by us from time to time in writing (the "Standards"). Standards may be designated by us as mandatory or suggested. (Franchise Agreement Sections 10.1 and 10.4)

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 5.1, 5.2 and 5.3 of Franchise Agreement; Section 6.1 of Area Development Agreement	Items 5, 7, and 11
b.	Pre-opening purchases/leases	Sections 5.3 and 5.4 of Franchise Agreement	Items 7, 8 and 9
c.	Site development and other pre-opening requirements	Sections 5.2, 5.3, 5.4 of Franchise Agreement; Section 6.1 of Area Development Agreement	Items 1, 6, 7 and 11
d.	Initial and ongoing training	Article 6 of Franchise Agreement	Items 11 and 15
e.	Opening	Sections 4.5 and 5.4 of Franchise Agreement	Item 11
f.	Fees	Article 4 of Franchise Agreement; Article 5 of Area Development Agreement	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Section 7.1, 7.4 and Article 11 of Franchise Agreement	Items 11 and 15
h.	Trademarks and proprietary information	Article 11 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 9.1, 9.2, and 9.3 of Franchise Agreement	Item 16
j.	Warranty and customer service requirements	Section 9.4 of Franchise Agreement	Not applicable
k.	Territorial development and sales quotas	Section 2.3 of Franchise Agreement, Article 3 of Area Development Agreement	Not applicable
l.	Ongoing product/services purchases	Section 7.1, 7.4, and Article 9 of Franchise Agreement	Item 8
m.	Maintenance, appearance and remodeling requirements	Section 5.3 and 5.5 of Franchise Agreement	Item 8
n.	Insurance	Section 7.11 of Franchise Agreement	Items 7 and 8
o.	Advertising	Section 4.5 of Franchise Agreement; Article 8 of Franchise Agreement	Items 6, 8 and 11

	Obligation	Section in Agreement	Disclosure Document Item
p.	Indemnification	Article 16 of Franchise Agreement; Sections 11.1 and 11.2 of Area Development Agreement	Item 8
q.	Owner's participation/management/staffing	Section 7.2 of Franchise Agreement	Items 11 and 15
r.	Records, reports, and communications	Section 10.1 and 10.4 of Franchise Agreement	Items 6, 8, and 9
s.	Inspections, audits, licenses, and permits	Sections 10.2 and 10.3 of Franchise Agreement	Items 6, 9, and 11
t.	Transfer	Sections 13.1, 13.2, 13.3, 13.4 and 13.6 of Franchise Agreement; Section 7.3 of Area Development Agreement	Item 17
u.	Renewal	Sections 3.2, 3.3 and 3.4 of Franchise Agreement; Sections 4.2, 4.3 and 4.4 of Area Development Agreement	Item 17
v.	Post-termination obligations	Article 15 of Franchise Agreement; Section 4.5 of Area Development Agreement	Item 17
w.	Non-competition covenants	Section 12.1 of Franchise Agreement; Sections 8.1 and 8.2 of Area Development Agreement	Item 17
x.	Dispute resolution	Sections 14.7 and 17 of Franchise Agreement; Section 11.15 of Area Development Agreement	Item 17
y.	Security interest in fixtures and equipment	Section 13.6 of Franchise Agreement and General Security Agreement	Items 6 and 9 (see below)

ITEM 10 FINANCING

Neither Pizza Factory nor any of its affiliates offer direct or indirect financing. Neither Pizza Factory nor any of its affiliates will guarantee your note, lease, or obligation. Pizza Factory does not receive any consideration for assisting you with arranging financing with a third party lender.

Your obligation to satisfy the foregoing promises, covenants and restrictions is secured by a standard security agreement and a UCC-1 financing statement, sample copies of which are attached as Exhibit J. By signing the security agreement and authorizing Pizza Factory to file a UCC-1 financing

statement, you will give to Pizza Factory a security interest in all of your equipment and fixtures. You must sign the security agreement and financing statement prior to opening your Pizza Factory restaurant for business. Pizza Factory will accept a security interest in the equipment and fixtures which is second in priority only to a security interest you have given a lender for the purpose of establishing your Pizza Factory restaurant or purchasing the equipment or fixtures. Otherwise, the security interest you must give Pizza Factory must be first in priority. (See Sections 5.6, 13.2.2 and 13.6 of the Franchise Agreement and General Security Agreement.)

ITEM 11

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

Except as listed below, Pizza Factory is not required to provide you with any assistance.

A. Before you open your Pizza Factory restaurant, we will:

(1) Upon receiving the information regarding a proposed site, we will review the information and either accept or reject the proposed site under our then-current standards for site acceptance and rejection. If we do not accept or reject your proposed site within 30 days after your submission of all information we request, the site will be deemed rejected. (Franchise Agreement, § 5.1) You may not enter into a lease or purchase agreement for a site unless and until the site has been accepted. Your Pizza Factory Restaurant location will be purchased or leased by you from independent third parties. We do not generally own the premises and lease it to you. If you do not locate your site and obtain our acceptance within the required time period, you will be in default and we may terminate the agreement (subject to applicable notice and cure rights, if any).

(2) Site Selection Assistance. We do not locate sites for you. However, we may, without obligation, assist you in locating or evaluating a site. The factors we consider in accepting sites include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. (Franchise Agreement, § 5.2)

(3) We will provide a copy of our basic specifications for the design and layout of your Pizza Factory restaurant. We will provide a copy of our Standards (which includes the names of approved suppliers) for the design and layout of a typical Pizza Factory restaurant and mandatory and suggested equipment, furnishings and fixtures. (Franchise Agreement, § 5.3.1) We do not provide equipment, signs, fixtures, opening inventory or supplies, but provide you with specifications only. We do not deliver or install these items.

(4) You must only employ licensed and bonded architects, engineers and general contractors, that we have approved. We will approve or reject your professionals. (Franchise Agreement § 5.3.2)

(5) We will review and accept or reject all drawings and plans before you commence construction. If we do deliver written notice of our acceptance or rejection of such plans or drawings within 10 days, the plans or drawings shall be deemed rejected. (Franchise Agreement § 5.3.2)

(6) We provide an initial training program described below. (Franchise Agreement § 6.1)

(7) We will accept or reject your Operating Principal. (Franchise Agreement §§ 1.1.2 and 7.2)

(8) A copy of the table of contents of our Manual appears as Exhibit G attached to this Disclosure Document. Currently the Manual has a total of 141 pages. Our manual(s), bulletins, electronic communications and/or other directives will describe our mandatory and recommended Standards and procedures. The Manual(s) may be in one or more volumes or chapters or segments. At such time as we complete our Manual(s), we will provide you access to the Manual(s) during the term of your franchise agreement. The Manual(s) may be delivered to you in any media utilized by us for delivery of the Manual(s). We will have the right to update the Manual(s) and change the elements of our System as we deem appropriate. We will loan (or provide access to the Manual(s) via electronic interface) to you one copy of our confidential Manuals to use during the term of the Franchise Agreement. The Manual(s) contain our standard operational procedures, policies, rules and regulations with which you must comply. (Franchise Agreement § 7.4).

(9) We estimate the typical length of time between signing a Franchise Agreement and commencing the operation of a Pizza Factory restaurant is between 180 and 360 days, assuming that a location can be obtained and leased within one month after you sign the Franchise Agreement. If there are unforeseen delays, it could take considerably longer for you to open your Pizza Factory restaurant. Factors that may affect the length of time it takes you to commence operating your Pizza Factory restaurant include the process of negotiating a lease, construction delays, drafting architectural plans, obtaining permits, weather conditions, shortages, and delayed installation of equipment, fixtures and signs, and your successful completion of our initial training program, among other factors.

B. During the operation of your Pizza Factory restaurant, we will:

(1) provide up to 7 days of on-site training commencing shortly before and ending shortly after your Pizza Factory restaurant opens to the public (Franchise Agreement § 6.2);

(2) provide training courses, programs and conventions that we choose to provide. (Franchise Agreement § 6.4). Such training courses, programs and conventions may require the payment of an additional fee;

(3) upon reasonable request, we will give you additional assistance and advice to help you run your Pizza Factory restaurant, typically through our franchise business consultants. In our sole discretion, we may send a representative to your Pizza Factory restaurant to discuss your operations. If provided at your request, you must reimburse our expenses and pay our then-current training charges and Travel Expenses (Franchise Agreement § 6.4);

(4) render advisory services regarding the operation of your Pizza Factory restaurant. Such services include, but are not limited to, advice with respect to the following: Preparation of food products in accordance with the Manual, management of food supplies, styles and type of service, operation of the restaurant, the number of employees, and the training of your and your management employees in the operation of the your Pizza Factory restaurant. In the event the location of the your Pizza Factory restaurant must be changed, we may assist you by providing similar services as necessary to insure compliance with all requirements and specifications required to establish a new Restaurant at the time of relocation. These relocation advisory services are mandatory and the amount of time and effort provided by us is determined by us in our discretion on a case by case basis. You must

compensate us for such services at the rate then charged for such services (currently \$150.00 per hour or \$500.00 per day for field work and \$125.00 for administrative services) and reimburse us for all Travel Expenses related to providing those services.

- (5) issue and modify Standards and System (Franchise Agreement §§ 7.1 and 7.4);
- (6) we will provide you access to the Manual(s) (Franchise Agreement § 7.4).
- (7) approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose to use in connection with local advertising (Franchise Agreement § 8.1);
- (8) maintain and administer the Advertising Fund (Franchise Agreement § 8.3);
- (9) periodically designate Authorized Products (Franchise Agreement §§ 9.2 and 9.3);
- (10) let you use our Marks (Franchise Agreement § 2.1 and Article 11); and
- (11) let you use our confidential information (Franchise Agreement § 12.2).

C. Advertising Program – Franchise Agreement § 8

Advertising Fund

You must pay us an Advertising Fee of up to 3% of the Net Sales of your Pizza Factory restaurant. Other franchisees may not be obligated to contribute to the Advertising Fund or may contribute at a different rate, as we determine appropriate. We will contribute the Advertising Fee to our Advertising Fund. We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. Media placement may be national, regional, or local advertising, public relations or promotional campaigns, and/or used for programs designed to promote and enhance the image, identity or patronage of Pizza Factory restaurants, or programs designed to promote and retain customer satisfaction and resolve customer disputes. Advertising may be from an in-house advertising department or national, regional or local advertising agencies, or other sources. We need not make expenditures that are equivalent or proportionate to your contributions. We need not ensure that any particular franchisee benefits directly or proportionately from fund advertising. The fund is not a trust and we are not a fiduciary.

Although neither we nor our affiliates are required to contribute or allocate funds to the Advertising Fund on account of Pizza Factory restaurants we or our affiliates operate, we and our affiliates presently contribute to the Advertising Fund an amount equal to 3% of Net Sales. We may cease this practice at any time. Neither we nor our affiliates are required or spend any amounts on marketing.

The fund may be used to meet all costs (including reimbursement to us and our affiliates) of administering, directing, preparing, placing and paying for national, regional or local advertising to promote and enhance the image, identity or patronage of Pizza Factory restaurants, or programs designed to promote and retain customer satisfaction and resolve customer disputes, all as we determine appropriate. We will either transfer the Advertising Fund contributions to a separate entity

to whom we have delegated the responsibility to operate and maintain the Advertising Fund or place the funds in a separate account that we maintain. We may not use this money principally to solicit new franchise sales. We may include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Advertising Fund.

We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Advertising Fund in that year and may cause the Advertising Fund to borrow funds to cover deficits or invest in surplus funds. We may refund or rebate all or a portion of a franchisee's Advertising Fund contributions to the applicable franchisee for expenditure by that franchisee. If we spend less than the total of all contributions to the Advertising Fund during any fiscal year, we may accumulate those sums for use in later years. If we or an affiliate advances money to the Advertising Fund, we or they will be entitled to reimbursement. Any interest earned on monies held in the Advertising Fund shall be used for the Advertising Fund.

Although we intend the fund to be perpetual, we can terminate the fund. We will not terminate the fund until it has spent all money in the fund for advertising and promotional purposes. Of the expenditures made during the last fiscal year of the Fund (ending on December 31, 2020), a total of : 71.9% was spent on the production of advertisements and other promotional materials, 6.8% was spent for media placement, and 17.1% was spent for general administrative and advertising agency expenses. We will make available all books and records regarding the advertising fund during reasonable times to you at your request. No periodic reporting of the use of advertising funds is otherwise provided. (Franchise Agreement, Section 8.3.)

No amounts in the Fund are utilized to solicit new franchise sales.

There are currently no local or regional advertising cooperatives established for Pizza Factory restaurants. If local and/or regional advertising cooperatives are established in the future, you will be required to participate in the cooperative(s) applicable to your restaurant and contribute to those local and/or regional advertising funds in an amount not to exceed an additional 2% of your Net Sales. (See Item Nos. 6, 8 and 9). (Franchise Agreement, Section 8.7.)

You may use your own advertising material or place your own advertising in local media. However, we must approve any of your proposed advertising in writing and in advance of your using it. (Franchise Agreement, Section 8.2.)

Any form of communication or advertising for your Pizza Factory restaurant is required to be maintained separately from any personal forms of communication utilized by you or your principals (e.g. your personal Facebook or other social media account cannot be utilized for communications or advertising purposes for your Pizza Factory restaurant). You will be assigned an email address such as "storename@pizzafactory.com" which will be required to be transferred to a new owner in the event of a sale or transfer of your Pizza Factory restaurant. You are not permitted to utilize the business communication account established for your Pizza Factory restaurant for personal matters. We will not have any obligation to monitor your personal email or social media activity, or such activity on behalf of your employees.

In addition to the contribution made to the Pizza Factory Advertising Fund, you will be required to spend no less than 1% of the Net Sales on local advertising and promotion of your Pizza Factory restaurant during any quarter (any three month period). (Franchise Agreement Section 8.2.)

The Fund is administered by our accounting and marketing personnel under the direction of the director of marketing for Pizza Factory. We do maintain a Franchisee Advertising Advisory Board (“Board”) which provides advice and recommendations to our director of marketing. The Board consists of representatives from the various geographical areas in which Pizza Factory franchised restaurants are located, must be a current franchisee in good standing, and have operated a franchise open to the public for no less than six consecutive months. Each member of the Board will serve a term of no less than 12 months and is not compensated for his/her service.

Information Systems (Franchise Agreement, § 7.3)

Before you commence operating your Pizza Factory Restaurant, you must purchase or lease the required electronic based hardware, software, middleware, web-based solutions, wireless, electronic interfaces, cabling, and other electronic devices, including, computer systems, point of sale cash collection systems, mobile devices/software, order systems, email systems, data systems, network systems, printer systems, mobile applications, internet systems, telecommunication systems, telephone systems, security systems, digital media systems, video and still digital cameras, power systems, required service and support systems and programs, and other related accessories and peripheral equipment (“**Information Systems**”).

You must purchase, use and maintain the Information Systems specified in the Manual(s), bulletins, electronic communications and/or other directives in accordance with the Standards. The Information Systems must at all times be connected to one or more high-speed communications media specified by us and permit access to the internet 24 hours per day, 7 days per week.

At our direction, you must electronically link the Information Systems to us or our designee. You must allow us and/or our designee to access the Information Systems and stored files and data (the “**IS Data**”), and to add, remove, configure and modify the Information Systems via any means including electronic polling and uploads, with or without notice. We own the IS Data that is stored on your Information Systems and you will assign to us any and all rights you may have in the IS Data. We will have independent access to the information generated and stored in the Information Systems.

The Information Systems will store information concerning the customers, sales mix, sales information, purchasing and inventory, accounting and other operations. You must provide all assistance we require to bring the Information Systems on-line with our or our designee’s computer at the earliest possible time and to maintain this connection as we require. We may retrieve from your Information Systems all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information.

The approximate initial cost to you for the Information Systems is \$7,500 to \$12,000 to purchase and install the Information Systems. Presently you may purchase Information Systems from any supplier so long as the Information Systems meet our Standards, except that you must purchase the Speedline point of system from Speedline or another vendor we specify. You must obtain high-

speed communications access for your information system, such as broadband, DSL or other high-speed capacity.

We cannot reasonably estimate the future costs of the Information Systems, required hardware, software, or service or support, however you must acquire and incur the costs of obtaining and implementing the hardware, software and other components and devices comprising the Information Systems (including additions, upgrades, updates and modifications) and all support services, service and maintenance agreements and subscriptions prescribed by us from time to time. The Information System may be provided directly by third parties or may be sold, licensed or sublicensed by or through us at a reasonable one-time or recurring charge.

Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades or updates to the system. You will be responsible for obtaining support and/or optional maintenance contracts from third parties for your computer maintenance and repair needs. You are also responsible for all updates and upgrades. You must maintain your Information Systems and keep it in good repair. There is no contractual limit on our ability to require you to update or upgrade the systems, add components to the system and replace components of the system. Except as described above, we cannot estimate the cost of maintaining, updating or upgrading your Information Systems or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time.

PIZZA FACTORY TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Opening/Closing Procedures	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Telephone/Counter Procedures	0	7	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Customer Service	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
POS/Menu Product Codes	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Food Preparation	0	40	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Making and Spinning a Pizza	0	30	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Sandwich Preparation	0	10	Fresno, California Placerville, California; Oakhurst, California,

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
			Wasco, California
Pizza Table/Sandwich Table Cleaning and Rotation of Product	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Pizza Out/Presentation	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Advertising/Digital Marketing	8	0	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Accounting/Bookkeeping	10	0	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Management Training	0	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Training Kitchen	0	40	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Review of Operations Brand Standards Manual	0	5	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
Delivery/On-line Ordering	5	10	Fresno, California Placerville, California; Oakhurst, California, Wasco, California
TOTAL	23	202	

Training (Franchise Agreement, Article 6)

Before opening your Pizza Factory restaurant, the Operating Principal and your general manager shall successfully complete, to our satisfaction, an initial training program in the Standards and the operation of a Pizza Factory restaurant (“**Initial Training Program**”). We may modify the content and manner of conducting the Initial Training Program in our discretion from time to time. Prior to commencing operation of your restaurant, we shall provide at no additional cost the Initial Training Program to the Operating Principal and your general manager. You may not operate your restaurant until the then-current Operating Principal and general manager shall have completed the Initial Training Program to our satisfaction. Training will be conducted at our training facilities in California or at other approved training facility(ies) specified by us, and may include classroom training, instruction at our or your facilities, remote training, and/or a self-study program.

If we provide the Initial Training Program (i) to any person designated by you in addition to the first Operating Principal and your first general manager, (ii) to you in connection with a Successor

Franchise Agreement or your (or your affiliates') second or subsequent restaurant, or (iii) to you because we require you (or your employees) to attend the Initial Training Program, you pay our then-current training fees and reimburse us for our costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to our employees', agents' and/or representatives' expenses, a per diem charge determined by us in advance, with respect to other incidental expenses incurred, including laundry and/or telephone expenses (**"Travel Expenses"**)

At an appropriate time no earlier than 120 days prior to your opening of your Pizza Factory restaurant, we will provide you and any other additional person(s) with a training program as follows:

- (a) An initial training program which will consist of approximately 225 hours of training over a 60 day period. Training classes are held periodically as new stores open. Currently, the training takes place at the Pizza Factory corporate office in Oakhurst, California as well as at Pizza Factory restaurants in Fresno, California, Placerville, California; and/or Wasco, California. Training may also be held at the location of a Pizza Factory vendor, Saladino's, in Fresno, California. (Franchise Agreement, Section 6.1.)
- (b) Classroom training will consist of approximately 23 hours. On-the-job training will consist of approximately 202 hours in which you will be observing and participating in the day-to-day operation of a Pizza Factory restaurant. Both classroom and on-the-job training will be under the guidance and assistance of instructors who have no less than two years of direct involvement in the operation of a Pizza Factory restaurant. Any franchisee required to complete any portion of the training at the Pizza Factory office in Oakhurst, California will be assigned to a nearby training unit at a Pizza Factory restaurant located in Fresno, California, Placerville, California; and/or Wasco, California. (Franchise Agreement, Section 6.1.)
- (c) The officer in charge of scheduling and coordinating training is Bryan Ross, an employee of Pizza Factory with over nine years of management experience with Pizza Factory and over ten years of training experience. Actual training is conducted by experienced training personnel at each location as follows. In Fresno, California, training will be conducted by Bryan Ross whose experience is described above. In Placerville, California, training will be conducted by David and Terri Thomas whose experience includes owning a Pizza Factory franchise since 2014. Training material includes the Manual, Training Schedule, and Employee Manual for store employees.
- (d) The training classes are held as necessary to accommodate training of new franchisee personnel and providing additional training for others. A copy of our Training Checklist is attached to this disclosure document as Exhibit A. All training, including any additional training being required, must be completed prior to you opening your Pizza Factory restaurant for business.
- (e) The initial franchise fee includes an initial training program for up to two persons. (See Items 5 and 7 of this Disclosure Document.) Although up to two persons may attend the initial training program at the same time, there is no discount or partial refund if only one person attends. There is a further charge of \$3,500 for each additional person who attends the initial training program at the same time. You must pay travel and living expenses for each person you send to the training program. We also provide a full training program for those persons

who might attend during the term of the franchise agreement and after the new franchisee initial training is completed. The charge to attend the full training program after the new franchisee initial training program is completed is currently \$5,000 for up to two persons to attend. (Franchise Agreement, Section 6.1.)

- (f) Either the franchisee or one of the owners or primary principals of the franchisee (if the franchisee is an entity) must attend and complete the initial training program to our satisfaction. You may elect to have additional training or additional training may be required if determined to be necessary by us. There is an additional charge of \$500 per day for the first two persons and \$250 per day for each additional person attending the additional training, the length and location of which will be determined by us but will usually be at an existing and operating Pizza Factory restaurant in California.
- (g) At any time prior to the opening of your Pizza Factory restaurant or at any time during the term of your Franchise Agreement, we may determine that you require additional training which will be mandatory. The cost of the training will be at the amount then being charged by the franchisor for such training (currently \$500 per day for the first two persons and \$250 per day for each additional person) and you will be responsible for all costs of travel, lodging and meals. (Franchise Agreement, Section 6.1.) Optional training programs will be available to you either prior to opening your Pizza Factory restaurant or at any time during the franchise period. The cost for such will be the cost charged at that time for training (currently \$500 per day for the first two persons and \$250 per day for each additional person) and will take place at an existing and operating Pizza Factory restaurant located in California or at such other location as may be designated by us including Saladino's kitchen in Fresno, California. You must pay all costs of travel, lodging and meals during the training period. (Franchise Agreement, Section 6.1).
- (h) Additional or refresher training is occasionally offered at company-wide and/or regional conferences for no additional cost beyond the cost of attending the conference.

ITEM 12 TERRITORY

Franchise Agreement

The location of your Pizza Factory restaurant will be specified in the franchise agreement. However, if you and we have not agreed upon the location of your Pizza Factory restaurant when you sign your franchise agreement, you must secure a location for your Pizza Factory restaurant at a site accepted by us. OUR ACCEPTANCE OF A PROPOSED LOCATION IS NOT A GUARANTEE THAT YOUR PIZZA FACTORY RESTAURANT WILL BE SUCCESSFUL. You may apply for the right to open additional Pizza Factory restaurants pursuant to separate franchise agreements, but we have no obligation to allow you to open additional Pizza Factory restaurants. The franchise agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

We will not operate stores or grant franchises to operate a Pizza Factory restaurant from a Venue (as defined below), physical premises of which is within a three (3) mile radius of your location. A Venue is any fixed site or location that is not a Non-Traditional Venue (as defined below). We also reserve and may exercise the "Reserved Rights" (as defined below). A "Non-Traditional Venue"

means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider; (ii) mobile outlets, temporary or seasonal food service facilities; and/or (iii) commercial kitchen facilities that provide order and delivery-only services, which may include the associated online or mobile ordering and delivery services to and from locations in or outside of the defined territories. Examples of Non Traditional Venues include mobile outlets (such as food trucks), “ghost” kitchens, grocery stores, concert venues, casinos, toll roads, hotels and motels, ships, ports, piers, supermarkets, convention centers, airports, resorts, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract food service provider.,

Other than compliance with your Franchise Agreement, you need not meet any other condition or contingency in order to enjoy that benefit during the term of your Franchise Agreement. However, this does not prevent us or other franchisees or affiliates of ours from delivering in or soliciting customers within that area whether under the same or different trademarks that we will grant you to use. Those solicitation efforts by us or other franchisees or affiliates can be by Internet, telemarketing, local publications (telephone yellow pages) or other direct marketing advertising efforts.

You will not receive an exclusive territory. You may face competition from other Pizza Factory franchisees, from restaurants that we own, or from other channels of distribution or competitive brands that we control.

Currently, we do not control or operate any other non-Pizza Factory business operation which would compete against your Pizza Factory restaurant, except for one company-owned restaurant in Show Low, Arizona. Further, you do not receive any other rights to acquire additional franchises. You are not restricted from soliciting or accepting orders from customers or delivering to customers outside of the three (3) mile radius from your Pizza Factory restaurant.

You may not relocate your Pizza Factory restaurant without our prior written approval. We will determine whether to approve any application for relocation of your Pizza Factory restaurant based upon several factors which may include the following: full or partial destruction of the building in which the franchise operates, extended periods of road or other construction which materially interferes with the franchise operation, loss of the property by eminent domain or loss of possession which is not your fault, change in character of the location sufficiently detrimental to your Pizza Factory restaurant to warrant relocation or that nearby relocation may greatly enhance the business potential of your Pizza Factory restaurant.

Any such relocation must be at your sole expense and any relocation is subject to you obtaining our written consent. . We will provide you with mandatory, although appropriate, pre-opening advisory services in order to ensure substantial compliance with all requirements and specifications for the opening of a Pizza Factory restaurant in effect and the Site Selection Guidelines then being used at the time of relocation. You will be charged for field services at the same rate then being charged for additional training (currently \$150 per hour or \$500 per day) plus the rate then being charged for administrative services (\$125 per hour for non-field work) plus all travel and related expenses incurred by Pizza Factory in order to provide those services.

Currently, neither we, nor any of our affiliates, operates or offers franchises, nor has plans to operate or offer franchises or other types of business under a different trademark which either sells or will sell goods or services similar to those which you will offer at your Pizza Factory restaurant.

Area Development Agreement

Under the Area Development Agreement, we grant you the right to develop and operate a specified number of Pizza Factory restaurants at locations in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states or some other defined area. During the term of the Area Development Agreement, we will not operate or grant a license or franchise to any other person to operate a “Traditional Pizza Factory restaurant” in your Development Area. A Traditional Pizza Factory restaurant is a restaurant located at any location other than at a Non-Traditional Venue. We reserve (the “Reserved Rights”) the right to operate or license or franchise any other person to operate a Pizza Factory restaurant (a) at any location outside your defined Development Area, including immediately adjacent to the Development Area, and (b) at any Non-Traditional Venue, even if located within your Development Area. We may (a) own or operate, and franchise or license others to own or operate, restaurants operating under names other than Pizza Factory at any location, and of any type or category at all, even if located within your Development Area, and (b) produce, license, distribute and market Pizza Factory brand named products, and products bearing other marks, including food and beverage products, books, clothing, souvenirs and novelty items, at or through any location or outlet, including grocery stores and convenience stores (including if located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, internet marketing and other distribution methods. Until the termination or expiration of your Area Development Agreement, you retain your right of exclusivity as long as you comply with your development schedule and other obligations under the Area Development Agreement.

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

If you fail to meet any of your obligations under the Area Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement that you have signed, or a material breach of any other agreement with us, we may terminate your Area Development Agreement, but the termination of your Area Development Agreement will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Area Development Agreement, we may own, operate, or franchise or license others to operate additional restaurants anywhere, without restriction, including in your Development Area, subject to the rights granted to you in the Exclusive Area established under any then existing Franchise Agreement, provided that, if you determine that further development of your Development Area is desirable after the term of your agreement, you must notify us in writing, including the number of proposed Pizza Factory restaurants and the proposed development schedule, within 180 days before the expiration of your Area Development Agreement. If we determine that your proposed additional development is unacceptable in any respect, we will negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If we determine that your proposed additional development is acceptable or if you and we reach an agreement on an alternative additional

development obligation, you will have the right to enter into a new Area Development Agreement and undertake additional development of your Development Area. If you do not exercise your right to enter into a new area development agreement, we may own, operate, franchise or license other(s) to operate additional Pizza Factory restaurants in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements.

ITEM 13 TRADEMARKS

You will receive the right to operate a restaurant exclusively under the name “Pizza Factory” at your assigned location. You will also exclusively use our other current or future trademarks in the operation of your Pizza Factory restaurant including the advertising and marketing activities for your restaurant. By “trademark” we mean trade names, trademarks, and service marks used to identify your restaurant and currently registered to us. We have registered the following trademarks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and all required affidavits have been filed for these marks:

MARK	REGISTRATION NO.	REGISTRATION DATE
PIZZA FACTORY	1523985	2/7/1989 Renewed: 2/7/2009
	1497228	7/19/1989 Renewed: 7/19/2008
WE TOSS’EM - THEY’RE AWESOME PIZZA FACTORY	1514938	11/29/88 Renewed: 11/29/2008
WE TOSS’EM – THEY’RE AWESOME	1529080	3/7/1989 Renewed: 3/7/2009
THINK PIZZA	2584901	6/25/2002 Renewed: 6/25/2012

MARK	REGISTRATION NO.	REGISTRATION DATE
IS IT THE SAUCE OR IS IT THE DOUGH?	3137719	9/5/2006 Renewed: 9/5/2016
	4394266	9/3/2013
	4637402	11/14/2014

On December 9, 1985, we successfully registered the words “Pizza Factory” and the designation of the Pizza Tosser as trademarks of Pizza Factory with the California Secretary of State, Registration No. 79472. On December 9, 1985, we also successfully registered the trade name/slogan of “We Toss ‘Em - They’re Awesome” with the California Secretary of State, Registration No. 25235. On September 17, 2015, we successfully registered the designation of the Pizza Factory Circle logo with the California Secretary of State, Registration Nos. 120279 and 120280. The registrations for each mark registered with the California Secretary of State have been renewed as required, remain in full force and effect, and all required affidavits and renewal applications have been filed.

You must follow our rules when you use these marks. You are prohibited from using one of our registered names or marks with or without modifying words, designs, or symbols as part of the name of any corporation, limited liability company, or other limited liability entity without our express written consent. In the operation of a Pizza Factory restaurant, you may only use those names, marks, designs, or slogans as expressly authorized by us and only use authorized names and marks in strict compliance with our rules. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You are required to notify us promptly upon learning of any infringing uses or claims by others of a trademark or service mark identical to or confusingly similar to any of our trademarks or service marks relevant to their use in this state. We will take appropriate action to protect the marks from infringement by others upon

being notified by you of an infringing use or claim, but have the right to control how such matter is resolved (e.g. informal settlement, administrative, or court proceeding). Those resolutions may include informal agreements, formal settlement agreements, or judgments which may impact whether and how franchisees are allowed to continue use of the mark. If the resolution requires modification of our marks or use of the marks, you will be required to comply accordingly.

There are no presently effective determinations by the United States Patent and Trademark Office, the trademark administrator of California, or any court, and there is no pending interference, opposition or cancellation proceeding or any pending material litigation involving our trademarks, trade names or service marks. There are no agreements which limit our right to use, or license the use, of our trademarks, service marks or trade names.

We are obligated to indemnify and protect you against claims of infringement or unfair competition with respect to your use of our trademarks or service marks. We have the option of defending you in such litigation but, if we do not, we will reimburse you for any reasonable costs you incur to defend against any such claim. If we choose to defend you in such litigation, we have the right to control the proceeding and you will not be reimbursed any amount for other legal fees and or other litigation costs incurred at your own choosing. However, we will neither defend, indemnify nor hold you harmless from any use of a trademark if your use violates your obligations regarding the use of these trademarks (e.g.; continued use by you of a discontinued trademark or unauthorized use of a mark). In the event of such a violation, you are required to defend, indemnify and hold us harmless from any such claim or litigation.

You must modify or discontinue the use of any trademark or service mark if we modify or discontinue such mark or are required to do so by agreement, administrative proceeding or court judgment. If this happens because another person or business claims our use infringes on their mark or trade name or such modification or discontinuation of use is the result of a legal action, we will reimburse you for your out-of-pocket costs of compliance only (for example, the cost to change signs). You must not directly or indirectly contest our ownership of Pizza Factory's trademarks, service marks, trade secrets, or business techniques and Pizza Factory's right to change, modify or discontinue the use of our trademarks or service marks in the operation of your Pizza Factory restaurant.

We do not know of any infringing uses in this state that could materially affect your use of our trademarks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or pending patent applications material to the franchise.

We will loan you, or make available to you, one copy of our Manual for confidential use in your Pizza Factory restaurant. Although neither we nor our affiliates have filed an application for a copyright registration for the Manual, we claim common law copyrights in the Manual. We also claim common law copyrights in other materials. Federal registration of copyrights is not required to ensure the protection of federal copyright law. The typical duration of a copyright is the life of the author plus 70 years.

Our right to license this copyrighted Manual is not materially limited by any agreement or known infringing use. Item 11 describes limitations on the use of this Manual by you and your employees. You must also promptly tell us when you learn about unauthorized use of proprietary

information contained in the Manual. We are not obligated to take any action but will respond to this information if we think appropriate. If we decide to add, modify or discontinue the use of an item or process covered by a copyright or patent, you must also do so.

We are obligated to indemnify and protect you against claims based on your authorized use of Pizza Factory's copyrighted material and proprietary processes and procedures. We have the option of defending you in such litigation. If we choose to defend you in any such legal proceeding, we will have the right to control that proceeding including the right to settle any such proceeding on terms and conditions which we determine to be appropriate in our own discretion. If we do defend you, you will not be reimbursed for legal fees and other litigation costs you may incur at your own choosing. Our sole obligation is to reimburse you for the tangible cost of complying with this obligation if such is the result of another person or business claiming that we are violating their patent or copyright. However, we are not obligated to defend you against any claim regarding your use of any proprietary item or process which is part of the Pizza Factory program unless we choose to do so. If we do not defend you, we will reimburse you for the reasonable costs incurred in litigation about any proprietary item or process which your proper use of the Pizza Factory program allegedly violates.

We know of no copyright infringement that could materially affect you with respect to use of the Manual. Currently, we do not claim a proprietary right in any other confidential information or trade secret other than the information contained in the Manual or written policies.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate a person as your on-premises manager who must be at your Pizza Factory restaurant no less than an average of 40 hours per week. We do not require that you personally supervise your Pizza Factory restaurant. If the franchisee is an individual, it is recommended that the franchisee be designated the on-premises manager. If the franchisee is a business entity (corporation, limited liability company, partnership, etc.), it is recommended that one or more of the principals (e.g., shareholder, member, partner, etc.) of the franchisee entity be designated the on-premises manager. However, you are permitted to designate a non-owner/non-principal on-premises manager as the primary supervisor for your Pizza Factory restaurant. The on-premises manager must operate your business so that the business complies with all our standards. Regardless of whether the designated on-premises manager is the franchisee, or principal of the franchisee, or has no ownership interest, he/she must satisfactorily complete the full initial training program (see Item 11 (G)) prior to assuming those duties. It will be your responsibility to ensure that your Pizza Factory restaurant operates in compliance with the required operational standards and procedures. However, we may communicate directly with any owner, principal, or on-premises manager regarding matters related to the operational and procedural standards; although we will not supervise or direct your employees.

The non-owner/non-principal on-premises manager cannot have an ownership interest in or business relationship with any of our business competitors. Prior to assuming his/her duties, the on-premises manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14, the contents of the Manual and any communications between us and your Pizza Factory restaurant and to conform with the covenants not to compete described in Item 17. A copy of the agreement is attached as Exhibit M. If the franchisee is a business entity (corporation, limited liability, etc.), the principal owner(s) must also sign the same agreement. A copy of all such signed

agreements must be provided to us prior to opening your Pizza Factory restaurant or prior to the person becoming the on-premises manager or a principal of your Pizza Factory restaurant.

If your Pizza Factory restaurant will be owned by a corporation, limited liability company or limited partnership, or any other type of business organization which provides for limited liability of its principal owners, all the principal owners of that corporation, limited liability company, limited partnership or other limited liability type company must each execute a personal guaranty of full performance of all obligations required of that business required by the Franchise Agreement and a non-competition agreement. The personal guaranty form which must be signed is attached as Exhibit H.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those foods, ingredients, beverages (other than beer), and any other items of any nature whatsoever which have been designated and approved by us, and you may not offer and/or sell any other items or provide any other service. You must offer all goods and services that we designate as mandatory for all franchisees which currently comprise those items shown on the sample menu which is attached as Exhibit F. We have the right to add additional authorized products and services that you must offer and delete items which you must discontinue. There are no limits on our right to do so.

With our assistance and approval, you will establish menu prices for each item prior to opening your business. Pricing may vary from location to location depending upon many factors including the cost of ingredients, supplies, labor, rent, competition, etc. You may only make changes to the menu approved for use at your Pizza Factory restaurant, including prices, with our prior written consent.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise or other Agreement	Summary
a.	Length of franchise term	Section 3.1	10 years.
b.	Renewal or extension of the term	Section 3.2	One 10-year period
c.	Requirements for franchisee to renew or extend	Section 3.2-3.4	We use the term “renewal” to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term). You may be asked to sign a contract with materially different

	Provision	Section in Franchise or other Agreement	Summary
			terms and conditions than your original contract. You must: (1) pay the successor agreement fee; (2) have complied with your obligations during the term of your Franchise Agreement; (3) have delivered a notice between 9 and 12 months before the expiration of the Term; (4) execute a new franchise agreement which may contain materially different terms and conditions from your original contract; (5) must have undertaken and completed at your expense the remodeling, renovation and refurbishment of your Pizza Factory Restaurant, unless you have remodeled your business within the preceding 5 years; (6) sign a general release; (7) not have committed three or more material defaults of the Franchise Agreement during any 36 month period during the term of the Franchise Agreement and (8) you or your employees, as applicable, must have complied with our then-current qualification, training and certification requirements, at your expense.
d.	Termination by franchisee	Section 14.8	You may terminate if we materially default, and if we do not cure the default within 60 days after our receipt or written notice from you detailing the alleged default; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, we will not be in default so long as we commence to cure such default

	Provision	Section in Franchise or other Agreement	Summary
			within 60 days and we diligently continues to prosecute such cure to completion..
e.	Termination by franchisor without cause	None	Not Applicable, subject to state law.
f.	Termination by franchisor with cause	Sections 14.1-14.7	We can terminate only if you default under your Franchise Agreement.
g.	“Cause” defined - curable defaults	Section 14.4	You have 5 days to cure non-payment of fees and 30 days to cure defaults not listed in Section 14.3 of your Franchise Agreement; provided that such 30 day period will be extended for a reasonable period of time (not to exceed 75 days) if in our reasonable determination you are not capable of curing the default within such 30 day period and provided that you commence to cure the default within 30 day period and diligently prosecute the cure to completion.
h.	“Cause” defined - non-curable defaults	Sections 14.2-14.3	Non curable defaults: (i) bankruptcy or insolvency, admission of its inability to meet its financial obligations, or shall making a disposition for the benefit of its creditors; (ii) an unsatisfied judgment of more than \$25,000; (iii) a seizure, foreclosure or take over; (iv) a levy of execution upon the Franchise Agreement; (v) unreleased mechanics lien; (vi) you allow or permit any judgment to be entered against us or our affiliates; (vii) a condemnation or transfer in lieu of condemnation; (viii) abandonment; (ix) Assignments without consent; (x) repeated defaults; (xi) violations of law after notice of noncompliance; (xii) certain criminal offences; (xiii) confidential information misuse, violations of

	Provision	Section in Franchise or other Agreement	Summary
			non-competition and non-solicitation covenants; (xiv) failure to complete training; (xv) misuse of trademarks; (xvi) health and safety violations; (xvii) sale of unauthorized products and services; (xviii) under reporting; or (xix) repeated customer complaints.
i.	Franchisee's obligations on termination/non-renewal	Article 15	You must: (i) stop using marks and all confidential information; (ii) return the manuals, IS Data, and other materials; (iii) makes cosmetic changes to your Pizza Factory Restaurant so that it no longer resembles our proprietary design; (iv) at our election, sell such equipment and furnishings that we designate to us and assign all leases and other contracts we specify to us; (v) assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Pizza Factory Restaurant; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Pizza Factory Restaurant and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us, sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks; (vi) cancel or assign to us (at our option) all

	Provision	Section in Franchise or other Agreement	Summary
			internet web pages, email address, social media accounts and handles, domain names and other registrations containing the marks. See also “r” below.
j.	Assignment of contract by franchisor	Section 13.1	No restriction of our right to assign.
k.	“Transfer” by franchisee - defined	Section 13.2.1	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l.	Franchisor approval of transfer by franchisee	Section 13.2	Transfers require our express written consent
m.	Conditions for franchisor approval of transfer	Sections 13.2-13.4	You must: (i) provide a detailed description of the price and material terms of the transfer/Assignment; (ii) provide us a list of your Owners and others with an interest in the franchise agreement; (iii) have complied with the right of first refusal and we must not have exercised our right of first refusal; (iv) not be in default; (v) be current to your obligations to third parties; (vi) have signed a release and your Owners must have signed a release; (vii) not have any suit or action pending or threatened with respect to your Pizza Factory Restaurant; (viii) pay the Transfer Fee; and (ix) agree to a non-competition agreement accepted to us which agreement is substantially similar to the Franchise Agreement terms. New franchisee must: (i) qualify; (ii) have the right to occupy the location by assignment or assumption of the lease or purchase of the location; (iii) assume the Franchise Agreement or sign a new Franchise

	Provision	Section in Franchise or other Agreement	Summary
			Agreement; (iv) agree to refurbish your Pizza Factory Restaurant; and (v) complete training. The franchisee's rights to receive payments in connection with the transfer must be subordinated to our rights to receive payment and the other obligations to us (See also "r" below). With our written consent, you may transfer a franchise agreement to an entity of which you directly own 100% interest for convenience of ownership. If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 13.3	We can match any offer for your business.
o.	Franchisor's option to purchase franchisee's business	Sections 15.4.1-15.4.2	Upon termination or expiration of your Franchise Agreement, we may purchase such equipment and furnishings as we designate that are associated with your Pizza Factory Restaurants, using a 5-year straight line amortization period. You must make customary representations and warranties to us.
p.	Death or disability of franchisee	Sections 14.3.2	Your heirs have 6 months after your death or legal incapacity to enter into a new franchise agreement, if the heirs meet our standards and qualifications. In that case, we will waive the transfer fee. If your heirs do not meet our standards and qualifications, the heirs may sell

	Provision	Section in Franchise or other Agreement	Summary
			to a person approved by us. See “m” above.
q.	Non-competition covenants during the term of the franchise	Section 12.1	Can not engage in “Competitive Activities” which means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant 10% or more of whose gross sales is derived from the sale of sandwiches, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Company, or (ii) any business that specializes in developing, operating or franchising restaurants 10% or more of whose gross sales is derived from the sale of pizza or pasta, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any pizza or pasta. “Competitive Activities” shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity.
r.	Non-competition covenants after the franchise is terminated or expires or upon sale or assignment of franchise	Section 12.1	Subject to state law, no involvement in any Competitive Activities for three (3) years within the Protected Area and within a radius of 10 miles from any then-existing Pizza Factory Restaurant.

	Provision	Section in Franchise or other Agreement	Summary
s.	Modification of the agreement	Section 18.7	The Franchise Agreement may be modified only by written agreement between the parties.
t.	Integration/merger clause	Section 18.7	Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 17.1-17.2	The parties must mediate disputes before filing a lawsuit, except that judicial relief is permitted before mediation for claims that are based solely on demands for money owed or judicial relief to seek provisional remedies, including injunctions. Mediation must be completed within 60 days. Mediation is held in the city closest to our then-current headquarters.
v.	Choice of forum	Sections 17.2	The state and federal courts in the principal city closest to the company's then-current headquarters shall be the venue for any litigation. These provisions may be subject to applicable state law.
w.	Choice of law	Section 18.6	California law applies, except for the provisions respecting non-competition, which are governed by local law. These provisions may be subject to applicable state law.

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

Provision	Section in Area Development Agreement	Summary
a. Term of the license	§ 4.1	Typically 2-5 years or until you sign a Franchise Agreement for your last Pizza Factory restaurant necessary to satisfy your development obligation, whichever is earlier.
b. Renewal or extension of the term	§§ 2.4 and 4.2	You do not have the right to renew your Area Development Agreement. However, if we determine that further development of your Development Area is desirable, if you are in good standing and you are not in default under your Area Development Agreement, we will offer you the opportunity to develop additional Pizza Factory restaurants. Unless we consent, you may not open more than the total number of Pizza Factory restaurants comprising your development obligation.
c. Requirements for you to renew or extend	§§ 4.3 and 4.4	We use the term “renewal” to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term) and you must, at our option, sign a new area development agreement that may have materially different terms and conditions than your original contract. You must sign a new area development agreement on our then current form, which will contain your additional development obligation. You and your affiliates who have a currently existing franchise agreement or area development agreement with us must sign a general release.
d. Termination by you	None	Not Applicable, subject to state law.
e. Termination by Us without cause	None	Not Applicable, subject to state law.
f. Termination by Us with cause	§ 9.1	We can terminate if you or any of your affiliates materially default under the Area Development Agreement, an individual Franchise Agreement, or any other agreement with us or any of our affiliates.
g. “Cause” defined - defaults which can be cured	§ 9.1	You have 5 days following written notice of the default, provided that in the case of a breach or default in the performance of your obligations under any franchise agreement or other agreement,

Provision	Section in Area Development Agreement	Summary
		the notice and cure provisions of such agreement will control.
h. "Cause" defined - defaults which cannot be cured	§ 9.1	Non curable defaults include: unapproved transfers, failure to meet development obligations, any breach of confidentiality or unfair competition provisions.
i. Your obligations on termination/non-renewal	§ 4.5	You will have no further right to develop or operate additional Pizza Factory restaurants which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and us. You may continue to own and operate all Pizza Factory restaurants pursuant to then-existing Franchise Agreements.
j. Assignment of contract by Us	§ 7.1	No restriction on our right to assign.
k. "Transfer" by you - definition	§ 7.3	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l. Our approval of transfer by you	§ 7.3	Transfers require our express written consent, which consent may be withheld for any reason at all in our sole judgment.
m. Conditions for our approval of transfer	§§ 7.2 and 7.3	Except as described below, you may not transfer your Area Development Agreement or any Franchise Agreement signed pursuant to the Area Development Agreement except with our written consent and a simultaneous assignment of the Area Development Agreement and all Franchise Agreements signed pursuant to the Area Development Agreement to the same assignee. With our written consent, you may transfer a Franchise Agreement to an entity of which you directly own 100% interest for convenience of ownership. If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a guaranty. You must reimburse us for all costs and expenses that we incur in connection with such a transfer, including attorneys' fees. At our election, the assignee must sign our then current form of franchise agreement for each Pizza Factory restaurant then developed or under development. Before shares of a franchisee which is a business entity may be offered by private offering, you must provide us with copies of all offering materials;

Provision	Section in Area Development Agreement	Summary
		indemnify us, our Affiliates, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each in connection with the offering; and pay us a non-refundable \$5,000 fee to reimburse us for our costs and expenses associated with reviewing the proposed offering.
n. Our right of first refusal to acquire your business	§ 7.3	We can match any offer for your business.
o. Our option to purchase your business	N/A	Not Applicable.
p. Your death or disability	§§ 7.3 and 9.1	Your heirs have 60 days after your death or legal incapacity to assign the area development agreement to a person acceptable to us. See also “m” above.
q. Non-competition covenants during the term of the franchise	§ 8.1	Subject to state law, unless we otherwise consent, you can not engage in “Competitive Activities” defined as (i) owning, operating, lending to, advising, being employed by, or having any financial interest in any restaurant 10% or more of whose gross receipts is derived from the sale of pizza or pasta, other than a Pizza Factory restaurant operated pursuant to a validly subsisting franchise agreement with us, or (ii) any business that specializes in developing, owning, operating or franchising restaurants 10% or more of whose gross receipts is derived from the sale of pizza or pasta, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any pizza or pasta food product. “Competitive Activities” does not include the direct or indirect ownership solely as an investment, of securities of any entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, the entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of the entity.
r. Non-competition covenants after the franchise is	§ 8.2	Subject to state law, except with our express written consent, no involvement in any Competitive Activities, as defined above, for 24

Provision	Section in Area Development Agreement	Summary
terminated or expires		months or within 5 miles of any then-existing Pizza Factory restaurant.
s. Modification of the agreement	§ 11.9	The agreement may be modified only by written agreement between the parties.
t. Integration/merger clause	§ 11.9	Only the terms of the area development agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and area development agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 11.17	Not applicable
v. Choice of forum	§ 11.15	The state and federal courts in the principal city closest to the company's then-current headquarters shall be the venue for any litigation. These provisions may be subject to applicable state law.
w. Choice of law	§ 11.8	Subject to state law, California law applies, except for the provisions respecting non-competition, which are governed by the law of the state in which you will operate.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor - owned restaurants, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 restaurant you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This financial performance representation discloses historical financial information for the 90 franchisee owned and 1 company owned restaurants that were open and in operation for the 12 full consecutive months commencing December 1, 2019 and ending November 30, 2020 (the "Measurement Period") and were at least 1,500 square feet in size. The Pizza Factory restaurants excluded from this Item 19 are (a) 2 restaurants under 1,500 square feet operating during this period,

and (b) 6 restaurants that were in operation less than the full Measurement Period (including those that opened or closed during the Measurement Period). In addition, this financial performance representation excludes 1 franchised restaurant as result of its failure to submit required financial data. All of the restaurants offer seating and beer, wine and delivery services, except as noted below. The table below also reflects the number of restaurants that were open for more than 10 years in each segment. In Item 19, we use the term “Gross Sales,” which means the total sales from the operation of your restaurant including all food and beverage items, arcade and merchandise sales, catering, service, and delivery charges, before any reductions for discounts, coupons or refunds. “Gross Sales” does not include sales tax or use tax.

Franchisee Owned Restaurants				
	All Restaurants	High	Med	Low
Gross Sales Range	\$140,995 - \$1,924,625	\$830,518 - \$1,924,625	\$558,251 - \$820,150	\$140,995 - \$557,122
Number of Restaurants Greater than 1,500 sq ft.	90	30	30	30
% of Restaurants Greater Than 1,500 sq. ft.	100%	33%	33%	34%
Restaurants open longer than 10 years	76 (84%)	26 (29%)	25 (28%)	25 (28%)
Average Gross Sales	\$732,627	\$1,080,018	\$685,771	\$432,093
Median Gross Sales	\$687,104	\$990,705	\$687,104	\$465,443
Number / Percent Above Average	40 (44%)	10 (33%)	16 (53%)	18 (60%)
Average Cost of Goods Sold (as a percentage of Gross Sales)	25.5%	25.4%	25.1%	26.1%
Median Cost of Goods Sold (based on percentage of Gross Sales)	24.9%	27.1%	24.2%	24.4%
Average Cost of Labor (as a percentage of Gross Sales)	25.2%	25.6%	23.4%	27.1%
Median Cost of Labor (based on percentage of Gross Sales)	24.2%	26.4%	23.3%	25.3%
Average Rent Cost (as a percentage of Gross Sales)	6.0%	5.4%	6.3%	7.3%
Median Rent Cost (based on percentage of Gross Sales)	5.4%	4.5%	4.7%	6.1%

Company Owned Restaurant	
Gross Sales	\$1,068,634
Number of Restaurants	1
% of Greater Than 1,500 sq. ft.	100%
Restaurants open longer than 10 years	1
Average Gross Sales	\$1,068,634
Median Gross Sales	\$1,068,634
Number / Percent Above Average	N/A
Average Cost of Goods Sold (as a percentage of Gross Sales)	23.8%

Company Owned Restaurant	
Average Labor (as a percentage of Gross Sales) (including manager labor costs)	29.3%
Average Rent (as a percentage of Gross Sales)	4.8%

All Restaurants				
	All Stores	High	Med	Low
Gross Sales Range	\$140,995 - \$1,924,625	\$832,498 - \$1,924,625	\$566,758 - \$830,518	\$140,995 - \$558,251
Number of Restaurants Greater than 1,500 sq ft	91	30	30	31
% of All Restaurants Greater than 1,500 sq ft.	100%	33%	33%	34%
Restaurants open longer than 10 years	77 (85%)	26 (29%)	25 (27%)	26 (29%)
Average Gross Sales	\$736,320	\$1,087,955	\$694,846	\$436,163
Median Gross Sales	\$688,121	\$1,001,786	\$688,591	\$466,523
Number / Percent above Average	41 (45%)	10 (33%)	14 (47%)	19 (61%)
Average Cost of Goods Sold (as a percentage of Gross Sales)	25.5%	25.4%	25.2%	25.9%
Median Cost of Goods Sold (based on percentage of Gross Sales)	24.9%	26.8%	24.5%	24.8%
Average Cost of Labor (as a percentage of Gross Sales)	25.2%	25.5%	23.9%	26.7%
Median Cost of Labor (based on percentage of Gross Sales)	24.3%	26.4%	23.7%	24.7%
Average Rent Cost (as a percentage of Gross Sales)	6.0%	5.4%	6.3%	7.1%
Median Rent Cost (based on percentage of Gross Sales)	5.7%	4.8%	4.7%	5.9%

THE FINANCIAL PERFORMANCE REPRESENTATION FIGURES DO NOT REFLECT ALL COSTS AND OPERATING EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT.

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PROFIT AND LOSS STATEMENT OF THE ONE RESTAURANT OWNED BY COMPANY

The following table provides the income, expenses and net income for the one Restaurant owned by the Company during the period starting January 1, 2020 and ending December 31, 2020

	Jan - Dec 20	% of Income
Ordinary Income/Expense		
Income		
Food Income	1,014,504.81	99.99%
Gift certificates	146.56	0.01%
Total Income(1)	1,014,651.37	100.0%
Cost of Goods Sold		
Beginning Inventory	100,259.30	9.88%
Food	204,048.98	20.11%
Drinks	18,590.78	1.83%
Beer & Wine	5,766.80	0.57%
Paper/Disposables	25,870.69	2.55%
Ending Inventory	-100,443.03	-9.9%
Total COGS	254,093.52	25.04%
Gross Profit	760,557.85	74.96%
Expense		
Accounting	2,700.00	0.27%
Advertising	5,559.39	0.55%
Auto	853.48	0.08%
Bank Charges	21,112.00	2.08%
Employee Incentives	39.10	0.0%
Franchise Ad Fee (2)	20,617.10	2.03%
Franchise Royalties (2)	45,088.25	4.44%
Insurance		
Workers Comp Ins	3,121.00	0.31%
Health Insurance	13,832.80	1.36%
Drivers	5,377.75	0.53%
Total Insurance	22,331.55	2.2%
Lease	2,616.79	0.26%
License and Fees	1,235.00	0.12%
Office expense	4,453.32	0.44%
Outside Labor/Pest Service	375.00	0.04%
Payroll		
Manager Wages	74,805.88	7.37%

	Crew Wages	238,427.06	23.5%
	Payroll taxes	27,470.01	2.71%
	Payroll Expenses	<u>2,716.29</u>	<u>0.27%</u>
	Total Payroll	343,419.24	33.85%
	Postage	183.15	0.02%
	Rent	51,600.00	5.09%
	Repairs & Maintenance(3)	4,855.03	0.48%
	Security System	580.00	0.06%
	Supplies	13,696.92	1.35%
	Taxes and licenses	10.00	0.0%
	Telephone	2,197.74	0.22%
	Travel Expense	488.84	0.05%
	Utilities(4)	<u>16,571.19</u>	<u>1.63%</u>
	Total Expense	<u>560,583.09</u>	<u>55.25%</u>
Net Ordinary Income		199,974.76	19.71%
Other Income/Expense			
Other Income			
Arcade Income(5)	6,230.80		0.61%
Interest Income	<u>2.49</u>		<u>0.0%</u>
Total Other Income	<u>6,233.29</u>		<u>0.61%</u>
Net Other Income	<u>6,233.29</u>		<u>0.61%</u>
Net Income	<u>206,208.05</u>		<u>20.32%</u>

NOTES REGARDING CERTAIN TERMS USED IN THE ABOVE TABLE:

1. The total income shown below represents the net income after discounts and coupons, as opposed to the gross income shown in the table above this profit and loss statement.
2. These items reflect the royalty and advertising fund payments that would be due on as a result of the revenue of this location.
3. Repairs and maintenance includes the costs and expenses associated with repairing and maintaining the building, equipment, furniture, plumbing, electrical and heating and cooling units of the restaurant. Repair and maintenance expense will vary depending on the age and condition of the property and equipment, how well the facilities are maintained, whether there are warranties or service contracts and other factors.
4. Utilities mean electricity, gas, water and telephone costs for the operation of the restaurant. Utilities may vary from restaurant to restaurant based on various factors including geographic location, the size of the restaurant, local usage rates and other factors.
5. Arcade income and associated costs will not be received or incurred for express Restaurants.

Some restaurants have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

Included among the factors that can affect results (and may be reasons why your results may differ from those reported), are the type of location and market in which a restaurant operates; the restaurant's size; the length of time that a restaurant has been open and operating in a market; visibility; type of location (e.g., end cap, stand-alone, or in-line); traffic count, accessibility and available parking; ease of ingress and egress; hours of operation; local tastes; climate, weather, and seasonality; whether the restaurant offers delivery service; general economic conditions; menu pricing decisions; governmental regulations of production and sale of alcoholic beverages; whether the restaurant serves any alcoholic beverages; visibility of signage; population, density, household income, and other demographics. All of the restaurants reflected in this Item 19 offer and sell beer and wine. Some of the restaurants are located in seasonal or tourist destinations or near governmental or military installations. You should consider all of these (and other) factors and determine if the restaurant results reported are really comparable to the restaurant that may be operated by you.

The information presented is based on Pizza Factory's internal financial data, the unaudited financial data and records of Pizza Factory's affiliate(s), and self-reported and unaudited and unverified records of Pizza Factory's franchisees. We have not audited or verified figures or reports provided by franchisees nor have we asked questions of the submitting franchisees to determine whether the information provided to us is in fact accurate and complete, although we have no reason to believe it is unreliable. We do not know whether the information was prepared consistent with generally accepted accounting principles. All of the restaurants used in this Item 19 offer substantially the same products and services to their customers.

Substantiation of the data used in preparing this Item 19 Financial Performance Representation will be made available to you on reasonable request.

Other than the preceding performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mary Jane Riva at 49430 Road 426, Suite D, PO Box 989 Oakhurst, California, 93644 (559) 683-3377; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System Wide Outlet Summary
For Years 2018 to 2020:

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2018	104	104	0
	2019	104	100	-4
	2020	100	96	-4
Company Owned	2018	1	1	0
	2019	1	1	0
	2020	1	1	0
Total Outlets	2018	105	105	0
	2019	105	101	-4
	2020	101	97	-4

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For Years 2018 to 2020:

State	Year	Number of Transfers
Arizona	2018	0
	2019	1
	2020	1
California	2018	2
	2019	5
	2020	3
Nevada	2018	0
	2019	1
	2020	0
Washington	2018	2
	2019	0
	2020	1
Totals	2018	4
	2019	7
	2020	5

Table No. 3
Status of Franchised Outlets
For Years 2018 to 2020:

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Re- Acquired by Franchisor	Ceased Operations / Other Reasons	Outlets at End of Year
Arizona	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
California	2018	71	3	0	0	0	4	70
	2019	70	2	2	0	0	1	69
	2020	69	1	0	0	0	5	65
Idaho	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
Nevada	2018	12	1	0	0	0	1	12
	2019	12	0	1	0	0	0	11
	2020	11	1	0	0	0	0	12
Oregon	2018	0	1	0	0	0	0	1
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
Washington	2018	10	0	0	0	0	0	10
	2019	10	0	0	1	0	0	9
	2020	9	0	0	0	0	1	8
Totals	2018	104	5	0	0	0	5	104
	2019	104	2	4	1	0	1	100
	2020	100	2	0	0	0	6	96

Table No. 4
Status of Company-owned Outlets
For Years 2018 to 2020:

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-Acquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Totals	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1

Table No. 5
Projected Openings as of December 31, 2020:

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet In Next Fiscal Year	Projected Company-Owned Outlet In Next Fiscal Year
Arizona	0	1	0
California	0	5	0
Georgia	0	1	0
Idaho	1	1	0
Nevada	0	1	0
Oregon	0	1	0
Washington	1	5	0
Totals	2	15	0

A list of the names and addresses of our current franchisees is attached as Exhibit B to this disclosure document. This list is effective as of December 31, 2020.

There were no franchisees that were non-operational as of December 31, 2020 and are not included on Exhibit B attached to this Disclosure Document.

As of December 31, 2020, Pizza Factory operates one company owned store in Show Low, Arizona.

The name, city and state, and current business telephone number, or if unknown, the last home telephone number of every franchisee who had a restaurant terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during

the most recently completed fiscal year or who has not communicated with Pizza Factory within ten weeks of this disclosure document issuance date is also listed on Exhibit B to this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Pizza Factory does not generally require its franchisees to sign any confidentiality clause restricting their ability to speak openly about their experience with Pizza Factory. However, the Franchise Agreement prohibits any current or former franchisee from disclosing trade secrets and other proprietary information. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. During the last three years, we are not aware that any of our current or former franchisees have signed a confidentiality agreement other than the Franchise Agreement and agreements which only require that trade secrets and other proprietary information be kept secret. However, Pizza Factory has resolved conflicts with certain former franchisees by a settlement agreement which may have included a provision requiring that the terms of the settlement remain confidential.

We are not aware of any franchisee organization or association which has been formed and which pertains or relates to the franchise system being offered.

ITEM 21 FINANCIAL STATEMENTS:

Our audited balance sheet and profit and loss statement for the years ending December 31, 2020, December 31, 2019 and December 31, 2018, are attached as Exhibit C.

ITEM 22 CONTRACTS:

- Exhibit D: Franchise Agreement
- Exhibit E: Area Development Agreement
- Exhibit H: Guaranty
- Exhibit I: General Release
- Exhibit J: Security Agreement
- Exhibit L: Addenda to Franchise Agreement
- Exhibit M: State Addenda to Franchise Agreement
- Exhibit N: Non-Competition Agreement

ITEM 23 RECEIPTS

You will find copies of a detachable receipt in Exhibit N at the end of this disclosure document.

Exhibit A
Training Checklist

Training Week 1

Day 1 in Store

1. Review Schedule _____
2. Store Tour _____
3. Review SOP _____
4. Review Prep List _____
5. Spinning Pizza _____
6. Topping Pizza _____
7. Making Dough _____
8. Oven Operation _____
9. Prep Onions _____
10. Prep Onions _____
11. Prep Green Peppers _____
12. Clean Pizza Deli _____
13. Place Food Order _____

Day 2 in Store

1. Fill Out Prep list _____
2. Put Order Away _____
3. Spinning Pizza _____
4. Topping Pizza _____
5. Making Dough _____
6. Make Pizza Sauce _____
7. Oven Operation _____
8. Prep Onions _____
9. Prep Green Peppers _____
10. Prep Ham _____
11. Prep Sausage _____
12. Prep Bacon _____
13. Grate Cheese _____
14. Clean Pizza Deli _____

Day 3 Training Store

1. Fill Out Prep List _____
2. Spinning Pizza _____
3. Topping Pizza _____
4. Making Dough _____
5. Oven Operations _____
6. Prep Onions _____
7. Prep Green Peppers _____
8. Grate Cheese _____
9. Slice Tomatos _____
- 10.Fold Boxes _____
- 11.Clean Pizza Deli _____

Day 4 Training Store

1. Fill Out Prep List _____
2. Saladino's Order _____
3. Spinning Pizza _____
4. Topping Pizza _____
5. Making Dough _____
6. Making Pizza Sauce _____
7. Oven Operation _____
8. Prep Onions _____
9. Prep Green Peppers _____
- 10.Slice Tomatos _____
- 11.Prep Sausage _____
- 12.Prep Bacon _____

Day 5 Training Store

1. Spinning Pizza _____
2. Topping Pizza _____
3. Making Dough _____
4. Oven Operation _____
5. Prep Onions _____
6. Prep Green Peppers _____
7. Slice Tomatos _____
8. Prep Sausage _____
9. Prep Bacon _____
10. Prep Ham _____
11. Stock & Clean Pizza Deli _____
12. Learn Freezer Pull _____
13. Count Drawer _____

Day 6 Training Store

1. Spinning Pizza _____
2. Topping Pizza _____
3. Making Dough _____
4. Making Pizza Sauce _____
5. Oven Operation _____
6. Prep Onions _____
7. Prep Green Peppers _____
8. Fold Boxes _____
9. Prep Sausage _____
10. Prep Bacon _____
11. Stock & Clean Pizza Deli _____
12. Freezer Pull _____
13. Count Drawer _____

Comments: _____

Week 2 Training Store

Day 1 Week 2 Training Store

1. Fill Out Prep List _____
2. Saladinos Order _____
3. Set Up Salad Bar _____
4. Prep Salad Mix _____
5. Prep Romaine _____
6. Prep Shredded Lettuce _____
7. Stock Sandwich Deli _____
8. Set up Cut Table _____
9. Set up Soup and Sauces _____
- 10.Run Cut Table _____
- 11.Run Sandwich Table _____
- 12.Work POS _____
- 13.Make Cookies _____
- 14.Make Meatballs _____

Day 2 Week 2 Training Store

1. Fill Out Prep List _____
2. Put Away Order _____
3. Set Up Salad Bar _____
4. Set Up Sandwich Deli _____
5. Set Up Cut Table _____
6. Slice Deli Meats _____
7. Make Cookies _____
8. Run Cut Table _____
9. Run Sandwich Deli _____
- 10.Work on POS _____

Day 3 Week 2 Training Store

1. Fill Out Prep List _____
2. Set Up Salad Bar _____
3. Set Up Sandwich Deli _____
4. Set Up Cut Table _____
5. Prep Sub Sandwiches _____
6. Prep Meat Sauce _____
7. Prep Salad Bar Vegi's _____
8. Prep Lasagna _____
9. Work Cut Table _____
10. Work Sandwich Table _____
11. Work POS _____

Day 4 Week 2 Training Store

1. Fill Out Prep List _____
2. Set Up Salad Bar _____
3. Set Up Sandwich Table _____
4. Set Up Cut Table _____
5. Help With Any Prep _____
6. Work Cut Table _____
7. Work Sandwich Table _____
8. Work POS _____
9. Maintain Salad Bar _____
10. Stock Cut Table Area _____
11. Stock Sandwich Table _____

Day 5 Week 2 Training Store

1. Work Cut Table _____
2. Work Sandwich Table _____
3. Work POS _____
4. Clean & Rotate Sand Deli _____
5. Clean & Rotate Salad Bar _____
6. Clean Cut Table _____
7. Maintain Clean Kitchen _____
8. Fill Cheese & Peppers _____
9. Clean Restrooms _____
10. Sweep & Mop Floors _____
11. Clean Drains _____
12. Clean High Chairs _____
13. Count Drawer _____
14. Put Heated Sauces Away _____

Day 6 Week 2 Training Store

1. Work Cut Table _____
2. Work Sandwich Table _____
3. Work POS _____
4. Clean & Rotate Sand Deli _____
5. Clean & Rotate Salad Bar _____
6. Clean Cut Table _____
7. Maintain Clean Kitchen _____
8. Fill Cheese & Peppers _____
9. Clean Restrooms _____
10. Sweep & Mop Floors _____
11. Clean Drains _____
12. Clean High Chairs _____
13. Count Drawer _____
14. Put Heated Sauces Away _____

Comments: _____

Week 3 Training Store

Day 1 Week 3 Training Store

1. Help With Any Prep _____
2. Work Cut Table _____
3. Work Sandwich Deli _____
4. Work POS _____
5. Make Schedule in POS _____
6. Review Payroll _____
7. Review Seasoning Order _____
8. Review Deliveries In POS _____
9. Go On Deliveries _____
10. Hiring Procedures _____
11. Daily reports _____

Day 2 Week 3 Training Store

1. Work Cut Table _____
2. Work Sandwich Deli _____
3. Work POS _____
4. Make Dough _____
5. Store Inventory _____
6. End Of Month Reports _____
7. In Store Marketing _____
8. Corporate Marketing _____
9. Textmunications _____
10. Email Club _____

Day 3 Week 3 Training Store

1. Fill Out Prep List _____
2. Place Saladinos Order _____
3. Run Pizza Table _____
4. Do All Pizza Prep _____
5. Watch Labor During Shift _____
6. How to greet Customers _____
7. Greet Every Customer _____
8. Start Answering Phones _____
9. Food Handlers Card _____

Day 4 Week 3 Training Store

1. Fill Out Prep List _____
2. Work Pizza Table _____
3. Train A New Pizza Cook _____
4. Coupon Input _____
5. Employee Input _____
6. Learn POS Reports _____
7. Marketing To Schools _____
8. Marketing to Business _____
9. Labor Law Posters _____

Day 5 Week 3 Training Store

1. Manage The Lunch Hour _____
2. Run Deliveries _____
3. Work On Community Event _____
4. Control Labor All Day _____
5. Work Pizza Cut Table _____
6. Close Out Deliveries _____
7. Close Out POS _____

Day 6 Week 3 Training Store

- 1. Clean Ovens _____
- 2. Clean Hood _____
- 3. Clean Condensers _____
- 4. Conduct Employee Meeting_____
- 5. Restaurant Maintance _____

Comments: _____

Week 4 Training Store

Week 4 will be a recap of all three week of training. You will be operating the store as if it were your own. The following item will be covered to ensure you are confident in your ability to successfully run your own store.

SOP Rewiew

Food Prep

1. Dough Prep _____
2. Garlic Bread _____
3. Meatballs _____
4. Pizza Sauce _____
5. Sausage Pizza Topping _____
6. Sausage Patties _____
7. Par Cooked Bacon _____
8. Meat Sauce _____
9. Spaghetti Prep _____
- 10.Fettuccine Prep _____
- 11.Lasagna Prep _____
- 12.Salad Bar Prep _____
- 13.Romaine Prep _____
- 14.Lettuce Mix Prep _____
- 15.Diced Ham _____
16. Sliced Green Peppers _____
- 17.Sliced Onions _____
- 18.Shredded Lettuce _____
- 19.Sliced Tomatoes _____
- 20.Sliced Provolone Cheese _____
- 21.Sliced Deli Meats _____
- 22.Make Sub Packs _____

Menu Items

1. How To Use Build Charts _____
2. Specialty Pizzas _____
3. All Pastas _____
4. Calzone _____
5. Wings _____
6. Specialty Salads _____
7. Bread Sticks _____
8. Garlic Bread/GCB _____
9. Pizza Bread _____
10. All Sandwiches _____
11. Deserts _____

Misc. Operations

1. Oven Operation _____
2. Store Organization _____
3. Opening And Closing Checklists _____
4. Prep List _____
5. Equipment Maintenance _____
6. Food And Supply Controls _____
7. Mandatory Food Products _____
8. Seasoning Order _____

Bookkeeping

1. Pos System _____
2. Cash Drawer Set Up and Close _____
3. Daily Sales Report/End Of Day _____
4. Book Keeping _____
5. End Of Month Paper Work _____
6. Inventory _____
7. Reading P&L _____

Management Training

1. Employee Policys _____
2. Labor Law Posting _____
3. Child Labor Laws/Work Permits _____
4. ABC Laws _____
5. Hiring/Paper Work _____
6. Scheduling _____
7. Receiving Food _____

Social Media

1. Face Book _____
2. Twitter _____
3. Textmunications _____
4. Instagram _____
5. Yelp _____
6. PF Web Page _____
7. Change Coupons On Web Page _____

Once hours have been completed at the training store this page must be signed and returned to the office

Franchisee/Trainee

Date _____

Training Director/Pizza Factory Rep

Date _____

Exhibit B
System Information

PIZZA FACTORY, INC.

FRANCHISED RESTAURANTS AS OF DECEMBER 31, 2020

STORE	CONTACT	ADDRESS	TELEPHONE
ARIZONA			
BUCKEYE #64	Carl Brockway	21765 W. Yuma Rd., Ste. 103 Buckeye, AZ 85326	623/691-6333
PAYSON #29	Jake & Marcy Sheire	238 E. Hwy 260 #154 Payson, AZ 85541	928/474-1895
SHOW LOW #6	Darren Warrick	100 N. White Mountain Rd. # 103, Show Low, AZ 85901	928/537-7771
WILLIAMS #90	Tony and Velma Wortner	214 W. Route 66; *P.O. Box 323 Williams, AZ 86046	928/635-3009
CALIFORNIA			
ACTON #92	Moonlight Enterprises, Inc. Michelle Cripps William Wiseman	33312 Santiago Road Acton, CA 93510	661/526-6766
ANZA #144	Jordan Gitlin	56030 Highway 371 P.O. Box 390987 Anza, CA 92539	951/389-6155
APPLE VALLEY #134	CJ & Tammy Eversole Rachael Davison	12275 Apple Valley Rd., Apple Valley, CA 92308	760/247-7477
ATWATER #57	Nick & Joslyn Ahnen	1300 Commerce Ave Atwater, CA 95301	209/357-5700
BISHOP #41	Martin West, Matt & Bret West	970 No. Main St. Bishop, CA 93514	760/872-8888
CAMERON PARK #32	Dan Neher	3421 Coach Lane Cameron Park, CA 95682	530/677-3611
CHESTER #45	Mike & Laura Kincaid	197 Main St., *P.O. Box 733 Chester, CA 96020	530/258-3155
COLFAX #19	Jason Daley	555 S. Auburn St., Ste. D Colfax, CA 95713	530/346-8788
CORCORAN #1	Troy Van Velson	1117 Whitley Corcoran, CA 93212	559/992-3148
DENAIR #118	Kevin & Lorinda Megee	4326 Main St. Denair, CA 95316	209/634-2565
DOS PALOS #2	Fernando Garcia, Robyn Wiener-Garcia	1516 Center Dos Palos, CA 93620, *P.O. Box 68 Firebaugh, CA 93622	209/392-6124
DUNSMUIR #3	Gary & Jeannie Rogers	5804 Dunsmuir Ave, *P.O. Box 95 Dunsmuir, CA 96025	530/235-4849

STORE	CONTACT	ADDRESS	TELEPHONE
FIREBAUGH #4	Fernando Garcia, Robyn Wiener-Garcia	999 'O' St., *P.O. Box 68 Firebaugh, CA 93622	559/659-3009
FOWLER #5	Tim & Denise Hamblet	133 South 6th, *PO Box 178 Fowler, CA 93625	559/834-3614
FRENCH VALLEY #77	Anthony Lull] Jr. Bre Hawkins	30676 Benton Road Winchester, CA 92596	951/926-3100
FRESNO #70	Heman Patel	7775 N. First Street Fresno, CA 93720	559/447-9500
FRIANT #65	Kari & Kathy Ley, Ryan Ley	17836 N. Friant Rd. #A Friant, CA 93626	559/822-4288
GILROY #149	Dennis Cole	363 East 10 th Street Gilroy, CA 95020	408/842-1011
GROVELAND #23	Dan Neher	18583 Main Street Groveland, CA 95321, *PO Box 489 Shingle Springs, CA 95682	209/962-7757
GUSTINE #43	Ernie & Patricia Amorim, Kevin Amorim	447 5th Street Gustine, CA 95322	209/854-2777
HESPERIA #142	Leticia Farrell	14135 Main Street, Ste. 102 Hesperia, CA 92345	760/948-8024
HUGHSON #31	Derek & Carol Ross	6901 Hughson Ave., *P.O. Box 536 Hughson, CA 95326	209/883-4445
IONE #129	Tim Flores	10 E. Main Street Ione, CA 95640, *PO Box 489 Shingle Springs, CA 95682	209/274-0270
JANESVILLE #89	Jeff & Meredith Chew	464-420 Church St. *P.O. Box 1087 Janesville, CA 96114	530/253-3700
LAKE ISABELLA #30	Don & Lisa Deaver	5640 Lake Isabella Blvd. *P.O. Box 3307 Lake Isabella, CA 93240	760/379-5605
LE GRAND #88	Noel & Yoli Cornejo	13208 E. LeGrand Rd., #A LeGrand, CA 95333	209/389-4000
LIVE OAK #60	Kinser/Woten	10345 Live Oak Blvd. Live Oak, CA 95953	530/695-3232
LOCKEFORD #7	Tim Flores	14088 E. Hwy 88 #A Lockeford, CA 95237	209/727-3707
LONE PINE #25	Stan & Karen Dye	301 S. Main Lone Pine, CA 93545, *1601 N. Triangle Dr. Ridgecrest, CA 93555	760/876-4707
LOOMIS #22	Eric & Maren Lombardi	5831 Horseshoe Bar *PO Box 1694 Loomis, CA 95650	916/652-0477

STORE	CONTACT	ADDRESS	TELEPHONE
MADERA RANCHOS #63	Hal & Mary Ann Parks	37184 Avenue 12 #101 Madera, CA 93638	559/645-7011
MARIPOSA #8	Ron Willey	5005 5th St., *PO Box 538 Mariposa, CA 95338	209/966-3112
MENDOTA #26	Scott & Ruby Gordon	747 Derrick Avenue Mendota, CA 93640, *P.O. Box 1079 Firebaugh, CA 93622	559/655-3266
MENIFEE #73	Jack Buss	25908 Newport Rd. #G Menifee, CA 92584	951/672-4026
MERCED #13	Noel & Yoli Cornejo	3146 G Street, Suite 147 Merced, CA 95340	209/723-2425
MONTEREY #110	Alvaro & Felicitas Carreno	2339 N, Fremont Monterey, CA 93940	831-747-1028
MURRIETA WEST #113	Marc Holt	23811 Washington Ave. #106 Murrieta, CA 92562	951/698-6118
NORTH FORK #9	James Silva	33173 Road 222, *P.O. Box 1481 North Fork, CA 93643	559/877-7777
NORTH SALINAS #139	Ernie & Patricia Amorim, Kevin Amorim	1945 Natividad Road Salinas, CA 93908	831/444-0100
OAKHURST #10	Pam Latham	40120 Hwy 41, *P.O. Box 1895 Oakhurst, CA 93644	559/683-2700
PHELAN #11	Brian & Kim Lombardi	3936 Phelan Rd. Ste. B 17 *P.O. Box 291850 Phelan, CA 92329-1850	760/868-6543
PLACERVILLE #100	David & Terri Thomas	1242 Broadway Placerville, CA 95667	530/626-3034
PLEASANT VALLEY #28	Greg & Ellen Barker	4570 Pleasant Valley Placerville, CA 95667	530/644-6043
POLLOCK PINES #18	Dan & Diana Princeau	6536 Pony Express Trail Pollock Pines, CA 95726	530/647-1944
PORTERVILLE #109	Chris & Michelle Nursery, Scott & Shanell Gammon	897 W. Henderson Porterville, CA 93257	559/784-8677
PORTOLA # 35	Tom Story Gina Carpenetti	197 Commercial St. Portola, CA 96122	530/832-0430
PRATHER #12	Dan & Bridgette Barkume	29424 Auberry Road *P.O. Box 432 Prather, CA 93651	559/855-2800
RIDGECREST #140	Stan & Karen Dye	1601 N. Triangle Drive Ridgecrest, CA 93555	760/446-7492
RIO DELL #33	Jim Rich	185 Wildwood Ave. Rio Dell, CA 95562	707/764-2233
RIO VISTA #39	Dwayne & Susan Stevens, Dennis & Laura Sheil	201 Main St. Rio Vista, CA 94571	707/374-6868

STORE	CONTACT	ADDRESS	TELEPHONE
SAN ANDREAS #15	Dave McNeil, Danielle Dunn	373 W. St. Charles San Andreas, CA 95249	209/754-1847
SAN JUAN BAUTISTA #75	Dennis Cole	301 The Alameda #H *P.O. Box 165 San Juan Bautista, CA 95045	831/623-1011
SANTA NELLA #145	Ernie & Patricia Amorim, Kevin Amorim	13104-B South Highway 33 Santa Nella, CA 95322	209/826-2777
SHASTA LAKE #78	Carlos & Alicia Pizano	4432 Shasta Dam Blvd. Shasta Lake, CA 96019	530/275-4455
SOUTH SALINAS #138	Manuel & Maria Amorim, Ernie Amorim, Kevin Amorim	926 South Main Street Salinas, CA 93901	831/758-3227
SUSANVILLE #61	Jeff & Meredith Chew	2975 Main St. Susanville, CA 96130	530/257-0222
TAFT #20	Felix & Sherry Bravo	614 Center Street Taft, CA 93268	661/765-5311
TEMECULA #105	Anthony Lum Jr., Bre Hawkins	31725 Temecula Pkwy. Temecula, CA 92592	951/303-8500
THREE RIVERS #62	Todd Tashiro	40915 Sierra Dr. Three Rivers, CA 93271	559/561-1018
TURLOCK #24	Brent & Kim Jonson	1050 W. Monte Vista Ave. Turlock, CA 95382	209/634-5000
TWAIN HARTE #59	Cameron Bacchus Allison Gitlin	18711 Tiffeni Drive Twain Hare, CA 95383	209/677-3497
VALLEY SPRINGS #51	Kim Irwin	1919 Vista Del Lago #5 Valley Springs, CA 95252	209/772-9516 /9517
VISALIA #27	Tony & Juana Gonzalez, Ilene Gonzalez	3121 W. Noble Ave. Visalia, CA 93277	559/740-0310
WALNUT GROVE #83	Gurcaten Dhaliwal	14127 River Rd., *P.O. Box 1004 Walnut Grove, CA 95690	916/776-2626
WASCO #146	Russ Akins	2325 Hwy 46 Wasco, CA 93280	661/240-5262
WEED #48	Tony Mazzaglia	132 No. Weed Blvd. Weed, CA 96094	530/938-3088
WILLOW CREEK #85	Stan & Karen Dye Bob & Mary Jane Riva	39032 Hwy 299, *PO Box 999 Willow Creek, CA 95573	530/629-4800
WINTERS #17	Chuck Pearce Nancy Reynolds	108 Main Street Winters, CA 95694	530/212-5101
WOODLAKE #16	Tony & Juana Gonzalez, Crystal Gonzalez	250 E. Antelope #C Woodlake, CA 93286	559/564-3348
IDAHO			
BONNERS FERRY #53	Greg Kisse & DJ Cartwright	6637 Fry St., *PO Box 3207 Bonners Ferry, ID 83805	208/267-7771
COEUR D'ALENE #116	Jan & Julie Speelman	503 West Appleway Coeur d'Alene, ID 83814	208/765-3434

STORE	CONTACT	ADDRESS	TELEPHONE
EMMETT #94	Chow & Cindy Chavatipon	102 W. 5th St. #B/C Emmett, ID 83617	208/398-7777 /8888
GRANGEVILLE #99	Mike & Beth Sturdevant	126 West Main St. Grangeville, ID 83530	208/983-5555
KAMIAH #37	Mike & Sherry Dunning	814 Hwy 12, *PO Box 518 Kamiah, ID 83536	208/935-2134
OROFINO #52	Shannon Snyder	307 Michigan Ave, *PO Box 1132 Orofino, ID 83544	208/476-5519
ST. MARIES #68	Jan & Julie Speelman	910 Main St. St. Maries, ID 83861	208/245-5515
WALLACE #54	Jamere Radford	612 Bank St. Wallace, ID 83873	208/753-9003
NEVADA			
BATTLE MOUNTAIN #66	Roop Singh	760 S. Broad Street Battle Mountain, NV 89820	775/635-8190
CARLIN # 108	Jennifer Caudell	801 Poplar Street, *PO Box 637 Carlin, NV 89822	775/754-2200
CARSON CITY #131	Darren Maxfield	3120 Hwy. 50 East Carson City, NV 89701	775/882-9800
DAYTON #93	Michael O'Lee	185 Highway 50 East Dayton, NV 89403	775/246-3300
FALLON #56	Eric & Maren Lombardi	2199 W. Williams Ave. Fallon, NV 89406	775/867-4992
FERNLEY #21	Eric Lombardi	1460 Hwy. 95A Ste. #5 Fernley, NV 89408	775/575-4548
LOVELOCK #67	Gary Singh & Jindu Kaur	365 Cornell Ave., *PO Box 43, Lovelock, NV 89419	775/273-3232
MINDEN #97	Jason Daley	1758 Highway 395 North, Ste E Minden, NV 89423	775/392-4462
RED ROCK #42	James & Stacy Huffmon	8790 Red Rock Rd., Ste. 100 Reno, NV 89508	775/677-2877
RENO SOUTHWEST #148	James & Stacy Huffmon	3480 Lakeside Dr., Suite B Reno, NV 89509	775-433-1236
SILVER SPRINGS #95	Stan & Diane LeGaux	1080B Hwy 95A Silver Springs, NV 89429	775/577-4992
SPANISH SPRINGS #98	Michael Sanchez	9725 Pyramid Way Sparks, NV 89441	775/331-3600
WASHINGTON			
ANACORTES #47	Dylan Ray	3219 Commercial Ave. Anacortes, WA 98221	360/293-1000

STORE	CONTACT	ADDRESS	TELEPHONE
ARLINGTON #55	Becky Lowe, Ryan Lawless, Marcy Lawless	509 West Avenue Arlington, WA 98223	360/435-8701
BURLINGTON #34	Bob & Mary Jane Riva	107 Cedar Avenue Burlington, WA 98233	360/757-0600
COUPEVILLE #14	Becky Lowe, Ryan Lawless, Marcy Lawless	107 S. Main St. Ste. B101, Coupeville, WA 98239	360/678-3200
DEER PARK #46	Stephen & Sandy Addison	619 S. Fir St., *PO Box 2296 Deer Park, WA 99006	509/276-3000
MEDICAL LAKE #69	Jason & Kristin Rodney	123 S. Broad St. Medical Lake, WA 99022	509/299-9100
PORT TOWNSEND #71	Hector Castillo Shannon Kennedy	1102 Water St., Port Townsend, WA 98368	360/385-7223
SUNCREST #102	Fred & Torrey Reichwald	5978 Hwy 291, Ste. 10 Nine Mile Falls, WA 99026	509/464-3994

Franchisees for Agreements Signed but Outlets Not Opened as of December 31, 2020

Thick and Thin, LLC - Twin Fall, ID
Tracey Emery
561 Smokey Mountain Drive
Jerome, ID 83338
208-420-5852

CDH Restaurants LLC - Ocean Shores, WA
Margaret E. Dawsom & Robert S. Corcoran
598 Point Brown Ave NE
Ocean Shores, WA 98569
206-409-3341

Former Franchisees as of December 31, 2020

Name, last known address and telephone number:	Reason
Josh & Allyson Holman 6231 Jake Street Atwater, CA 95301 209/600-2521	Transfer
Steve & Sandy Addison 4305 F Grote Road Clayton, WA 99110 509/954-1530	Closed
Alok & Bhavna Shukla 3193 Willow Run Drive Merced, CA 95340 775/750-1043	Transfer
Greg Kisse P.O. Box 1481 North Fork, CA 93643 208/290-2432	Transfer
Dennis Cole P.O. Box 165 San Juan Bautista, CA 95045 408/839-8600	Closed
Rodney & Gail Dahlman 606 N. Wood Hill Road Payson, AZ 85541 928/474-1630	Transfer
Bob & Mary Jane Riva P.O. Box 989 Oakhurst, CA 93644	Transfer
Dave McNeil	Closed
Ernie Amorim 165 Linden Avenue Gustine, CA 95322 209/648-3328	Closed
Clint Medeiros 1565 Snapdragon Way Manteca, CA 95336 209/482-7481	Closed
Russ Akins 7309 Darrin Ave. Bakersfield, CA 93308 661/805-2339	Closed

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

Exhibit C
Franchisor's Audited Balance Sheet and Profit And Loss Statements

PIZZA FACTORY, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

Years Ended
December 31, 2020, 2019, and 2018

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors and Stockholders of
Pizza Factory, Inc.
Oakhurst, California

We have audited the accompanying financial statements of Pizza Factory, Inc. (a California S Corporation), which comprise the balance sheets as of December 31, 2020, 2019, and 2018, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pizza Factory, Inc., as of December 31, 2020, 2019, and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

John J. Draitsas
(1937-2002)

Russel J. Draitsas
(Retired)

Kendall J. Groom
(Retired)

Michael K. McCormick

R.M. "Tripp" Pound III

John A. Renna

James E. Ennis

Denise P Waite

Craig N. Vitale

Leslie Pountney

Adam Gruszczyński

Nora Crow

Keith B. Mizner

David Mendoza

Mai Moua

Dwight Bailey

To The Board of Directors and Stockholders of
Pizza Factory, Inc.

Report on Supplementary Information

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

John J. Dritsas
(1937-2002)

Russel J. Dritsas
(Retired)

Kendall J. Groom
(Retired)

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David Mendoza

Mai Moua

Dwight Bailey

Dritsas Groom McCormick LLP

Fresno, California
March 23, 2021

PIZZA FACTORY, INC.

BALANCE SHEETS

December 31, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 1,863,382	\$ 1,181,355	\$ 1,580,043
Accounts receivable	372,613	378,439	379,373
Accounts receivable - related party	13,898	37,960	50,202
Prepaid expenses	62,500	205,826	189,091
Advertising - prepaid supplies	15,091	44,309	62,355
Store inventory	8,087	7,903	7,720
Current portion of notes receivable	26,821	33,787	65,297
TOTAL CURRENT ASSETS	<u>2,362,392</u>	<u>1,889,579</u>	<u>2,334,081</u>
Notes receivable, less current portion	4,910	20,343	26,730
Other assets	283	283	283
Improvements and equipment, net	154,237	122,041	119,250
	<u>159,430</u>	<u>142,667</u>	<u>146,263</u>
TOTAL ASSETS	<u>2,521,822</u>	<u>2,032,246</u>	<u>2,480,344</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	48,739	215,719	55,081
Accrued payroll liabilities	47,932	39,047	50,232
Deferred revenue	341,131	332,410	777,128
State tax payable	2,000	2,500	-
Accrued liabilities	7,504	6,796	6,394
Note payable	220,285	-	-
TOTAL CURRENT LIABILITIES	<u>667,591</u>	<u>596,472</u>	<u>888,835</u>
TOTAL LIABILITIES	<u>667,591</u>	<u>596,472</u>	<u>888,835</u>
STOCKHOLDERS' EQUITY			
Common stock, no par value, 1,000 shares authorized, 200 shares issued and outstanding	1,600	1,600	1,600
Retained earnings	1,852,631	1,434,174	1,589,909
TOTAL STOCKHOLDERS' EQUITY	<u>1,854,231</u>	<u>1,435,774</u>	<u>1,591,509</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,521,822</u>	<u>\$ 2,032,246</u>	<u>\$ 2,480,344</u>

See independent auditor's report and notes to the financial statements.

PIZZA FACTORY, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

Years Ended December 31, 2020, 2019, and 2018

	2020	2019	2018
REVENUES			
Royalty fees, net	\$ 2,221,589	\$ 2,705,461	\$ 2,547,745
Advertising assessments, net			
Contributions and premiums	1,320,173	1,280,908	1,343,979
Exclusivity contract income	93,253	-	68,543
Franchise fees	44,250	54,483	85,000
Training fees	5,000	-	-
Exclusivity contract income	26,065	134,976	75,534
Store sales, net of discounts	1,020,882	843,315	782,389
	<u>4,731,212</u>	<u>5,019,143</u>	<u>4,903,190</u>
OPERATING COSTS AND EXPENSES			
Advertising and related administrative expenses	1,199,034	1,574,254	1,412,869
Franchisor operating expenses	1,656,280	2,004,830	1,915,501
Store operating expenses	767,937	680,279	654,016
	<u>3,623,251</u>	<u>4,259,363</u>	<u>3,982,386</u>
INCOME FROM OPERATIONS	<u>1,107,961</u>	<u>759,780</u>	<u>920,804</u>
OTHER INCOME (EXPENSE)			
Gain on sale of assets	-	1,350	43,554
Other income	57,682	112,491	91,435
Interest income - advertising assessments	40	167	347
Interest income	1,643	3,252	3,908
Interest expense	-	(276)	-
	<u>59,365</u>	<u>116,984</u>	<u>139,244</u>
INCOME BEFORE TAX	<u>1,167,326</u>	<u>876,764</u>	<u>1,060,048</u>
INCOME TAX PROVISION	<u>6,109</u>	<u>11,620</u>	<u>11,563</u>
NET INCOME	<u>1,161,217</u>	<u>865,144</u>	<u>1,048,485</u>
RETAINED EARNINGS, BEGINNING OF YEAR	1,434,174	1,589,909	1,715,149
Cumulative effect of adoption of ASC 606	<u>-</u>	<u>504,204</u>	<u>-</u>
ADJUSTED BALANCE AT JANUARY 1, 2019	1,434,174	2,094,113	1,715,149
Contributions	-	30,000	-
Distributions	<u>(742,760)</u>	<u>(1,555,083)</u>	<u>(1,173,725)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,852,631</u>	<u>\$ 1,434,174</u>	<u>\$ 1,589,909</u>

See independent auditor's report and notes to the financial statements.

PIZZA FACTORY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 1,161,217	\$ 865,144	\$ 1,048,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of assets	-	(1,350)	(43,554)
Depreciation	27,725	24,574	29,190
Bad debt expense	19,161	2,390	25,524
(Increase) decrease in:			
Accounts receivable	(13,335)	(1,456)	(71,634)
Accounts receivable - related party	24,062	12,242	(13,276)
Prepaid expenses	143,326	(16,735)	(23,141)
Prepaid taxes	-	-	13,180
Advertising - prepaid supplies	29,218	18,046	10,739
Store inventory	(184)	(183)	(580)
Increase (decrease) in:			
Accounts payable	(166,980)	160,638	(7,141)
Accrued payroll liabilities	8,885	(11,185)	2,096
Deferred revenue	8,721	59,486	(52,805)
State tax payable	(500)	2,500	-
Accrued liabilities	708	402	1,521
	<u>1,242,024</u>	<u>1,114,513</u>	<u>918,604</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections on notes receivable	35,704	65,422	69,190
Additions to notes receivable	(13,305)	(27,525)	(57,898)
Proceeds from sale of assets	-	1,350	51,000
Purchase of improvements and equipment	(59,921)	(27,365)	-
	<u>(37,522)</u>	<u>11,882</u>	<u>62,292</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES			

See independent auditor's report and notes to the financial statements.

PIZZA FACTORY, INC.

STATEMENTS OF CASH FLOWS (continued)

Years Ended December 31, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable	\$ 220,285	\$ -	\$ -
Contributions	-	30,000	-
Distributions	<u>(742,760)</u>	<u>(1,555,083)</u>	<u>(1,173,725)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(522,475)</u>	<u>(1,525,083)</u>	<u>(1,173,725)</u>
INCREASE (DECREASE) IN CASH	682,027	(398,688)	(192,829)
CASH AT BEGINNING OF YEAR	<u>1,181,355</u>	<u>1,580,043</u>	<u>1,772,872</u>
CASH AT END OF YEAR	<u><u>\$ 1,863,382</u></u>	<u><u>\$ 1,181,355</u></u>	<u><u>\$ 1,580,043</u></u>
SUPPLEMENTAL DISCLOSURES			
Cash paid during the year for			
Interest	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ -</u>
Income taxes	<u><u>\$ 6,629</u></u>	<u><u>\$ 9,000</u></u>	<u><u>\$ -</u></u>

See independent auditor's report and notes to the financial statements.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business activity

Pizza Factory, Inc. (hereinafter "the Company"), is a California S Corporation incorporated June 3, 1982, for the purpose of franchising pizza and pasta restaurants. The Company also operates restaurant locations. There are Pizza Factory restaurants in multiple cities across six states in the United States.

Basis of accounting

The Company's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates

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

Change in accounting policy

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard for revenue recognition, Accounting Standards Codification Topic 606 (ASC 606). Subsequent to issuing ASC 606, the FASB issued a number of updates and technical improvements which did not change the core principles of the guidance. The purpose of ASC 606 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across industries. Effective January 1, 2019, the Company adopted ASC 606 using the modified retrospective approach.

Revenue recognition

The Company adopted ASC 606 for the year ended December 31, 2019. Prior year revenue recognition follows ASC Topic 605, "Revenue Recognition". The following describes principal activities, separated by major product or services, from which the Company generates revenues.

Franchise fees - Initial franchise fees are collected with completion of a franchise agreement contract and are non-refundable. Franchise fees collected will be amortized on a straight-line basis over the life of the contract. Renewal fees are billed before the renewal date. Fees received for future license renewal periods are amortized over the life of the renewal period. At January 1, 2019, a cumulative adjustment was recorded to beginning retained earnings to reflect unamortized franchise fees as demonstrated in Note 6. For periods prior to adoption of ASC 606, revenue was recognized when the Company performed the obligations related to such fees, primarily the store opening date for initial franchise fees or the date the renewal was collected and considered effective.

Royalty fees and advertising assessments - Royalties fees and advertising assessments, which are based on a percentage of franchise restaurant sales, are recognized as sales occur. Any reductions, including those offered as part of a new store development incentive, are recognized at the same time as the related royalty, as they are not separately distinguishable from the full royalty and advertising assessment rates. Franchise royalty fees and advertising assessments are billed on a monthly basis. Royalty fees and advertising assessments are presented net of discounts and incentive programs.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Company offers incentive programs for franchisees including royalty discounts and other various support initiatives. Royalty fees are presented net of any incentives granted under these programs. For the years ended December 31, 2020, 2019, and 2018, royalty fees are presented net of incentives of \$0, \$0, and \$3,969, respectively. Advertising assessments are presented net of incentives of \$0, \$0, and \$2,852 for the years ended December 31, 2020, 2019, and 2018, respectively.

For the year ended December 31, 2020, the Company franchisees faced uncertainty related to the impact on restaurant sales due to the COVID-19 virus. In an effort to mitigate the impact of COVID-19, the Company granted the franchisees a 2 month relief, during which time no royalty fees were assessed. The royalty fees for the year ended December 31, 2020 are presented net of the COVID-19 relief allowance of \$422,132.

The adoption of ASC 606 revised the principal versus agent determination related to the advertising assessments. Under prior guidance, the Company was considered the agent in regards to the advertising funds and assessments collected in excess of expenses incurred were classified as deferred revenue. Upon adoption of ASC 606, the Company determined that the marketing and advertising activities do not represent a separate and distinct performance obligation for an individual franchise, but are part of the overall obligation to undertake activities to enhance the franchise brand for the benefit of all franchisees. At January 1, 2019, a cumulative adjustment was recorded to beginning retained earnings as demonstrated in Note 6.

Store sales - Company owned restaurants principally generate revenue from retail sales of food and are recognized when the products are provided to customers for dine-in or carryout or upon delivery. Store revenues are presented net of coupons/discounts.

Beginning in 2019, the Company created a loyalty program that is a spend-based program rewarding customers with points for purchases. Upon earning rewards from a set number of orders, the customer receives a reward which can be redeemed on future purchases within a one-month expiration window. The potential redemption liability is tracked utilizing an online platform. Rewards may be redeemed at any store and thus, are not specifically allocated to any one store. Loyalty program rewards at December 31, 2019 are minor and difficult to specifically allocate to any franchise. Therefore, no liability has been recorded for the franchise store in the accompanying financial statements. Rewards are recognized at the store level upon customer redemption.

Exclusivity contract income - Marketing incentive income received from major distributors in the event that all franchisees agree to purchase a designated product. At management's discretion, the Company may contribute marketing incentives received to the advertising fund.

Other income - Other pre-opening services, such as training fees, have separate and distinct performance obligations from the franchise right; thus, the pre-opening fees collected will be recognized at the point in time of completion of the separate performance obligation.

Deferred revenue

Deferred revenue consists primarily of unamortized franchise fees that have been collected upon completion of a franchise agreement contract and the Company's estimate of unredeemed gift cards.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable consist of franchisee royalty and advertising fees. Management reviews receivables regularly, charges off those deemed uncollectable and believes no reserve is necessary at this time. The risk of loss on accounts receivable is the balance owed at the time of default. The Company does not require collateral from its franchisees.

Notes receivable

The Company provides financing to select franchisees for use in the development of their restaurants and for the purchase of restaurants from the Company or other franchisees. Notes receivable bear interest at fixed rates and, as applicable, are generally secured by the underlying assets purchased. Management reviews receivables and charges off those deemed uncollectable. Management believes no reserve is necessary at this time.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2020, 2019, and 2018.

Advertising - prepaid supplies

Prepaid supplies include advertising fund supplies maintained for purchase by the franchisees. The supplies include various promotional items for store advertising.

Store inventory

Inventory consists primarily of food supplies that are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Improvements and equipment

Property and equipment are stated at cost, with depreciation computed using the straight-line method over lives ranging from three to thirty-nine years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments exceeding \$5,000 are capitalized.

Advertising

The Company expenses advertising and related costs as they are incurred. Combined advertising costs for the years ended December 31, 2020, 2019, and 2018 were \$1,412,282, \$1,762,441, and \$1,646,545, respectively.

Advertising and related administrative expenses include management fees paid to the Company. Management fees collected by the Company for the years ended December 31, 2020, 2019, and 2018, were \$54,422, \$66,390, \$60,857, respectively and are included in other income. The advertising expense and other income are presented gross on the statement of income to reflect administrative support related to the advertising and marketing activities.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales tax

The Company reports sales tax collected as a liability and excluded from revenue on a net basis. As sales tax is remitted, the payable is reduced. At December 31, 2020, 2019, and 2018, the accrued liability for sales tax was \$7,504, \$6,796, and \$6,394, respectively.

Compensated absences

Employees of the Company are entitled to paid sick leave and vacation. Generally, employees are required to use their vacation by the end of the year. Management believes any remaining vacation would be minor. Sick leave and vacation are recorded when paid. Accordingly, no liability has been recorded in the accompanying financial statements.

Income taxes

The Company, with the consent of its shareholders, has elected, under the Internal Revenue Code, to be treated as an S Corporation. In lieu of federal income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for federal income taxes has been included in these financial statements. California law generally conforms to federal law except for a 1½% tax imposed on S-Corporation's earnings. The Company is subject to taxes in other states. Deferred income taxes have not been recognized in these financial statements, as the amount of deferred taxes is not considered material.

The Company adopted accounting standards relating to uncertainty in income taxes. There were no changes to the financial statements as a result of the adoption. The Company believes it has taken tax positions that meet the more-likely-than-not recognition threshold and, accordingly, no tax benefits or related penalties and interest have been recognized in the financial statements. The Company's policy is to classify interest and penalties associated with tax positions as a part of continuing operations.

The Company does not believe there will be any significant changes in the Company's tax positions in the next twelve months. Federal income tax returns are subject to examinations for three years, state income tax returns are subject to examinations for up to four years after their respective due dates.

Franchise store

The Company owns and operates a franchise store in Show Low, Arizona. Store sales, net of discounts are presented separately on the statement of income.

Paycheck protection program loan

Funds received from the Paycheck Protection Program are reported as a financial liability. The principal and any accrued interest will remain a liability until the following criteria are met:

- The Company has been legally released from being the primary obligor under the liability.
- The Company pays the lender and is relieved of its obligation for the liability.

Income from the release of the loan and any accrued interest will be recognized once the application for forgiveness is approved.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Date of management's review

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 23, 2021, the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Company maintains cash with major financial institutions. Accounts are insured up to \$250,000. The Company is subject to credit risks with respect to cash and cash investments held in various accounts in amounts in excess of the federally insured limit. As of December 31, 2020, 2019, and 2018, the Company held uninsured bank balances totaling \$1,532,186, \$877,492, and \$1,340,411, respectively.

NOTE 3 – PREPAID EXPENSES

Prepaid expenses consisted of:

	2020	2019	2018
Sponsorships	\$ -	\$ 143,326	\$ 136,500
Franchise expansion	-	-	16,891
Prepaid rent	8,200	8,200	8,200
Loyalty program fees	-	-	15,000
Convention expenses	-	-	(2,500)
Credit for overpayment	-	-	15,000
Spokane Chiefs sponsorship	54,300	54,300	-
	<u>\$ 62,500</u>	<u>\$ 205,826</u>	<u>\$ 189,091</u>

For the year ended December 31, 2018, the Company had received payments from sponsors in excess of the 2019 convention expenses.

In 2018, the Company entered into a 36-month contract with Punchh, Inc., for the purpose of creating a customer loyalty program through an online platform to begin in 2019. The contract required an upfront, one-time fee of \$15,000 paid May 2018. Recurring fees, beginning in 2019, will include \$115 per store per month. The Company currently franchises approximately 100 stores.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 4 – NOTES RECEIVABLE

Notes receivable consisted of:

	2020	2019	2018
Promissory notes from various store locations, secured by equipment, with interest rates ranging from 0.00% to 5.00%, due through March 2022	\$ 31,731	\$ 54,130	\$ 82,027
Non-interest bearing promissory note - franchisee, \$2,500 payable monthly starting February 2019, due May 2019	-	-	10,000
	31,731	54,130	92,027
Less current portion of notes receivable	(26,821)	(33,787)	(65,297)
Notes receivable, less current portion	\$ 4,910	\$ 20,343	\$ 26,730

NOTE 5 – IMPROVEMENTS AND EQUIPMENT

A summary of improvements and equipment is as follows:

	Asset Lives	2020	2019	2018
Leasehold improvements	15-39 years	\$ 216,652	\$ 188,771	\$ 161,406
Machinery and equipment	3-7 years	91,968	91,968	108,159
Furniture and fixtures	7 years	25,074	25,074	25,472
Vehicles	5 years	114,821	82,781	110,275
		448,515	388,594	405,312
Less accumulated depreciation		(294,278)	(266,553)	(286,062)
		\$ 154,237	\$ 122,041	\$ 119,250

Depreciation charged to income was \$27,725, \$24,574, and \$28,990, for the years ended December 31, 2020, 2019, and 2018, respectively.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 6 - DEFERRED REVENUE

At January 1, 2019, a cumulative adjustment was recorded to beginning retained earnings to reflect the changes in deferred revenue related to deferred advertising revenue and unamortized franchise fees.

Deferred advertising revenue	\$ 752,174
Unamortized franchise fees	<u>(247,970)</u>
Cumulative effect - adoption of ASC 606	<u>\$ 504,204</u>

Deferred revenue consists of:	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unredeemed gift cards	\$ 78,893	\$ 43,922	\$ 24,954
Deferred advertising revenue	-	-	752,174
Unamortized franchise fees	<u>262,238</u>	<u>288,488</u>	<u>-</u>
	<u>\$ 341,131</u>	<u>\$ 332,410</u>	<u>\$ 777,128</u>

Upon adoption of ASC 606, the prior years deferred assessments were adjusted to retained earnings to reflect the cumulative adjustment from adoption. Advertising assessment fund activity prior to adoption of ASC 606 is reflected in the table below.

Under prior guidance, advertising assessment funds were accounted for separately. Net excess revenues (expenses) incurred each year were adjusted to the advertising assessment revenue. Accumulated excess revenues (expenses) were presented as deferred revenues earmarked for use in future promotional programs.

	<u>Under ASC 606</u>	<u>Under Prior Guidance</u>	
	<u>2019</u>	<u>2019</u>	<u>2018</u>
Deferred advertising revenue, beginning of year	\$ 752,174	\$ 752,174	\$ 822,489
Cumulative effect - adoption of ASC 606	<u>(752,174)</u>		
Adjusted at 1/1/2019	<u>\$ -</u>		
Contributions and premiums collected		1,280,908	1,273,664
Allocation of exclusivity contract income		-	68,543
Interest income		167	347
Advertising and related administrative expenses		<u>(1,574,254)</u>	<u>(1,412,869)</u>
Excess revenues (expenses)		<u>(293,179)</u>	<u>(70,315)</u>
Deferred advertising revenue, end of year		<u>\$ 458,995</u>	<u>\$ 752,174</u>

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 6 - DEFERRED REVENUE (continued)

	2020	Under ASC 606 2019	Under Prior Guidance 2019	2018
Advertising assessments, net				
Contributions and premiums collected	\$ 1,320,173	\$ 1,280,908	\$ 1,280,908	\$ 1,273,664
Excess revenues (expenses)	<u>-</u>	<u>-</u>	<u>293,179</u>	<u>70,315</u>
Contributions and premiums	<u>\$ 1,320,173</u>	<u>\$ 1,280,908</u>	<u>\$ 1,574,087</u>	<u>\$ 1,343,979</u>

The deferred advertising revenue includes an allocation of store credits for promotional items in the amount of \$21,000 for the year ended December 31, 2018.

NOTE 7 - LEASES

The Company entered a lease agreement for the corporate office in September 2012. The lease term was \$3,900 per month, with a reduction in 2020 to \$2,900 per month. The lease expires September 30, 2027, and includes an option to renew at the end of the term. Rent expense was \$28,700 for the year ended December 31, 2020, and \$46,800, for each of the years ended December 31, 2019 and 2018.

The Company entered a lease in December 2016 for certain equipment under an operating lease that expired in 2019. The lease was renewed in December 2019 for a term of two years with a monthly payment amount of \$733 plus any additional charges incurred. Rent expense was \$9,619, \$13,911 and \$18,116 for the years ended December 31, 2020, 2019, and 2018, respectively.

The Company entered a lease for certain office equipment during December 2014. The lease term was three years and renewed for five years with a quarterly payment amount of \$327 plus any additional charges incurred. Total rent expense under this lease was \$1,354, \$1,322 and \$1,644, respectively for the years ended December 31, 2020, 2019, and 2018.

The Company entered a lease for storage beginning June 1, 2020. The lease term is one year with a monthly payment amount of \$412 plus lease operating expenses at \$0.15 per square foot. Total rent expense under this lease was \$3,829 for the year ended December 31, 2020.

The Company entered an agreement for the Show Low, Arizona, store which has been renewed through June 2021. Monthly rent is \$4,300 through the life of the lease. Total rent expense under the lease was \$51,600 for each of the years ended December 31, 2020, 2019 and 2018.

The Company has a month-to-month equipment lease agreement for the Show Low, Arizona store. Monthly rent expense is \$251 plus any additional charges incurred beginning April 2014. Total rent expense under this lease for the years ended December 31, 2020, 2019, and 2018, was \$3,428, \$3,011 and \$1,644, respectively.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 7 - LEASES (continued)

Future minimum lease payments are as follows:

2021	\$	73,370
2022		44,102
2023		35,730
2024		34,800
2025		34,800
Thereafter		<u>60,900</u>
	\$	<u>283,702</u>

NOTE 8 – LINE OF CREDIT

The Company obtained a line of credit agreement with JPMorgan Chase Bank, NA which provided for maximum borrowings of \$250,000, renewable annually. Interest was payable monthly and computed at the Bank's LIBOR index rate plus 2.25%. The line was secured by all inventory, chattel paper, accounts receivable, equipment and general intangibles. The line of credit was also guaranteed by Mary Jane Riva and Robert R. Riva, Trustees of Bob and Mary Jane Riva Family Trust. There was no outstanding balance under this line at December 31, 2018. The line of credit was not renewed in 2019.

NOTE 9 – NOTE PAYABLE

The Company has a note payable to JPMorgan Chase Bank for a Small Business Administration loan under the Paycheck Protection Program. The loan was issued on April 8, 2020, and repayment is deferred for a period of ten months commencing after the covered period ends. Interest of 1% will accrue during the deferral period. If the entire balance of the note and accrued interest is not forgiven before the end of the deferral period, then the principal and accrued interest shall be paid in 24 monthly installments. The Company may repay the note at any time without penalty. The outstanding principal balance is \$220,285.

The Company has not submitted an application for loan forgiveness. No forgiveness income has been recorded for the year ended December 31, 2020.

NOTE 10 – RELATED PARTY

The Company shareholders also own franchise stores. Royalty fees paid to the Company from shareholder owned stores totaled \$144,102, \$194,831 and \$192,937, respectively for the years ended December 31, 2020, 2019, and 2018. Advertising fees paid to the Company during shareholder ownership of the stores totaled \$74,054, \$105,613 and \$97,305 for the years ended, December 31, 2020, 2019, and 2018, respectively.

Accounts receivable - related party consists of royalty fee and advertising fee assessments due to the Company from shareholder owned franchise stores.

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 11 - REVENUE RECOGNITION

Revenue is disaggregated by major product line and geographical area. Royalty fees, advertising assessments and exclusivity contract income are based on percentage of restaurant sales to total reported by each franchise for the year. The following tables present information for the years ended December 31, 2020, 2019, and 2018.

	2020				
	<u>Nevada</u>	<u>California</u>	<u>Washington</u>	<u>Other</u>	<u>Total</u>
Royalty fees, net of promotions	\$ 220,160	\$ 1,656,420	\$ 164,840	\$ 180,169	\$ 2,221,589
Advertising assessments, net					
Contributions and premiums	130,830	984,320	97,960	107,063	1,320,173
Exclusivity contract income	9,240	69,530	6,920	7,563	93,253
Franchise fees	-	17,675	5,250	31,558	44,250
Training fees	500	3,730	370	400	5,000
Exclusivity contract income	2,580	19,430	1,930	2,125	26,065
Store sales, net of discounts	-	-	-	1,020,882	1,020,882
	<u>\$ 363,310</u>	<u>\$ 2,751,105</u>	<u>\$ 277,270</u>	<u>\$ 1,349,760</u>	<u>\$ 4,731,212</u>
	2019				
	<u>Nevada</u>	<u>California</u>	<u>Washington</u>	<u>Other</u>	<u>Total</u>
Royalty fees, net of promotions	\$ 247,010	\$ 2,036,130	\$ 225,640	\$ 196,681	\$ 2,705,461
Advertising assessments, net					
Contributions and premiums	116,950	964,010	106,830	93,118	1,280,908
Franchise fees	3,025	17,675	5,250	28,533	54,483
Exclusivity contract income	12,320	101,580	11,260	9,816	134,976
Store sales, net of discounts	-	-	-	843,315	843,315
	<u>\$ 379,305</u>	<u>\$ 3,119,395</u>	<u>\$ 348,980</u>	<u>\$ 1,171,463</u>	<u>\$ 5,019,143</u>
	2018				
	<u>Nevada</u>	<u>California</u>	<u>Washington</u>	<u>Other</u>	<u>Total</u>
Royalty fees, net of promotions	\$ 233,910	\$ 1,921,890	\$ 209,020	\$ 182,925	\$ 2,547,745
Advertising assessments, net					
Contributions and premiums	123,390	1,013,830	110,260	96,499	1,343,979
Exclusivity contract income	6,290	51,710	5,620	4,923	68,543
Franchise fees	-	70,000	-	15,000	85,000
Exclusivity contract income	6,930	56,980	6,200	5,424	75,534
Store sales, net of discounts	-	-	-	782,389	782,389
	<u>\$ 370,520</u>	<u>\$ 3,114,410</u>	<u>\$ 331,100</u>	<u>\$ 1,087,160</u>	<u>\$ 4,903,190</u>

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 11 - REVENUE RECOGNITION (continued)

Contract liabilities are primarily related to deferred revenue. Changes in deferred advertising revenue for prior years is detailed in Note 6. The following table provides information about the Company's contract liabilities as of:

	December 31, 2020	January 1, 2020	January 1, 2019
Unredeemed gift cards	\$ 78,893	\$ 43,922	\$ 24,954
Unamortized franchise fees	262,238	288,488	247,970
	<u>\$ 341,131</u>	<u>\$ 332,410</u>	<u>\$ 272,924</u>

Loyalty program obligations will be recognized as revenue as the points are redeemed or expire, which is expected to occur within the next year due to the terms as described in Note 1. Gift card liabilities will be recognized as restaurant revenues when the gift cards are redeemed.

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the reporting period.

<u>Performance obligation by year</u>	<u>Franchise Fees</u>
Year 1	\$ 30,575
Year 2	30,483
Year 3	29,825
Year 4	28,367
Year 5	27,575
Thereafter	<u>115,413</u>
Total	<u>\$ 262,238</u>

The Company previously recognized franchise fees in full and deferred advertising revenues. Under ASC 606, the Company amortizes franchise fees over the life of the contract and advertising fees are recognized as the underlying sales occur. The effect on the December 31, 2019, financial statements was as follows:

	Under Prior Guidance	Under ASC 606
Deferred revenue	\$ 501,193	\$ 332,410
Advertising assessments, net		
Contributions and premiums	\$ 1,280,908	\$ 1,320,173
Franchise fees	\$ 95,000	\$ 54,483

PIZZA FACTORY, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020, 2019, and 2018

NOTE 12 - RETAINED EARNINGS

Upon adoption of ASC 606, a cumulative adjustment of deferred advertising revenues was made to retained earnings. Retained earnings at December 31, 2020 and 2019, is comprised of accumulated earnings and advertising funds as follows:

	Accumulated Earnings	Advertising Fund	Retained Earnings
Balance at January 1, 2019	\$ 1,589,909	\$ -	\$ 1,589,909
Cumulative effect of adoption of ASC 606	(247,970)	752,174	504,204
Adjusted balance at January 1, 2019	1,341,939	752,174	2,094,113
Net income	1,160,047	(294,903)	865,144
Contributions	30,000	-	30,000
Distributions	(1,555,083)	-	(1,555,083)
Balance at December 31, 2019	976,903	457,271	1,434,174
Net income	946,785	214,432	1,161,217
Contributions	-	-	-
Distributions	(742,760)	-	(742,760)
Balance at December 31, 2020	\$ 1,180,928	\$ 671,703	\$ 1,852,631

NOTE 13 - SETTLEMENT AGREEMENT

In 2016, the Company reached a settlement agreement in the amount of \$355,000 with a franchisee in violation of the franchise agreement. The settlement stipulates that credits will be applied to the agreed upon amount if the franchisee pays \$120,000 over a 48-month period beginning September 2016. Payments are \$2,500 per month. If all payments are received timely, the credits will offset the agreed upon amount and it will be considered paid. Payments received during the years ended December 31, 2020, 2019, and 2018 totaled \$0, \$47,500, and \$30,000, respectively, and are included in other income.

NOTE 14 - UNCERTAINTIES RELATED TO COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Company. However, the financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

PIZZA FACTORY, INC.

SUPPLEMENTARY INFORMATION

December 31, 2020, 2019, and 2018

SCHEDULE I SCHEDULE OF FRANCHISOR OPERATING EXPENSES

	2020	2019	2018
Salaries - officers	\$ 133,900	\$ 183,300	\$ 187,000
Salaries - office	509,080	607,516	658,058
Payroll taxes	53,539	65,408	72,536
Advertising and promotion	187,033	160,099	214,725
Bad debts	19,161	2,390	17,599
Bank charges	49	343	641
Contributions	57,808	16,283	10,225
Depreciation	24,288	18,113	17,568
Dues and subscriptions	14,550	2,750	2,568
Franchise show expense	-	-	7,137
Franchise operational materials	-	18,324	13,804
Insurance	111,023	93,479	87,373
Lease expense	10,973	15,233	19,760
Legal and accounting	260,263	437,654	216,638
Licenses and fees	6,731	11,973	14,724
Miscellaneous	62	9,902	5,876
Nutrition analysis	-	748	1,037
Office expense	45,992	25,917	18,792
Outside services	15,528	57,623	15,745
Postage and shipping	1,978	4,254	6,136
Product testing	70	-	1,601
Program fees	21,640	13,786	43,386
Public relations	20,500	-	34,038
Rent	28,700	46,800	47,416
Repairs and maintenance	4,782	7,420	16,398
Convention expense	3,273	29,824	8,211
Staff education and training	8,003	44,096	21,337
Store décor	36,170	23,090	1,185
Storage	17,403	2,973	2,169
Supplies	2,199	1,984	2,379
Telephone	9,334	10,068	11,715
Travel and accommodation	44,868	86,917	131,833
Utilities	7,380	6,563	5,891
OPERATING EXPENSES	\$ 1,656,280	\$ 2,004,830	\$ 1,915,501

PIZZA FACTORY, INC.

SUPPLEMENTARY INFORMATION

December 31, 2020, 2019, and 2018

SCHEDULE II SCHEDULE OF STORE OPERATING EXPENSES

	2020	2019	2018
Advertising	\$ 26,215	\$ 28,088	\$ 26,876
Cost of goods sold	254,094	217,799	195,600
Depreciation	3,437	6,461	11,422
Health insurance	11,866	21,469	24,855
Insurance	5,378	6,262	8,640
Lease expense	2,617	3,428	3,011
Legal and accounting	2,700	2,700	2,700
Licenses and fees	1,245	1,245	1,320
Merchant fees and bank charges	21,112	16,567	12,846
Office expense	5,033	4,098	2,868
Outside services	3,091	2,597	2,796
Postage and shipping	183	163	123
Payroll taxes	27,470	32,509	19,552
Rent	51,600	51,600	51,600
Repairs and maintenance	5,708	5,324	5,754
Supplies	13,697	16,874	13,015
Telephone	2,198	4,401	4,153
Travel and accommodation	489	57	2,311
Uniforms	-	-	684
Utilities	16,571	16,596	17,927
Wages	313,233	242,041	245,963
STORE OPERATING EXPENSES	\$ 767,937	\$ 680,279	\$ 654,016

Exhibit D
Franchise Agreement

FRANCHISE AGREEMENT

**By and Between
Pizza Factory, Inc.
and**

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FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** ("**Agreement**") is made this ____ day of _____, 202__ ("**Effective Date**") by and between Pizza Factory, Inc., a California corporation ("**Company**"), and _____, a(n) _____ ("**Franchisee**").

RECITALS

A. Company has developed (and may continue to develop and modify) a system for the operation of restaurants operated under the Marks (as defined below) that offer pizza, pasta, beverages and other authorized and/or approved products and services in a setting that offers both sit-down and take-out service and may include delivery service (individually, a "**Restaurant**" and collectively, the "**Restaurants**").

B. Company uses, promotes, and licenses others to use and promote certain trademarks, service marks, logotypes, and other commercial symbols in operating the Restaurants, including the "Pizza Factory" mark, the "We Toss 'Em – They're Awesome" mark, the "Is It The Sauce Or Is It The Dough?" and may, from time to time, create, use, and license other trademarks, service marks, and commercial symbols to identify and for use in operating Restaurants and for the offer and provision of foods, beverages and desserts, and other authorized and/or approved services (as directed or authorized by Company for use from time to time collectively, the "**Marks**").

C. Restaurants are developed and operated using the Marks and Company's specified and distinctive recipes and ingredients, preparation techniques, business formats, trade dress, practices, product and other specifications, techniques, Confidential Information (defined below), training programs, methods, marketing materials and techniques, copyrights, procedures, menus, uniforms, signs, designs, layouts, and Standards (defined below), all of which Company and/or its Affiliates may improve, further develop, or otherwise modify from time to time (the "**System**").

D. Company grants persons whom satisfactorily meet Company's qualifications and whom confirm their willingness to undertake the investment and effort, a franchise to own and operate a single Restaurant. Franchisee has applied for a franchise to obtain a Restaurant and has provided Company with certain information in support of its application.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1 BASIC TERMS AND CERTAIN DEFINITIONS

1.1 **Basic Terms.**

1.1.1 "**Initial Fee**" means \$_____.

1.1.2 "**Premises**" means: _____.

1.1.3 "**Operating Principal**" means (a) Franchisee, if Franchisee is an individual, or (b) _____, or such other individual hereafter designated by Franchisee.

1.1.4 "**Protected Area**" means the geographic area within a 3-mile straight line radius of the Premises.

1.2 **Certain Defined Terms.** Unless otherwise defined in this Agreement, capitalized terms shall have the meanings set forth in Exhibit B.

ARTICLE 2 GRANT

2.1 **Grant.** Company hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, to use and display the Marks, and to use the System, to operate one (1) Restaurant at and only at the Premises, upon the terms and subject to the provisions of this Agreement. The license granted under this Agreement does not include the rights to offer or sell products or services offered or sold by Restaurants at any location other than at the Premises; provided, however that Franchisee may offer or sell Authorized Products through other channels of distribution authorized by Company from time to time and in the manner so authorized, including catering and acceptance of “to go” or “take away” orders for non-catering purposes through telephone, online, mobile and other forms of electronic commerce (e.g., online food ordering platforms), and fulfillment of the delivery of such orders through delivery and permitted third party delivery services. Company reserves the right to unilaterally modify the authorized channels of distribution and the manner in which authorized channels of distributions may be used on written notice to Franchisee in Company’s sole discretion.

2.2 **No Sublicensing Rights.** Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Franchised Business or to use the System.

2.3 **Territorial Rights.** Subject to Section 2.4 and provided that Franchisee is in full compliance with this Agreement and all other Agreements between Company and Franchisee (or any of its Affiliates), then during the Term, neither Company nor its Affiliates will operate, or authorize any other individual or Entity to operate, a Restaurant, the physical premises of which are located at Venue within the Protected Area. Franchisee acknowledges and agrees that the territorial rights provided in this Section 2.3, do not provide Franchisee with exclusive rights with respect to any particular customer or potential customer, nor do they restrict Company or any of its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others from accepting orders (including online, mobile application or catering orders) from persons within or outside the Protected Area through online food ordering platforms and other systems and delivering or fulfilling such orders to customers or others located within the Protected Area.

2.4 **Reservation of Rights.** Franchisee’s rights under this Agreement are nonexclusive and Company expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others:

2.4.1 to own or operate, and to license others to own or operate (i) Restaurants, the physical location of which are located outside of the Protected Area, regardless of proximity to the Protected Area; (ii) businesses that provide goods and services within or outside of the Protected Area, regardless of proximity to the Protected Area, other than a Restaurant, the physical premises of which is located within the Protected Area, except for Restaurants located at Non-Traditional Venues; (iii) Restaurants and other businesses, the physical location of which are located at Non-Traditional Venues; and/or (iv) businesses operating under names other than under the Marks at any location, and of any type whatsoever, regardless of their proximity to the Franchised Business or Protected Area and whether or not such businesses use any portion of the System, offer similar products and services, or compete with Restaurants;

2.4.2 to offer, sell, provide, produce, license, distribute and market products and services identified by the Marks and/or other trademarks or service marks to any Person, at or through any location or outlet (other than a Restaurant, the physical premises of which is located at Venues within the Protected Area), regardless of proximity to the Franchised Business or Protected Area, and through any distribution channel, at wholesale or retail, including by means of catering, the internet or internet web site, mobile application, online food and beverage ordering, third-party food and beverage delivery services, food trucks or other non-fixed locations, mail order catalogs, direct mail advertising, and other distribution methods, including websites, online retailers, and direct sales through affiliates;

2.4.3 to advertise and promote the System through any means and at any location, including through the internet, mobile application, or internet web site, temporary or permanent displays of

products or services, including those offered or sold through Restaurants, television, radio, billboards, email, text message, print media, direct mail, demonstrations, seminars, and other forms of advertising and promotion;

2.4.4 to develop, acquire, merge with, or otherwise become associated with other concepts (including dual branding and/or franchise systems), whether or not using the System and/or the Marks, and award franchises and/or licenses under other concepts for locations anywhere; and

2.4.5 to engage in any other activities not expressly prohibited by this Agreement.

ARTICLE 3

TERM AND RIGHT TO ENTER INTO SUCCESSOR FRANCHISE AGREEMENT

3.1 **Initial Term.** The term of this Agreement (“**Term**”) shall commence on the Effective Date and shall expire on the tenth (10th) anniversary of the Effective Date (the “**Expiration Date**”), unless sooner terminated or extended in accordance with this Agreement.

3.2 **Right to Enter into Successor Franchise Agreement.**

3.2.1 Subject to the conditions contained in Section 3.4 and Franchisee’s compliance with Section 3.3, at the expiration of the Term hereof, Franchisee shall have the right (the “**Successor Agreement Right**”) to enter into a new franchise agreement on the then-current form generally being offered to prospective franchisees of Company operating under the Marks (the “**Successor Franchise Agreement**”) for one (1) successive ten (10) year period (“**Successor Term**”). Franchisee acknowledges that the terms of the Successor Franchise Agreement, including fees and royalties, will be substantially similar to new franchise agreements granted at the time and may materially differ from those contained in this Agreement.

3.2.2 The term of the Successor Franchise Agreement shall commence upon the date of expiration of the Term; provided, however, that notwithstanding the terms of Company’s then-current form of franchise agreement:

(a) The Successor Franchise Agreement shall provide that Franchisee must pay, in lieu of an initial fee, a renewal fee in an amount equal to \$5,000; and

(b) the Successor Franchise Agreement shall provide no further rights to renew or enter into further successor franchise agreements.

3.3 **Form and Manner of Exercising Successor Agreement Right.** If available, the Successor Agreement Right shall be exercised only in the following manner:

3.3.1 Between 9 months and 12 months before the expiration of the Term, Franchisee shall notify Company in writing (“**Notice of Election**”) that it intends to exercise its Successor Agreement Right. No sooner than immediately after the expiration of any waiting period(s) required by Applicable Law, and no more than 30 days after Franchisee receives Company’s franchise disclosure document (if applicable), Franchisee shall execute the copies of the Successor Franchise Agreement and return them to Company.

3.3.2 If Franchisee exercises its Successor Agreement Right in accordance with Section 3.3.1 and satisfies all of the conditions contained in Section 3.4, Company shall execute the Successor Franchise Agreements and promptly deliver one fully executed copy to Franchisee.

3.3.3 If Franchisee fails timely to perform any of the acts, or timely to deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4 such failure shall be deemed an election by Franchisee not to exercise its Successor Agreement Right and shall automatically, and without any action by Company, cause Franchisee’s Successor Agreement Right to lapse and expire.

3.4 **Conditions Precedent to Entering into a Successor Franchise Agreement.** Franchisee's Successor Agreement Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.4.1 At the time Franchisee delivers its Notice of Election to Company, and at all times thereafter until the commencement of the Successor Term, Franchisee shall not have been, nor be, in default of its obligations under this Agreement or its lease for the Premises.

3.4.2 Unless Franchisee has remodeled the Premises and the Franchised Business within the preceding 5 years as required by Section 5.5.2, at Company's request, Franchisee shall, prior to the date of commencement of the Successor Term, have undertaken and completed at its expense, the remodeling, renovation, modernization, or refurbishing of the Premises and the Franchised Business, which may include installation of new or replacement FFE to comply with the Standards for new Restaurants.

3.4.3 Without limiting the generality of Section 3.4.1, Franchisee shall not have committed 3 or more material defaults of this Agreement during any 12 month period during the last 5 years of the Term for which Company shall have delivered notices of default, whether or not such defaults were cured.

3.4.4 Franchisee, and Franchisee's employees, as applicable, shall comply with Company's then-current qualification, training and certification requirements at Franchisee's expense.

3.4.5 Concurrently with the execution of the Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their Owners, officers, directors, agents, and employees.

3.5 **Notice Required by Law.** If Applicable Law requires that Company give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a week to week basis until Company has given the required notice and Company may extend the Term for such a period following the Expiration Date so that it may deliver to Franchisee any required notice. If Company is not offering new franchises, is in the process of revising, amending or renewing its form of franchise or license agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement at the time Franchisee delivers its Notice of Election, Company may, in its discretion, (i) offer to renew this Agreement on the same terms for a Successor Term in accordance with Section 3.2, or (ii) offer to extend the Term on a week-to-week basis following the Expiration Date for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement.

ARTICLE 4 PAYMENTS

4.1 **Initial Fee.** Franchisee shall pay to Company the Initial Fee upon execution of this Agreement. The Initial Fee is non-refundable, in whole or in part, under any circumstances, except as provided in Section Error! Reference source not found.

4.2 **Continuing Royalty.** Franchisee shall pay to Company, a continuing royalty (the "Continuing Royalty") equal to 5% of Franchisee's Net Sales during the preceding Accounting Period.

4.3 **Advertising Fee.** Franchisee shall pay to Company an Advertising Fee (the "Advertising Fee") of 3% of Franchisee's Net Sales (as the same may be specified by Company from time to time upon notice to Franchisee) during the preceding Accounting Period. Company shall contribute the Advertising Fee to the brand fund to be administered in the manner provided in Section 8.3 (the "Advertising Fund").

4.4 **Invoicing and Timing of Payments.** Company shall provide to Franchisee an invoice based upon the Net Sales received during the prior month obtained by Company electronically or, when necessary, by other means. The sales figures on said invoice, and the royalty due based upon those sales, will be deemed certified by Franchisee as being true and correct unless Franchisee provides Company with

notice of any claim of error within 5 days of said invoice being mailed or electronically transmitted to Franchisee. The Continuing Royalty, the Advertising Fee, and all other amounts then owed to Company, together with a statement of Franchisee's Net Sales for the applicable Accounting Period (certified as complete and accurate by a duly authorized representative of Franchisee), for each Accounting Period shall be payable on or about the last day (the exact day will be specified by Company from time to time) of the Accounting Period immediately following the Accounting Period for which such sums were accrued, without offset or deduction.

4.5 **Opening Promotions.** Franchisee shall, in addition to the advertising and promotion required by ARTICLE 8, develop a written pre-opening and opening promotional plan, which plan must be submitted to Company and approved in writing by Company prior to the anticipated opening date of the Franchised Business. Company shall not unreasonably withhold, condition or delay its approval of such promotional plan.

4.6 **EFT and Pre-Authorized Payments.** At Franchisee's sole cost and expense, Franchisee shall instruct its bank to make all payments due under this Agreement directly to Company from Franchisee's account, by electronic funds transfer, electronic or automatic debit, or such other automatic payment mechanism which Company may designate ("EFT"). Promptly upon Company's request, Franchisee shall execute or re-execute and deliver to Company such pre-authorized check forms and other instruments or drafts required by Company's bank to enable Company unilaterally to draw all sums payable under the terms of this Agreement. Company's current form of EFT authorization is attached as Exhibit C. Franchisee shall also maintain a single bank account for such payments and shall maintain the minimum balance in such account as Company may reasonably specify from time to time, but not less than amounts sufficient funds cover all Continuing Royalties, Advertising Fees, and other payments to Company. Franchisee shall not alter or close such account except with Company's prior written approval. If Franchisee fails to provide required reports of Net Sales, Company may withdraw funds based on Company's estimate of Franchisee's Net Sales. Such estimate shall be based on Franchisee's historically reported Net Sales, or other reasonable basis selected by Company. Company may require Franchisee to pay any amounts due under this Agreement or otherwise by means other than EFT automatic debit (e.g., by check) whenever Company deems appropriate, and Franchisee agrees to comply with Company's payment instructions.

4.7 **Other Payments.**

4.7.1 Franchisee shall also pay to Company, its Affiliates and designees, as applicable, promptly when due:

(a) all amounts advanced by Company or which Company has paid, or which Company has become obligated to pay on behalf of Franchisee for any reason whatsoever;

(b) the amount of all sales taxes, use taxes, service taxes, personal property taxes, value added taxes, and similar taxes, which may be imposed upon Franchisee, but required to be collected or paid by Company (i) on account of Franchisee's Net Sales, or (ii) on account of fees collected by Company from Franchisee (but excluding Company's ordinary income taxes). Company, in its discretion, may collect the taxes in the same manner as the Continuing Royalty is collected and promptly pay the tax collections to the appropriate Governmental Authority; provided, however, that unless Company so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes imposed now or in the future by any Governmental Authorities on fees paid by Franchisee to Company; and

(c) all amounts due for any reason, including for the purchase of goods, supplies or services relating to the Franchised Business.

4.7.2 Franchisee shall remain current and fully comply and perform each of its obligations to its landlord, vendors and Suppliers.

4.8 **Application of Funds.** If Franchisee becomes delinquent in the payment of any obligation to Company or any of its Affiliates under this Agreement or any other agreement, Company shall have the absolute right to apply any payments received from Franchisee to any obligation owed Company or such Affiliate, notwithstanding any contrary designation by Franchisee.

4.9 **Interest and Charges for Late Payments.** If Franchisee fails to provide required reports, reporting or access to its Information Systems or fails to pay to Company all sums owed to Company or its Affiliates promptly when due, Franchisee shall pay a service fee equal to the greater of \$75.00 or 10% of the Net Sales for the month for which payment or reports were late or not delivered or paid. If any check, draft or electronic transfer is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Company's expenses arising from such non-payment, including bank fees in the amount of at least \$50.00, or the maximum amount allowable under Applicable Law, whichever is less.

ARTICLE 5

SITE SELECTION; CONSTRUCTION AND COMMENCEMENT OF BUSINESS

5.1 Site Selection; Termination by Franchisee.

5.1.1 If an address has been inserted in the space provided in Section 1.1.2 on the Effective Date, then the Restaurant to be developed and operated under this Agreement shall be located at the Premises. Franchisee acknowledges that it has independently investigated and located, and Company (based upon the information provided by Franchisee) accepted the Premises.

5.1.2 If no Premises has been inserted in the space provided in Section 1.1.2, then promptly following the Effective Date, Franchisee shall promptly locate one or more proposed sites at Venues that meet the Standards. Franchisee shall submit in a form prescribed by Company such information regarding the proposed site(s) and neighboring areas as Company shall require. Company may seek such additional information as it deems reasonably necessary, and Franchisee shall respond promptly to each request. Company may accept or reject a proposed site in its sole discretion. If Company accepts a proposed site it shall notify Franchisee in writing and the site shall be deemed to be the "Premises." If Company does not deliver written notice of acceptance or rejection to Franchisee within 30 days following receipt of all of the information requested by Company (including any additional requested information), the site shall be deemed rejected. Franchisee shall not enter into a lease or purchase agreement for the Premises unless and until the site has been accepted.

5.1.3 Upon Company accepting a site, Company and Franchisee agree that this Agreement shall be amended by inserting the location/address of said site in Section 1.1.2 whereupon Company shall provide to Franchisee a copy of the page with said location/address inserted to either attach to this Agreement or insert into the Agreement. The Agreement will be deemed amended upon Company providing said attachment/replacement page(s) to Franchisee.

5.1.4 Franchisee acknowledges that it is solely responsible for finding the Premises for the Restaurant it develops pursuant to this Agreement. Although Company may assist Franchisee in obtaining or evaluating an acceptable location, Company is not required to visit any proposed site. Company's assistance, if any, and its acceptance of a location is solely an indication that the Premises meets Company's minimum Standards and such acceptance shall not be construed as an express or implied representation or warranty that the Premises will be profitable or successful.

5.2 Lease or Purchase of Premises.

5.2.1 Promptly following Company's acceptance of the Premises, Franchisee shall proceed to negotiate a lease for the Premises or purchase agreement for the Premises. Franchisee shall submit a copy of the proposed lease or purchase agreement to Company within 10 days following Company's acceptance of the Premises. If the Premises is leased or subleased, (i) the lease for the Premises shall name Franchisee as the sole lessee and it may not be assigned or sublet without Company's prior written consent; (ii) Company shall have the right to review and accept or reject the lease for the Premises; (iii) Franchisee shall not create any obligations on behalf of Company, or grant to lessor any

rights against Company, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iv) the lease for the Premises shall be for a term (including options) which is not less than the Term (and the Successor Term), unless Company approves a shorter term of the lease in writing; (v) the lease for the Premises shall not contain a non-competition covenant which purports to restrict Company, or any franchisee or licensee of Company (or its Affiliates), from operating a Restaurant or any other retail establishment, unless such covenant is approved by Company in writing prior to the execution of the lease for the Premises; (vi) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Franchisee under the lease; and (vii) a fully executed copy of the lease for the Premises shall be delivered to Company promptly following its execution and upon Company's request. The lease for the Premises shall include the addendum attached as Exhibit D unless Company otherwise consents in writing.

5.2.2 If the Premises is being purchased by Franchisee, the purchase and sale contract shall be subject to Company's review and acceptance. A true and correct copy of the proposed contract shall be delivered to Company at least 10 days prior to execution, and a true and correct copy of the executed contract shall be furnished to Company within 10 days after execution.

5.2.3 Franchisee hereby authorizes Company and lessor to communicate with one another for any purpose, including de-identification of the Premises following the termination or expiration (including nonrenewal) of this Agreement or the lease for the Premises, Franchisee's sales, Franchisee's defaults under this Agreement or the lease for the Premises, and negotiating a lease for the Premises following the termination or expiration of the lease for the Premises.

5.2.4 Company's review and acceptance of the lease for the Premises or purchase agreement is solely for Company's benefit and is solely an indication that the lease for the Premises or purchase agreement meets Company's minimum Standards (which may be different than the requirements of this Agreement) and such review and acceptance shall not be construed as any express or implied representation or warranty that the lease for the Premises or purchase agreement complies with Applicable Law, represents a transaction that is fair or in Franchisee's best interest, that the terms are favorable to Franchisee, or that the location will be successful.

5.3 Construction and Development of the Restaurant.

5.3.1 Franchisee is responsible for developing and constructing the Franchised Business at its expense. Before the renovation and construction of the Franchised Business or the Premises, Company shall provide Franchisee with copies of Company's Standards for the design and layout of a typical Restaurant and mandatory items of FFE and other suggested items of FFE, decor, trade dress, inventory, Information Systems, telephone systems, and other items. Company or its Affiliate will also provide Franchisee advice and assistance regarding the design and layout of the Franchised Business. Franchisee shall at its sole cost and expense promptly and diligently cause the Premises and Franchised Business to be designed, constructed, equipped and improved in accordance with the Standards, unless Company agrees to modifications in writing.

5.3.2 Franchisee shall only employ licensed and bonded architects, engineers and general contractors, that that have been approved by Company, to prepare all architectural, engineering and construction drawings and site plans, and to obtain all Permits required to construct, remodel, renovate, and/or equip the Franchised Business and Premises in accordance with the Standards and Applicable Law. Franchisee acknowledges that Standards (including layouts) provided by Company may not comply with Applicable Law and it is Franchisee's responsibility to modify the Standards (including layouts) to comply with Applicable Law, subject to Company's acceptance as provided below. All drawings and plans shall be submitted to Company for its prior review and acceptance before Franchisee's commencement of construction. All drawings and plans shall be submitted to Company with a construction and build-out calendar reflecting that the construction and development of the Franchised Business will be completed within the time periods required by this Agreement. If Company does not deliver written notice that Company accepts or rejects such plans or drawings within 10 days, the plans or drawings shall be deemed rejected.

5.3.3 Franchisee acknowledges that Company's review and acceptance of Franchisee's drawings and plans is limited to ensuring Franchisee's compliance with Company's Standards. Company's criteria for acceptance or rejection do not encompass technical, architectural or engineering considerations. Company will have no liability with respect to construction of the Premises, nor shall Company be responsible in any way for delays or losses occurring during the design, construction or other preparation of the Franchised Business, whether caused by the condition of the Premises, the design, engineering, construction, equipping, decorating or stocking of the Franchised Business, or any other reason. Franchisee expressly acknowledges and agrees that Company does not warrant or guaranty that the design, décor, appearance, FFE, inventory requirements, layout, and/or other improvements of the Franchised Business will ensure Franchisee's success.

5.4 Opening of the Franchised Business.

5.4.1 Franchisee shall not open the Franchised Business to the public until: (a) Franchisee has properly developed and equipped the Franchised Business in accordance with this Agreement, the Standards and Applicable Law; (b) all pre-opening training for Franchisee's personnel has been completed; (c) Franchisee has satisfied all requirements necessary for opening as set forth in this Agreement and as set forth in the Manuals, (d) Franchisee has obtained all Permits to operate the Franchised Business; and (e) Franchisee has obtained obtain the final written authorization of Company to open. Company's authorization to open the Franchised Business is to confirm that Franchisee complies with the Standards, and shall not be construed as an express or implied representation or warranty that the Premises complies with Applicable Law or that the construction is sound or free from defects. Upon authorization by Company, Company and Franchisee shall select a mutually agreeable date to open the Franchised Business for business which shall be on a day other than a Friday or Saturday.

5.4.2 Subject only to Force Majeure, Franchisee shall complete construction or renovation of the Premises and the Franchised Business, obtain all required Permits and Company's written authorization to open, and commence operation of the Franchised Business as soon as possible, but in any event within one year following the Effective Date, unless Company consents in writing to a longer period of time. The time periods for the commencement and completion of construction and the commencement of operation of the Franchised Business are of the essence of this Agreement.

5.5 Maintaining and Remodeling of Franchised Business.

5.5.1 Franchisee shall maintain the condition and appearance of the Franchised Business in a "like new" level of appearance and operation consistent with the image of Restaurants as attractive, clean, and efficiently operated, offering high quality goods and services, courteous service, and pleasant ambiance. If at any time in Company's reasonable judgment, the state of repair, appearance, cleanliness or functionality of Franchised Business (including the Premises and non-Franchised Business portion of the Premises and parking areas) or its FFE, décor and trade dress fail to meet the Standards, Company shall provide written notice to Franchisee. Franchisee shall promptly upon receipt of notice correct such deficiencies, that may include replacing worn out or obsolete FFE, signage, décor and trade dress; repairing and repainting the interior and exterior of the Franchised Business, the Premises and appurtenant parking areas (if any); and modifying the décor and layout of the Franchised Business to implement changes in required Standards; all within the time period(s) prescribed by Company. Without limiting the foregoing, Franchisee shall immediately abate, replace, and remove any graffiti in or about the Premises.

5.5.2 (a) In addition to Franchisee's obligations under Section 5.5.1 and subject to Section 5.5.2(b), but not more frequently than once every five (5) years during the Term, and as a condition to Franchisee's exercising its Successor Agreement Right, Company may require Franchisee, at Franchisee's sole cost and expense, to refurbish, remodel and improve the Franchised Business to conform to the Standards. Such remodeling may include structural changes to the Franchised Business and replacement or modification of FFE, décor, and trade dress as well as such other changes as Company may direct. Franchisee shall undertake such work upon notice from Company, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same (and no later than the commencement of the Successor Term), unless Company agrees in writing to a longer

period of time. Franchisee shall provide Company with a time schedule for the construction and remodeling of the Franchised Business. Company shall not be liable to Franchisee on account of any lost income, profits, opportunities, or otherwise as a result of being required to undergo the remodeling.

(b) Franchisee shall not be required to make aggregate expenditures for refurbishments in excess of 5% of the Net Sales from the date of its opening to the date of any required refurbishment except if Company agrees to pay or credit Franchisee the difference, provided that Franchisee shall not be required to effect any refurbishment during the last six months of the initial term or during the last six months of any renewal term of the Franchise except as may be necessary to comply with the minimum standards required by this Agreement which are effective six months prior to the end of the applicable term. Amounts spent for relocation of the Premises are not included in the aggregate amount of refurbishments which Company may require Franchisee to make during the term of this Agreement.

5.5.3 If the Franchised Business is damaged or destroyed by fire or any other casualty, Franchisee shall commence such repairs or reconstruction within 60 days, and thereafter diligently pursue such repairs or reconstruction to completion; any such repair and reconstruction shall be completed as soon as reasonably practicable but in any event within six (6) months following the event causing the damage or destruction. If, in Company's reasonable judgment, the damage or destruction is of such a nature or to such extent that it is feasible for Franchisee to repair or reconstruct the Premises and the Franchised Business in conformance with the Standards for new Restaurants, Company may require that Franchisee repair or reconstruct the Premises and Franchised Business in conformance with the Standards for new Restaurants.

5.6 **Relocating the Franchised Business.** Franchisee may not relocate the Franchised Business without Company's prior written consent. In the event that, in Company's judgment, there is a change in character of the location sufficiently detrimental to its business potential to warrant relocation and upon request by Franchisee, Company may grant permission for the relocation of the Franchised Business to a site and, if applicable, subject to lease terms which substantially comply with the Standards. Any such relocation shall be at Franchisee's sole expense and subject to the conditions set forth in Section 6.6. Upon relocation outside the Protected Area, Franchisee shall be accorded a new "protected area" as determined by Company in its sole discretion. In the event of relocation, Franchisee must comply with all requirements and specifications for opening a new Restaurant in effect as of the date of the relocation and any such relocation must be completed and the Franchised Business opened for business within 120 days of closing the Franchised Business at the original Premises. Prior to any actual physical relocation of the Franchised Business from the original Premises, Franchisee will execute an amendment to this Agreement modifying the location of the Franchised Business and execute an amendment to the General Security Agreement reflecting the change in location of the collateral. If Company consents to a relocation (i) Franchisee shall de-identify the former location in the manner described in ARTICLE 15; and (ii) reimburse Company for the costs it incurs in connection with the relocation.

5.7 **Force Majeure.** If Franchisee claims an event of Force Majeure, Franchisee shall provide prompt written notice to Company. The notice must (i) state that Franchisee believes that an event of Force Majeure has occurred and expressly include the words "Force Majeure," (ii) describe the circumstances of the event with particularity, and (iii) describe how the Force Majeure has impacted Franchisee's performance under this Agreement. Franchisee must also provide all other information as may be requested by Company and periodic updates (no less frequently than once each week) on Franchisee's progress and diligence in responding to and overcoming the Force Majeure. Thereafter, Franchisee must notify Company immediately upon cessation of Force Majeure.

ARTICLE 6 TRAINING

6.1 Initial Training.

6.1.1 The Operating Principal and Franchisee's general manager shall successfully complete, to Company's reasonable satisfaction, an initial training program in the Standards and the

operation of a Restaurant ("**Initial Training Program**"). Company may modify the content and manner of conducting the Initial Training Program in its discretion from time to time. Prior to opening the Franchised Business, Company shall provide the Initial Training Program to two (2) persons selected by Franchisee, one of whom must be the Operating Principal and one of whom must be Franchisee's initial general manager. If the Operating Principal will not also be the general manager of the Franchised Business, then at Franchisee's request, Company, in its discretion, may permit the Operating Principal to attend not less than the kitchen-training portion of the Initial Training Program. The general manager or another executive employee of Franchisee must successfully complete, to Company's satisfaction, the entire Initial Training Program. The Initial Training Program will be conducted at Company's training facilities in California or at other approved training facility(ies) specified by Company, and may include classroom training, instruction at Company or franchisee facilities, remote training, and/or a self-study program. The Initial Training Program shall be approximately 225 hours over a 60 day period for all attendees. Franchisee will pay Company's then-current training fees (presently \$3,500.00 per person) and reimburse Company for any Travel Expenses if Company provides the Initial Training Program to any person designated by Franchisee in excess of the first two (2) referred to above or if Company requires either or both of the initial trainees to undergo additional training to complete the Initial Training Program to Company's satisfaction. The Operating Principal and Franchisee's initial general manager shall complete the Initial Training Program to Company's reasonable satisfaction within the 120 days prior the Franchisee opening the Franchised Business to the public. If more than 120 days has elapsed between when the Operating Principal and Franchisee's initial general manager completing the Initial Training Program and the opening of the Franchises Business, Company may require that the Operating Principal and Franchisee's initial general manager complete additional training prior to opening the Franchises Business. Company shall not be obligated to provide the Initial Training Program if this Agreement is (i) the second or subsequent agreement between Franchisee (or any of its Affiliates) and Company, (ii) a Successor Franchise Agreement, or (iii) is signed in connection with an assignment or transfer of a Restaurant. Company may require the Operating Principal and/or Franchisee's general manager to undergo additional training to complete the Initial Training Program.

6.1.2 Franchisee may not open and operate the Franchised Business until (i) the Operating Principal shall have completed the Initial Training Program to Company's reasonable satisfaction; (ii) Franchisee's initial general manager shall have completed the Initial Training Program to Company's reasonable satisfaction or, if this Agreement relates to Franchisee's or its Affiliates second or subsequent Restaurant, the Operating Principal has trained the such general manager in accordance with the Manual(s); and (iii) Franchisee has successfully trained a number of employees reasonably necessary to operate the Franchised Business in accordance with the Manual(s).

6.2 **On-Site Opening Assistance.** Commencing shortly before and ending shortly after the Franchised Business opens to the public, Company shall provide Franchisee with up to 7 days of on-site training and assistance ("**On-Site Training**") to the Operating Principal and other management employees. The number and identity of the representative(s) providing On-Site Training will be determined by Company. Presently, Company provides a two person training crew for new Franchised Businesses and a one person training crew for a Franchised Business that was transferred to the Franchisee. On-Site Training will be at Company's discretion and its scheduling and capacity requirements. Company reserves the right to extend the duration of On-Site Training if Company finds that Franchisee's personnel have not completed required training to Company's satisfaction. The On-Site Training will be structured to provide additional practical training and assistance in the implementation and operation of a Restaurant. Company shall not be obligated to provide On-Site Training if this Agreement is (i) the second or subsequent agreement between Franchisee (or any of its Affiliates) and Company, or (ii) a Successor Franchise Agreement. Notwithstanding the foregoing, in Company's discretion, Company may require Franchisee to accept On-Site Training although this Agreement is (i) the second or subsequent agreement between Franchisee (or any of its Affiliates) and Company, or (ii) a Successor Franchise Agreement. If Company shall provide in excess of 10 days of On-Site training, Franchisee shall pay Company's then-current per day training fee. In all cases, Franchisee shall reimburse Company for its Travel Expenses in connection with On-Site Training.

6.3 **Staffing and Staff Training.** At all times, Franchisee must actively employ and have working in the Franchised Business at least one (1) person that has successfully completed the Initial Training Program or that has been fully and adequately trained in accordance with the Standards. The Operating Principal shall, to Company's reasonable satisfaction, train each of Franchisee's other employees. At all times during the Term, Franchisee shall employ an adequate staff of employees working in the Franchised Business who shall have been fully and adequately trained, in Company's judgment. If at any time during the Term it is determined by the Company, in its sole judgment, that the Operating Principal or Franchisee's general manager lacks sufficient knowledge, understanding or ability with respect to any aspect of the Franchises Business, the Company may require, upon reasonable notice, that the Franchisee or the on-premises manager complete additional training.

6.4 **Additional Training and Other Assistance.**

6.4.1 Periodically during the Term, Company may require the Operating Principal and other Franchised Business personnel (whether they are existing or newly-hired employees) to attend and satisfactorily complete various training courses, programs and conventions that Company chooses to provide, and/or that Company requires Franchisee to provide or attend, at the times and locations that Company designates. Such additional training may be conducted live (at the Company's office, business location or other location), through a live or prerecorded conference, webinar, or internet enabled training program, or by means of a self-study program.

6.4.2 At Franchisee's reasonable request, Company may, but shall not be obligated to: (i) cause its field representatives, including franchise business consultants, to visit the Franchised Business to advise, consult with or train Franchisee in connection with its performance and operation of the Franchised Business and Franchisee's compliance with the Standards; or (ii) permit Franchisee or certain of its employees to obtain assistance, consultation or additional training at a Restaurant selected by Company. Any additional assistance, consultation or training by Company shall be at its discretion and subject to its scheduling and capacity requirements. Franchisee may contact Company's headquarters staff, its field representatives and training staff by telephone, electronic mail, facsimile, or other means of correspondence, about questions relating to the operation of the Franchised Business and the goods and services offered and sold at the Franchised Business. At no time shall reasonable efforts to provide Ongoing Assistance be interpreted to require Company to pay any money to or on behalf of Franchisee or to defer Franchisee's obligation to pay any sums to Company.

6.4.3 At the sole discretion of Company, Company may periodically hold System-wide and regional conferences for the purpose of discussing with and/or providing to franchisees information pertinent to the operation of Restaurants. Company will not charge a fee for Franchisee to attend the conference but the Franchisee is responsible for paying all travel and living expenses while at these conferences. Attendance at these conferences is required. Company will provide Franchisee with no less than 30 days' notice of the date and location of such conferences. The location of the conference shall be selected by Company.

6.5 **Training Expenses and Company's Judgment.** Franchisee shall bear all expenses incurred by Franchisee and/or its employees in connection with training, including Travel Expenses. Company shall pay no compensation for any services performed by trainee(s) in connection with training or other assistance, including for providing services at a Company or another licensee's or franchisee's Restaurant. If any training requires travel by Company's employees or representatives, including franchise business consultants, Franchisee will reimburse Company for all Travel Expenses incurred by Company. Company shall determine the contents and manner of conducting all training programs referenced in this Article. Franchisee acknowledges that because of Company's superior skill and knowledge with respect to the training and skill required to develop and operate a Restaurant, its judgment as to whether or not a person has satisfactorily completed the Initial Training Program, and/or all additional or other training programs shall be determined by Company.

6.6 **Advisory and Relocation Services.** Company may render advisory services regarding the operation of the Franchised Business. Such services include, but are not limited to, advice with respect to the following: preparation of food products in accordance with the Manual, management of food supplies,

styles and type of service, operation of the restaurant, the number of employees, and the training of Franchisee and Franchisee's management employees in the operation of the Franchised Business. In the event the location of the Franchised Business restaurant must be changed, Company shall assist Franchisee by providing similar services as necessary to insure compliance with all requirements and specifications required to establish a new Restaurant at the time of relocation. These relocation advisory services are mandatory and the amount of time and effort provided by Company is determined by Company in its discretion on a case by case basis. Franchisee shall compensate Company for such services at the rate then charged for such services (currently \$150.00 per hour or \$500.00 per day for field work and \$125.00 for administrative services) and reimburse Company for all Travel Expenses related to providing those services.

ARTICLE 7 FRANCHISED BUSINESS OPERATIONS AND STANDARDS

7.1 Compliance with Standards and Applicable Law.

7.1.1 Franchisee acknowledges and agrees that operating and maintaining the Franchised Business according to the System and Standards are essential to preserve the goodwill of the Marks and all Restaurants. Therefore, Franchisee shall participate in the System and operate the Franchised Business in strict compliance with the Standards and Manual(s). The Standards and the Manuals(s) may regulate any or all aspects of the operation and maintenance of the Franchised Business. Without limiting the foregoing, Franchisee shall operate the Franchised Business as a clean, orderly, lawful and respectable place of business in accordance with the Standards and in accordance with Applicable Law. Franchisee shall not knowingly cause or allow any part of its Franchised Business to be used for any immoral or illegal purpose. Franchisee at all times shall provide high quality and professional, prompt, courteous, and efficient goods and services to customers and at all times at professionally and courteous to members of the public. Franchisee will conform to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee shall not engage in any action which will cause Company to be in violation of any Applicable Law. Franchisee shall refrain from engaging in action (or failing to take any action), which in the reasonable opinion of Company, causes or could cause damage, harm or injury to the Marks, and/or System.

7.1.2 Franchisee shall refrain from using and prohibit rude, vulgar, sexually explicit, discourteous, disrespectful, or other conduct or activities in the operation of the Franchised Business or on the Premises which are inconsistent with the operation of a family restaurant. Franchisee shall refrain from using and prohibit any conduct, displays, or activities on the Premises which are insensitive to or disrespectful of any person based on race, creed, nationality or heritage, political affiliation, religion, or those suffering from physical or mental disabilities. Franchisee will also refrain from and prohibit any other conduct or activities on the Premises which could adversely affect public opinion or otherwise cause Franchisee, Company, or the Marks to be held in public disrepute.

7.2 Operating Principal and Management Employees.

7.2.1 The Operating Principal shall be responsible for communicating and coordinating with Company regarding business, operational and other ongoing matters concerning this Agreement and the Franchised Business. Franchisee represents and warrants that the Operating Principal shall have the full authority to act on behalf of Franchisee in regard to performing, administering or amending this Agreement. The Operating Principal shall be vested with the authority and responsibility for the day-to-day operations of the Franchised Business. The Operating Principal shall: (a) devote full time and best efforts solely to operation of Restaurants owned or operated, by Franchisee or its Affiliates in the same geographic region and to no other business activities; (b) meet Company's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manual(s) or otherwise in writing by Company; and (c) have successfully completed the Initial Training Program to Company's reasonable satisfaction. If during the Term the Operating Principal is no longer able to serve, or no longer qualifies to act in accordance with this Section, Franchisee shall promptly notify Company. Franchisee shall then promptly, but not later than 30 days after the prior Operating Principal ceases to serve or qualify: (w) designate a replacement Operating Principal who meets the Standards and otherwise complies with this Section, (x) provide

Company with such information about the new Operating Principal as Company may reasonably request, and (y) cause the replacement Operating Principal to satisfactorily complete the Initial Training Program to Company's reasonable satisfaction. Company's acceptance of the Operating Principal shall not constitute Company's endorsement of such individual or a guarantee by Company that such individual will perform adequately for Franchisee or its Affiliates, nor shall Company be estopped from subsequently disapproving or otherwise challenging such person's qualifications or performance. Company may, but is not required to, deal exclusively with the Operating Principal in all regards unless and until Company's actual receipt of written notice from Franchisee of the appointment of a successor Operating Principal who is accepted by Company.

7.2.2 Franchisee shall ensure that the operation of the Franchised Business is at all times under the control and supervision of the Operating Principal. Franchisee shall supervise, direct and be responsible for in all respects, the activities and performance of the Operating Principal and employees of Franchisee and shall ensure compliance with the Standards and this Agreement. Franchisee authorizes Company to communicate with Franchisee's managers regarding the operation of the Franchised Business.

7.3 Computer/Information Systems.

7.3.1 Franchisee shall purchase, use and maintain the Information Systems specified in the Manual(s) in accordance with the Standards. The Information Systems must at all times be connected to one or more high-speed communications media reasonably acceptable to Company and permit access to the internet 24 hours per day, 7 days per week. At Company's direction, Franchisee must electronically link the Information Systems to Company or its designee. Franchisee shall allow Company and/or its designee to access the Information Systems and stored files and data, including customer information, daily sales information and sales mix information (the "IS Data"), and to independently access the Information Systems, including the IS Data, via any means including electronic polling and uploads, with or without notice. Franchisee acknowledges that Company owns the IS Data that is stored on Franchisee's Information Systems and Franchisee assigns to Company any and all rights Franchisee may have in the IS Data. Company may periodically establish policies in the Manual(s) respecting the Franchisee's use of the IS Data. Company cannot estimate the future costs of the Information Systems, required hardware, software, or service or support, and although these costs might not be fully amortizable over the time remaining in the Term, Franchisee agrees to acquire and incur the costs of obtaining and implementing the hardware, software and other components and devices comprising the Information Systems (including additions, upgrades, updates and modifications) and all support services, service and maintenance agreements and subscriptions prescribed by Company from time to time. Information Systems may be provided directly by third parties or may be sold, licensed or sublicensed by or through Company at a reasonable one-time or recurring charge, and pursuant to forms of agreement prescribed by Company.

7.3.2 Franchisee shall not use or permit the use of the Information Systems for any unlawful or non-business related activity. Franchisee shall not install or use, and shall prohibit others from installing and using, unauthorized hardware or other components and devices, software on or with the Information Systems. Franchisee shall take all commercially reasonable measures to insure that the Information Systems are used strictly in accordance with the Standards, including security protocols and protective measures including how passwords are assigned and rotated, prescribed limitations regarding which persons Franchisee may permit to access (via LAN, WAN, internet or otherwise), use, perform support and installation functions and conduct transactions with the Information Systems. Franchisee shall take all commercially reasonable measures to insure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the Information Systems. Franchisee shall at all times provide Company with all passwords, access keys and other security devices or systems as necessary to permit Company to access the Information Systems and obtain the data Company is permitted to obtain. Company reserves the right to add, control, modify, govern and block any and all network and internet traffic, ports, protocols, and destinations.

7.3.3 If Company shall designate certain computer software or hardware which is owned or licensed by Company ("**Proprietary Systems**"), Franchisee shall at Company's request license or sublicense such hardware or software from Company or its designee and enter into a (sub)license agreement on Company's or such designee's then-current form. From time to time, Franchisee shall

purchase any upgrades, enhancements or replacements to the Proprietary Systems. Company and its Affiliates may charge Franchisee reasonable up-front and reasonable ongoing fees for any Proprietary Systems that Company or its Affiliates license to Franchisee. Company may provide to Franchisee, for a reasonable fee, such support services relating to the Proprietary Software as Company deems advisable.

7.3.4 Company may modify the Standards relating to the Information Systems and Proprietary Systems which may require Franchisee, at Franchisee's sole cost and expense, to add, update, upgrade or replace the Information Systems, including hardware and/or software. Franchisee must incorporate any required modifications or additions within a reasonable period days after receiving written notice from Company.

7.3.5 Within a reasonable time upon Company's request, Franchisee shall apply for and maintain systems for use of debit cards, credit cards, and gift cards and other non-cash payment methods as specified from time to time by Company. Franchisee shall adhere to all PCI (Payment Card Industry), CISP (Cardholder Information Security Program) and SDP (Site Data Protection) compliance specifications, as amended, and similar standards and specifications.

7.4 **Manual(s); Modification of System.**

7.4.1 As soon as practicable following the execution of this Agreement, Company shall lend to Franchisee one copy of the Manual(s), unless Franchisee has entered into this Agreement as a Successor Franchise Agreement. The Manual(s) may be delivered to Franchisee in any media utilized by Company for delivery of the Manual(s), and may be made available exclusively online. The Manual(s) and all amendments to the Manual(s) (and copies) are copyrighted and remain Company's exclusive property. They are loaned to Franchisee for the Term, and must be returned (or if electronic copies are stored by Franchisee, deleted) to Company immediately upon the termination or expiration (including nonrenewal) of this Agreement. The Manual(s) are highly confidential documents which contain certain Confidential Information of Company. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Manual(s) except as reasonably necessary to perform Franchisee's obligations under this Agreement. Franchisee must immediately notify Company if all or any portion of the Manual(s) loaned to Franchisee is lost, or destroyed, or any electronic security measures are violated or breached.

7.4.2 The subject matter of the Manual(s) may include: forms, information relating to product specifications, recipes, purchase orders, hours of operation, Standards, general operations, labor management, Net Sales reports, reporting requirements, training and accounting; sanitation; staff certification, design specifications and uniforms; display of signs and notices; authorized and required Information Systems, inventory requirements; equipment requirements; FFE; Mark usage; insurance requirements; lease requirements; ownership requirements; decor; standards for management, personnel and hours of operation; local advertising formats; maintenance and appearance requirements; procedures upon the occurrence of a Crisis Management Event; procedures regarding and notices to customers about complaints and feedback submission; participation in surveys and mystery shopper programs; and such other matters and policies as Company may elect to include.

7.4.3 Company has the right to develop, operate and change the System in any manner, and Company shall have the right to modify the Standards and Manual(s) at any time (by the addition, deletion or other modification to the provisions thereof), but no such modifications shall alter Franchisee's fundamental status under this Agreement. Modifications to the Standards and/or Manual(s) shall become effective upon delivery of written or electronic notice to Franchisee unless a longer period is specified or set forth in the notice. Electronic notice may be given through e-mail, postings to the Intranet, or other electronic means. Franchisee agrees that Company reserves the right and privilege, in its discretion, to vary the Manual(s) and Standards for any franchisee or group of franchisees based on the peculiarities of any condition or factors that Company considers important. Franchisee has no right to require Company to grant Franchisee a similar variation or accommodation. The Manual(s) are an integral part of this Agreement.

7.5 **Best Efforts.** Franchisee shall diligently operate the Franchised Business in a manner calculated to achieve the maximum Net Sales possible from the Franchised Business. Without limiting the foregoing and unless different hours are set forth in the Manual(s), the Franchised Business must be open and operating and actively accept telephone calls and be capable of accepting messages during the hours the hours set forth in the Manual(s).

7.6 **Notification of Legal Proceedings; Crisis Management Events.**

7.6.1 Franchisee shall notify Company in writing promptly (but in any event within 1 day) after Franchisee receives notice of (i) any violation, report, fine, test result or the like from a Governmental Authority, (ii) the commencement of any incident that Franchisee reasonably believes may adversely affect the operation or financial condition of Franchisee, the Franchised Business or the System; (iii) the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other Governmental Authority that pertains to the Franchised Business, the Marks or the System, or (iv) any other event or circumstance that may adversely affect Franchisee's operation of the Franchised Business or ability to meet its obligations. Franchisee shall promptly send a copy of all relevant communications and documents to Company. Franchisee shall correct any deficiencies within 5 days or such fewer number of days as required by Applicable Law or the Governmental Authority.

7.6.2 Upon the occurrence of a Crisis Management Event, Franchisee shall immediately inform Company by telephone and email (or other electronic messaging medium authorized by Company for this purpose) and comply with the processes and procedures set forth in the Manuals(s) pertaining to Crisis Management Events. Franchisee shall cooperate fully with Company with respect to Company's response to the Crisis Management Event. In the event of the occurrence of a Crisis Management Event, Company may require Franchisee to temporarily cease operating the Franchised Business and/or establish emergency processes and procedures pursuant to which Company may require Franchisee to take other actions or refrain from taking certain actions. Company shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby by any closure or processes or procedures instituted as a result of a Crisis Management Event.

7.7 **Signs.** Franchisee shall obtain and maintain approved signs and/or awnings identifying the Franchised Business, which shall conform in all respects to the Standards and the layout and design plan approved for the Franchised Business, subject only to restrictions imposed by Applicable Law. On receipt of notice by Company to alter any existing sign and in connection with any required remodeling of the Premises, Franchisee will complete the required changes within a reasonable time period, at its cost. Company shall reimburse Franchisee for the cost of any required changes in Franchisee's signs and/or awnings if Company requires Franchisee to implement a change to the same (other than as a result of the Franchisee's failure to comply the Standards) more than 2 times in any 6 consecutive month period. Franchisee shall not place additional signs or posters on the Premises without the written consent of Company. Franchisee shall not use or display any name, mark, design, or slogan in the operation of the Franchised Business except those expressly authorized by Company and must promptly cease using any advertisement, sign, display, name, mark, design, or slogan, whether previously authorized or not, immediately upon demand by Company.

7.8 **Uniforms and Employee Appearance.** Franchisee shall cause all of its personnel while working for Franchised Business to: (i) wear uniforms in accordance with the Standards, and (ii) present a neat and clean appearance. Franchisee shall not permit personnel to wear the required uniform except while working in the Franchised Business, or while commuting to and from work in the Franchised Business. Company may alter the style or type of uniform from time to time. Unless Company otherwise consents in writing, Franchisee's employees working in the Franchised Business shall be dedicated solely to the Franchised Business and shall not simultaneously work at any other business owned or operated by Franchisee.

7.9 **Co-Branding.** Franchisee may not engage in any co-branding in or in connection with the Franchised Business except with Company's prior written consent. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by an entity other than

Company that is featured or incorporated with the Franchised Business and operated in a manner which is likely to cause the public to perceive it to be related to the Franchised Business.

7.10 **Intranet.** Company may, at its option, establish and maintain an Intranet through which licensees or franchisees may communicate with each other, and Company may disseminate the Manual(s), updates and other confidential information. Company shall have discretion and sole control over all aspects of the Intranet, including its content and functionality. If Company establishes such an Intranet, Franchisee shall acquire, maintain, and update, as reasonably necessary, all computer hardware and software necessary to enable Franchisee to participate on the Intranet. Company will have no obligation to maintain the Intranet, and may discontinue it at any time without liability. If established and if Franchisee is in compliance with its obligations under this Agreement, Franchisee will be given the privilege to use the Intranet subject to Franchisee's compliance with Company's then-current standards of use and usage agreement. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Company's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. At Company's request, Franchisee shall contribute a reasonable amount toward the cost of the Intranet's maintenance, as imposed from time to time by Company. Such contribution shall be established by Company annually and shall be payable within 30 days of demand.

7.11 **Insurance.** Franchisee shall obtain and maintain at all times during the Term insurance coverage in the types and the minimum amounts of coverage set forth in the Manual(s). Each policy of insurance shall designate Company and its designated Affiliates as additional named insureds. All policies shall include a waiver of any rights of subrogation that Franchisee and its insurer(s) might otherwise have against Company and its Affiliates. In the event of damage to the Franchised Business, the proceeds of insurance shall be used to restore the Franchised Business to its original condition as soon as possible, unless Company has otherwise consented in writing to another use of the insurance proceeds. At Company's request, Franchisee shall provide Company certificates of insurance naming Company and its designated Affiliates as additional named insureds. In addition, the certificates shall contain a provision requiring 30 days prior written notice to Company of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain or maintain the required insurance, Company may at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Company's costs in taking such action.

7.12 **Utensils, Fixtures and Other Goods.** All tableware, flatware, utensils, glasses, menus and other like articles used in connection with the Franchised Business shall conform to the Standards, shall be imprinted with Company's Marks, if and as specified by Company, and shall be purchased by Franchisee from a Supplier approved in writing by Company. No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils shall be used in or upon any Restaurant unless expressly approved by Company. Without limiting the foregoing, newspaper racks, jukeboxes, gum machines, games, recreational equipment (e.g., bounce houses, playground equipment, etc.) or coin vending machines will not be installed or otherwise used in or on the Premises without the prior written approval of Company, except that Franchisee may install arcade vending machines at a location in or on the Premises approved in advance and in writing by the Company. No cigarette vending machines shall be installed or otherwise used in or on the Premises, nor shall cigarettes or other tobacco products be sold in or on the Premises.

7.13 **Menus.**

7.13.1 Authorized Products shall be marketed by approved menu formats in the Franchised Business. The approved and authorized menu and menu format(s) may include, in Company's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters related to the menu, whether or not similar to those listed. In Company's discretion, the menu and/or menu format(s) may vary depending upon region, market size, store size, and other factors. Company may change the menu and/or menu format(s) from time to time upon reasonable prior notice, except in the case of exigent circumstances, in which case, no prior notice need be given. Company may also authorize tests for various Restaurants.

7.13.2 Franchisee shall add, delete, or update any Authorized Products to its menu or change the format of the menu according to the instructions contained in a notice from Company. Franchisee shall have 10 days after receipt of written notice or electronic notice to fully implement any such change. Franchisee shall not remove any Authorized Product from Franchisee's menu without Company's written consent, nor may Franchisee take any action which is intended to diminish the maximum sales potential of any of the Authorized Products. Franchisee shall cease selling any product within 10 days after receipt of notice that the product is no longer approved. Company may instruct Franchisee to remove any item from the menu on an emergency basis and Franchisee must comply with such instruction immediately. Company shall not be liable to Franchisee for any losses sustained by Franchisee in connection with such instruction (or Franchisee's failure to comply with such instruction).

7.13.3 All food products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the recipes, instructions and other requirements communicated by Company, or contained in Company's Manual(s), and as required by Applicable Law.

7.13.4 Franchisee will establish the prices charged for goods and services sold by Franchisee, and will provide information regarding its prices to Company as requested. To the extent permitted by Applicable Law, Company will also assist Franchisee in selecting prices for sale of Authorized Products. Company will also review Franchisee's requests for any changes to the menu approved for use at the Franchised Business, but no changes may be made to the menu, including, if permitted under Applicable Law, pricing (or minimum or maximum pricing), unless first approved in writing by Company. Prior to opening the Franchised Business, Company will review approved all items authorized to be sold with the Franchisee and consider any requests by the Franchisee.

7.14 **Methods for Business Communications.** Except for formal notices required by this Agreement (e.g. Notice of Default, etc.), Company and Franchisee may communicate between each other for general business matters by facsimile, telephone, in-person communications, and electronic mail. Company shall assign to Franchisee an electronic mail address ([storename]@pizzafactory.com). The assigned electronic mail account is for general business communications by and between Company and Franchisee and Franchisee is not permitted to utilize the assigned electronic mail account for personal matters. Neither Company, nor any of its employees are obligated to monitor any form of electronic communications or any method of communication other than the assigned electronic mail account mentioned in this provision. Franchisee shall refrain from utilizing its personal social media accounts for the purpose of general business communications, or utilizing the assigned electronic mail account for personal communication. Franchisee shall not use any of the Marks in Franchisee's or its Owner's personal social media accounts.

ARTICLE 8 ADVERTISING AND MARKETING

8.1 **General Advertising Requirements.** Franchisee shall only use, display, transmit, and broadcast advertising, promotion and marketing materials provided or approved by Company from time to time and only shall use and display all material in accordance with the Standards. Franchisee must obtain Company's prior written approval, not to be unreasonably withheld, to use and/or display any advertising, promotion or marketing materials regarding the Franchised Business or the System, including, all print and electronic advertising, networking or social media accounts, postings or listings (including on sites such as Facebook, Instagram Twitter, Pinterest, LinkedIn, Yelp, and YouTube), website postings or listings, mobile and content streaming advertisements, newspaper and magazine advertisements, direct mailers and mail coupons, not provided by Company. If Company consents to Franchisee registering its own social media or similar accounts, Franchisee hereby assigns and shall assign all rights and interests to such accounts to Company. Franchisee shall at all times provide Company with the current username, password and authentication codes necessary for Company to assume control of such accounts upon the expiration or termination of this Agreement. The materials shall be deemed disapproved if Company has not approved such materials within 10 days of submission by Franchisee. Any advertising materials or concepts created by Franchisee and approved by Company are the sole and exclusive property of Company and are hereby assigned to Company. Company may, in its reasonable discretion, require Franchisee to cease using any

advertising materials which it has previously approved, and Franchisee shall cease using such materials upon written notice. All of Franchisee's advertising, promotion and marketing materials shall be completely clear, factual and not misleading and conform to the highest ethical standards and Standards. Franchisee shall not in any medium: (a) use abusive, slanderous or otherwise offensive language; (b) endorse or encourage default of any licensee's or franchisee's franchise or license agreement, or other agreement with Company or its Affiliates; or (c) take any action or make any statement which would disparage Company, or impair, damage or harm the name, reputation, or goodwill of the Marks and/or the System.

8.2 **Local Advertising and Promotion.** Each month Franchisee shall expend no less than 1% of its Net Sales for the preceding month, for local advertising of the Franchised Business ("**Local Advertising Expenditure**"). Franchisee shall deliver evidence of local advertising expenditures in the form and manner prescribed by Company. All contributions to a Co-op Advertising Region and all expenditures for other promotional campaigns shall be in addition to Franchisee's required Local Advertising Expenditure. Franchisee's local advertising shall be targeted to reach only consumers within the Protected Area. Company may not approve requests to advertise in a way that aims at a significantly larger market than the Protected Area without a showing of necessity or good cause from Franchisee. Company may, but shall not be obligated to, require that all such advertising that reaches customers outside the Protected Area conspicuously include the contact information of other Restaurants located in the geographic area covered by the selected advertising media or format, together with one or more legends prescribed by Company, including legends disclosing that the offer is valid only from Franchisee, and may not be valid at non-participating Restaurants.

8.3 **Advertising Fund.**

8.3.1 Franchisee's Advertising Fee shall be contributed to the Advertising Fund. An amount equal to all Advertising Fund revenues and allocations will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised and Company and Company Affiliate owned Restaurants in the United States. These expenditures may include: (a) creative development, production and placement of print and electronic media advertisements, commercials, musical jingles, decals, radio spots, audio advertising, point of purchase materials, direct mail pieces, literature, outdoor advertising, door hangers, and other advertising and promotional materials; (b) creative development, preparation, production and placement of video, audio and written materials and electronic media, including social media campaigns, (c) purchasing artwork and other components for advertising; (d) media placement and buying, including search engine marketing, search engine optimization, and all associated expenses and fees; (e) administering national, regional and multi-regional marketing and advertising programs; (f) market research, marketing studies and customer satisfaction surveys, including the use of secret shoppers; (g) development, production and acquisition of premium items, giveaways, promotions, contests, public relations events, and charitable or nonprofit events; (h) creative development of visual advertisements and marketing materials, including signage, posters, and graphics; (i) recognition and awards events and programs; (j) system recognition events, including periodic national and regional conventions and meetings; (k) website, extranet and/or Intranet development, implementation and maintenance; (l) development, implementation and maintenance of websites and/or mobile applications, bookings/reservations, and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors, including retainers and management fees; (n) public relations and community involvement activities and programs; (o) expenditures for activities conducted for the benefit of co-branding, or other arrangements where products and/or services are offered in conjunction with other marks or through alternative channels of distribution; and (p) expenditures with others joint marketing campaigns, jointly developed advertising and other joint programs.

8.3.2 Company shall determine, in its discretion, the cost, media, content, format, style, timing, allocation and all other matters relating to such advertising, public relations and promotional campaigns. Franchisee acknowledges that some franchisees or licensees of Company may not be required to contribute, or contribute the same percentage of Net Sales, to the Advertising Fund. Nothing in this Agreement shall be construed to require Company or any of its Affiliates to allocate or expend Advertising Fund contributions or allocations so as to benefit any particular franchisee, licensee, Franchisee or group

of franchisees/licensees on a pro rata or proportional basis or otherwise. Except as directed in writing by Company, Franchisee must participate in all advertising, marketing, promotions, research and public relations programs instituted by Company through the Advertising Fund. The Advertising Fund shall, as available, provide to Franchisee marketing, advertising and promotional formats and sample materials at the Advertising Fund's actual cost of producing such items, plus shipping and handling. Any additional advertising shall be at the sole cost and expense of Franchisee. The materials and/or media created utilizing the Advertising Fund may include information regarding acquiring a franchise.

8.3.3 Without limiting the foregoing, Company may do any of the following:

(a) employ individuals, consultants or advertising or other agencies, including consultants or agencies owned by, operated by Company or its Affiliates, to provide services for the Advertising Fund;

(b) compensate Company and/or its Affiliates for internal expenses, including salaries, overhead and administrative expenses incurred in connection with the operation of its marketing/advertising department(s), and the administration of the Advertising Fund, and to otherwise compensate Company and/or its Affiliates for expenses related to the operation of the Advertising Fund;

(c) pay for or charge the Advertising Fund for attorneys' fees and other costs related in any way to claims against Company, any of its Affiliates, and/or the Advertising Fund regarding or in connection with the Advertising Fund. However, Company will reimburse the Advertising Fund for any attorneys' fees and/or costs paid by the Advertising Fund in connection with any action in which Company is finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Advertising Fund;

(d) defer, waive and/or compromise claims with respect to the Advertising Fund;

(e) take legal or other action against any licensee(s) in default of their obligations to the Advertising Fund and settle or compromise claims (and to pay related attorneys' fees and costs);

(f) merge or combine the Advertising Fund with any other marketing or advertising fund otherwise established for Restaurants; and

(g) return or rebate Advertising Fees to a franchisee, which funds the applicable franchisee must spend on local advertising and promotion for such franchisee's Restaurant.

8.3.4 Company may (i) transfer the Advertising Fees to a separate Entity to whom Company has assigned or delegated the responsibility to operate and maintain the Advertising Fund, (ii) deposit the Advertising Fees into a separate account maintained by Company, or (iii) administratively segregate on its books and records all Advertising Fees received from Franchisee and all other licensees of Company. Nothing in this Agreement shall be deemed to create a trust fund, a fiduciary relationship or similar relationship. Although Company does not intend to do so, Company may commingle Advertising Fees with its general operating funds and expend such sums in the manner provided. Company and its Affiliates are not obligated to spend or contribute or allocate to the Advertising Fund any amounts.

8.3.5 If less than the total of all contributions and allocations to the Advertising Fund are expended during any fiscal year, such excess may be accumulated for use during subsequent years. Company may spend in any fiscal year an amount greater or less than the aggregate contributions to the Advertising Fund in that year and may cause the Advertising Fund to borrow funds to cover deficits or invest surplus funds. If Company (or an Affiliate) advances money to the Advertising Fund, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Advertising Fund will be

contributed or allocated to the Advertising Fund. Company may suspend or terminate the Advertising Fund, however, prior to termination, all funds must be expended.

8.3.6 The Advertising Fund will be accounted for separately; provided, however, this separate accounting will not limit Company's right to commingle Advertising Fees with general operating funds. The Advertising Fund may be used to pay all administrative and other costs of the Advertising Fund related to its activities and purposes and/or as authorized by the relevant franchise or license agreements. All taxes of any kind incurred in connection with or related to the Advertising Fund, its activities, contributions and/or any other aspect of the Advertising Fund, whether imposed on Company, the Advertising Fund or any other related party, will be the sole responsibility of the Advertising Fund. Company is not required to prepare audited or other financial statements for the Advertising Fund, or to provide Franchisee with an accounting of how funds were spent; however, (i) if Company prepares financial statements for the Advertising Fund, Company will make the last year's financial statements available to Franchisee within a reasonable period of time after Franchisee's written request; and (ii) an annual unaudited summary of the contributions to, and expenditures of, the Advertising Fund for the last year's activity will be made available to Franchisee within a reasonable period of time after Franchisee's written request.

8.4 **Telephone Numbers and Directory Advertising.** Franchisee will use, for the Franchised Business, telephone numbers of telephone exchanges (or similar designations) in the Protected Area. All advertisements in the yellow pages shall be subject to Company's prior written consent in accordance with Section 8.1.

8.5 **Promotional Campaigns; Loyalty Programs.** From time to time during the Term, Company shall have the right to establish and conduct promotional campaigns on a national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee agrees to participate in such promotional campaigns upon such reasonable terms and conditions as Company may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material (unless provided at no charge through the Advertising Fund). Franchisee shall participate in all customer loyalty and similar programs required by Company and shall participate in on-line customer sales programs required by Company. Franchisee acknowledges and agrees that such participation may involve subscribing and licensing certain technology and accepting coupons issued to customers and discounting product prices.

8.6 **Internet.**

8.6.1 Franchisee shall not develop, create, generate, own, license, lease, participate in, or use in any manner any computer medium or electronic medium (including any internet web-page, e-mail address, website, domain name, bulletin board, social media site or publication, mobile application, bulletin board, newsgroup or other internet-related medium or activity) which medium, or any sponsor or promoter of such medium uses or displays the Marks, or any confusingly similar words, symbols or terms without Company's prior written consent, and then only in such manner and in accordance with the Standards. The term "uses or displays" includes any activity by the medium or any person acting in furtherance of, or on behalf of the medium, pursuant to which existing or prospective customers, Suppliers, licensees or franchisees or others are solicited or directed to the medium through the use of the Marks or by other direct or indirect reference to Company. Franchisee acknowledges that Company has the exclusive unrestricted right to manufacture, produce, license, sell, distribute and/or market products and services (whether or not under the Marks) by means of the internet or internet website. Company may establish sales programs from time to time whereby customers can purchase certain products or services online.

8.6.2 Company shall have discretion over the design, content and functionality of all websites that use or display the Marks. Company may include one or more interior pages that identify Restaurants, by among other things, geographic region, address, telephone number(s), and service items.

8.7 **Co-op Advertising.** Company may, but is not obligated to, establish regions for co-operative advertising ("**Co-op Advertising Regions**"), to coordinate advertising, marketing efforts and programs and maximize the use of local and/or regional advertising media.

8.7.1 If Company creates a Co-op Advertising Region for the region in which the Franchised Business is located, Franchisee shall become a subscriber and member of the Co-op Advertising Region. Franchisee will execute and participate in accordance with the organizational and formation documents prescribed by Company for the Co-op Advertising Region. The size and membership of such regions shall be binding upon Franchisee, and all other similarly situated franchisees of the System and Company or such Affiliate of Company, if it operates Restaurant(s) in the region; provided, however, that Company reserves the right to exempt itself, its Affiliates and/or certain franchisees from participation, including in connection with Restaurants at Non-Traditional Venues in the region. At all meetings of Co-op Advertising Region each participating member shall be entitled to one vote for each Restaurant located within the Co-op Advertising Region or such other vote as may reasonably be determined by Company.

8.7.2 Franchisee and other members of the Co-op Advertising Region, whose agreements require their participation, will contribute to the Co-op Advertising Region such minimum amount as may be determined by Company, but such minimum amount designated by Company will not exceed 2% of Net Sales (the "**Co-op Minimum**"); provided however, the rate of contribution may be changed from time to time upon the affirmative vote or consent of at least a majority of the voting power of the Co-op Advertising Region, but the Co-op Advertising Region may not reduce the contribution rate below any minimum established by Company.

8.7.3 Each Co-op Advertising Region will decide the use of funds available to it for advertising or marketing. The Co-op Advertising Region shall then in writing request approval from Company. Company shall not withhold its approval unreasonably, but no placement of advertising or commitment of funds on behalf of a Co-op Advertising Region will be made without Company's prior written approval. Company reserves the right to establish standards concerning the operation of the Co-op Advertising Region, advertising agencies retained by Co-op Advertising Region, and advertising programs conducted by Co-op Advertising Region. Any disputes (other than pricing) arising among or between Franchisee, other franchisees, and/or the Co-op Advertising Region may be resolved by Company whose decision shall be final and binding on all parties. No Co-op Advertising Region may appoint or pay from the funds collected by the Co-op Advertising Region fees or costs of any advertising agency or buying group without the prior written consent of Company.

8.8 **Franchise Advisory Council.** Company has established a franchise advisory council ("**Franchise Advisory Council**") to provide informal advice to the Company regarding marketing programs. Company will solely control the establishment, modification, continuance, and other decisions or considerations relating to the Franchise Advisory Council. If required by Company, Franchisee shall from time to time participate in the Franchise Advisory Council on the terms prescribed by Company.

ARTICLE 9 PRODUCTS, SERVICES AND SUPPLIERS

9.1 **Products and Services the Franchised Business Offers.** The Franchised Business must advertise, use and offer for sale all and only Authorized Products that Company periodically specifies or approves to be advertised, used, offered or sold from the Franchised Business. Franchisee may not use, offer, sell or otherwise distribute from the Franchised Business any products or services that Company has not specified or approved to be offered or sold from the Franchised Business. All Authorized Products must be offered, sold and distributed under the specific name(s) designated by Company and shall be prepared, served, purchased, inventoried, performed, displayed, and stored in accordance with the recipes and Standards. At all times, Franchisee shall (i) purchase and maintain in inventory such types and quantities of Authorized Products (and ingredients for such products) as are needed to meet reasonably anticipated consumer demand; and (ii) have working in the Franchised Business a sufficient number of fully trained employees to meet reasonably anticipated consumer demand for goods and services. All sales by Franchisee shall be for retail consumption only.

9.2 Product Lines and Service; Purchases of Goods and Services.

9.2.1 Company reserves the right periodically to designate and approve Standards and/or suppliers of FFE and other ingredients, products and services that Company periodically authorizes

to be prepared, served or provided from the Franchised Business or provided for use at or sale from the Franchised Business, including services, ingredients, merchandise, displays, fixtures, equipment, uniforms, supplies, packaging, forms, Information Systems and other products, goods and services. Franchisee shall purchase or lease all FFE, Authorized Products, Information Systems, ingredients, and other products and services for the Franchised Business only according to the Standards and, if Company requires, only from Suppliers designated or approved by Company, as applicable, from time to time.

9.2.2 As designated or specified by Company from time to time, Franchisee shall purchase authorized ingredients, products and services from: (i) Company or its Affiliates (if they sell or provide the same); (ii) suppliers designated by Company; (iii) suppliers approved by Company; or (iv) suppliers selected by Franchisee and with Company's prior written approval, which, subject to the other terms in his Section 9.2, such approval shall not be unreasonably withheld ("**Suppliers**"). Franchisee acknowledges that Company and its Affiliates may be the sole designated supplier of certain goods and services. If Franchisee desires to purchase or use any ingredients, products or services for or at the Franchised Business that Company has not yet evaluated, or purchase any product or service from a person or Entity (a "**Proposed Supplier**") that Company has not yet approved (for ingredients, products and services that Company requires Franchisee to purchase only from designated or approved suppliers), Franchisee first agrees to submit sufficient information, specifications and samples for Company to determine whether the ingredient, product or service complies with the Standards and specifications and the proposed supplier meets Company's criteria. For each Proposed Supplier, Franchisee shall first deliver written notice seeking approval, which notice shall: (a) identify the name and address of the Proposed Supplier, (b) contain such information as may be requested by Company or required in the Manual(s) (which may include financial, operational and economic information regarding its business and product), and (c) identify the products and/or services desired to be purchased or obtained through the Proposed Supplier. Franchisee or the Proposed Supplier must pay Company in advance (or upon Company's request, reimburse) Company's reasonably anticipated costs to review the Proposed Supplier's application and all current and future reasonable costs and expenses, to inspect and audit the Proposed Suppliers' facilities, equipment, and all product testing costs paid by us to third parties. Upon request, Company will furnish to Franchisee the general, but not manufacturing specifications for non-proprietary products and services if specifications are not contained in the Manual(s). Company may request that the Proposed Supplier furnish Company, at no cost to Company, product samples, specifications and such other information as Company may require. As a further condition of its approval, Company may require a Proposed Supplier to agree in writing: (i) to faithfully comply with Company's specifications and requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and/or other criteria, (ii) to offer and sell goods or services bearing or using the Marks only to licensees and franchisees of Company and only pursuant to a trademark license agreement in form prescribed by Company, (iii) to provide to Company duplicate purchase invoices for Company's records and inspection purposes and (iv) to otherwise comply with Company's reasonable requests. Each Proposed Supplier must agree to comply with Company's usual and customary requirements, including those relating to insurance, indemnification and non-disclosure, and shall demonstrate to the reasonable satisfaction of Company: (a) its ability to provide goods or services, applicable, meeting the Standards; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet such other requirements as determined by Company to be in the best interest of the franchise system. Company has the right to inspect the Proposed Supplier's facilities and to require the Proposed Supplier to deliver product samples or items, at Company's option, either directly to Company or to any third party it designates for testing. Company reserves the right periodically to inspect and re-inspect the facilities and products of any Suppliers with whom Franchisee may deal, designate sources that Franchisee must use, and/or refuse any of Franchisee's requests for any reason, including that Company has already designated an exclusive source (which might be Company or its affiliate) for a particular item or service or if Company believes that doing so is in the best interests of the Company's franchise network.

9.2.3 Company will use its good faith efforts to notify Franchisee of its decision within 15 business days after Company's receipt of Franchisee's request for approval of a Proposed Supplier and other requested information. Should Company not deliver a written approval of the Supplier within such 15 business day period, the Supplier shall be deemed disapproved. Nothing in this article shall require

Company to approve any Proposed Supplier and Company may disapprove any Proposed Supplier for any reason. Without limiting the foregoing, Company may disapprove a Proposed Supplier, if in Company's opinion the approval of the Proposed Supplier would disrupt or adversely impact Company's national or regional distribution arrangements. Company may revoke its approval of a Supplier at any time. Franchisee agrees that at such times that Company establishes a national or regional purchasing program, or exclusive vendor supply contract(s) for any products or services, which Company believes in good faith may benefit Franchisee or Company and its franchisees as a whole, by reduced prices, lower labor costs, production of improved products, reliability in supply, improved distribution or raw material cost control, Franchisee will participate in such purchasing program or vendor contract(s) in accordance with its terms.

9.2.4 Company and/or its Affiliates may derive revenue and profit based on Franchisee's purchases and leases, including from charging Franchisee for products and services that Company or its Affiliates provide to Franchisee. Company and/or its Affiliates may derive revenue and other material consideration, from promotional allowances, volume discounts and other payments by suppliers that Company designates, approves or recommends for some or all of Company's franchises. Company and its Affiliates may collect or receive rebates, allowances, credits or other consideration in the form of cash or services or otherwise from Suppliers based on purchases or sales by Franchisee. Company and its Affiliates may retain for itself or themselves, or use as it or they deem appropriate, any or all such cash or non-cash rebates, allowances, credits or other consideration.

9.2.5 On the expiration or termination (including nonrenewal) of this Agreement, or in the event of any default by Franchisee of this Agreement, Company or its Affiliates shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee. Company may, and Company may notify Suppliers to, limit the quantities of products and services sold or provided to Franchisee to only those quantities as may be reasonably necessary to fulfill the customary needs of a typical Restaurant. Company may notify Suppliers of any impending termination or expiration (including nonrenewal) of this Agreement and may, among other things, instruct such Suppliers to provide only such quantity of products and services as is reasonably necessary to supply Franchisee's needs prior to expiration or termination (including nonrenewal) of this Agreement.

9.2.6 Franchisee shall authorize all third parties from whom/which Franchisee receives product or services utilized in any aspect of the Franchised Business to release any and all information and documents pertaining to such products or services directly to Company and communicate with Company regarding the Franchised Business and the purchase and sale of goods and services by Franchisee. Said authorization to said third party must be provided by Franchisee either at the time Franchisee engages or contracts with said third party or promptly upon Company's demand that they provide said third party with such authorization.

9.3 Purchases from Company or its Affiliates.

9.3.1 All ingredients, products and services purchased from Company or its Affiliates shall be purchased in accordance with the purchase order format and policies of Company or its Affiliate, the current form of which may be set forth in the Manual(s). Purchases shall be on Company's or its Affiliate's then-current price, delivery and other terms and conditions which Company or its Affiliate may change on at least 15 days prior written notice. Franchisee further acknowledges that prices Company or its Affiliate charges to Franchisee may include a profit to Company or its Affiliate. No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Company (or its Affiliate), nor be deemed complete unless all of the information required by the prescribed purchase order form is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Company unless such term or condition is expressly accepted by Company or its Affiliate in writing.

9.3.2 Company or its Affiliate may discontinue the sale of any Authorized Products or any other products and services at any time if in Company's or its Affiliate's judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. If any products or services sold by Company or its Affiliate are not in sufficient supply to fulfill all orders, Company or its Affiliate may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way

Company or its Affiliate deems appropriate, which may result in Franchisee not receiving any allocation of certain products or services as a result of a shortage. All orders by Franchisee shall be subject to acceptance by Company or its Affiliate at Company's or its Affiliate designated offices, and Company or its Affiliate reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Company or its Affiliate may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

9.3.3 Company or its Affiliate shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Company's or its Affiliate's reasonable control including such events as labor or material shortages, product shortages, conditions of supply and demand, import/export restrictions, or disruptions in supply sources. In such event, Company may suggest alternative products to fulfill an order.

9.3.4 From time to time upon Company's or its Affiliate's request, Franchisee shall promptly estimate the level of purchases that Franchisee expects to make over the two weeks following the date of the request.

9.3.5 WITH RESPECT TO ANY EQUIPMENT, INGREDIENTS, PRODUCTS, SERVICES, GOODS OR SUPPLIES PROVIDED BY COMPANY OR ITS AFFILIATES, OTHER THAN SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH SUCH ITEMS, IF ANY, SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES BY COMPANY OR ITS AFFILIATES, EXPRESS OR IMPLIED, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE AND NON-INFRINGEMENT, BEING EXPRESSLY DISCLAIMED, NOR DO THERE EXIST ANY EXPRESS OR IMPLIED WARRANTIES AS TO THE DESIGN, CONDITION, CAPACITY, PERFORMANCE OR ANY OTHER ASPECT OF SUCH ITEMS OR THEIR MATERIAL OR WORKMANSHIP.

9.4 **Customer Reporting; Comment Cards.** At Company's request, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Company, of Franchisee's customers and, subject to Applicable Law to the contrary, shall allow such information to be used by Company. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party, except as required for the operation of the Franchised Business and then only as permitted by Applicable Law. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. Company may require Franchisee to use or display customer comment and other cards (or similar customer comment information), and signs displaying email addresses and telephone numbers in the manner specified in the Manual(s). Franchisee must subscribe to the secret shopping service Company designates from time to time. Upon request, Franchisee shall pay Company or its designee fees to compensate Company or such designee for providing secret shopper services.

ARTICLE 10 REPORTS, BOOKS AND RECORDS, INSPECTIONS

10.1 **General Reporting.** Franchisee shall, in the form and manner specified by Company, submit to Company statistical control forms and such other financial, operational and statistical information as Company may require from time to time (collectively, the "**Information**") including to: (i) assist Franchisee in the operation of the Franchised Business in accordance with the System; (ii) allow Company to monitor Franchisee's Net Sales, purchases, costs and expenses; (iii) enable Company to develop chain-wide statistics which may improve bulk purchasing; (iv) assist Company in the development of new Authorized Products or the retirement or removal of existing required or recommended products and/or services offered at the Franchised Business; and (v) generally improve chain-wide understanding of the System. Without limiting the generality of the foregoing:

10.1.1 Franchisee shall also submit condensed reports of daily gross sales and Net Sales to Company each Accounting Period in accordance with the Standards.

10.1.2 On or before the 10th day following each calendar month or other fiscal period designated by Company, Franchisee shall make available to Company for electronic polling (or at Company's request submit) a gross sales and Net Sales report prescribed by Company, which shall be certified by an officer of Franchisee to be accurate and complete, reporting all Net Sales for the preceding calendar month or other fiscal period designated by Company, as applicable, together with such additional financial information as Company may request.

10.1.3 On or before the end of the calendar month or other fiscal period designated by Company, Franchisee shall submit to Company financial statements and other records, including daily and monthly sales, income, expense and inventory data, in a form specified by Company, on or before the last business day of the following month for the preceding calendar month or other fiscal period designated by Company, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Company and in accordance with generally accepted accounting principles, which shall be certified by an officer of Franchisee to be accurate and complete.

10.1.4 Within 60 days following the end of each calendar year and/or other fiscal period designated by Company, Franchisee shall submit to Company an unaudited annual financial statement prepared in accordance with generally accepted accounting principles. Such statement shall be in the form reasonably required by Company, which shall be certified by an officer of Franchisee to be accurate and complete. Upon Company's request, Franchisee shall submit to Company a copy its signed federal, state and local income tax forms for the year(s) requested by Company. Upon Company's request, Franchisee shall also provide Company with copies of signed original sales and use tax forms filed with the applicable Governmental Authority. Company reserves the right to require further information concerning the Franchised Business as Company may from time to time reasonably request.

10.2 **Inspections.** Company, its representatives (including franchise business consultants) and/or licensor(s)' (each a "**Representative**"), if any, shall have the right to inspect all aspects of the Franchised Business, observe operations, and/or inspect or observe all other aspects of the Franchised Business wherever located, before, during or after business hours, to examine same, confer with Franchisee's employees, inspect the same, and to determine whether the business is being conducted in accordance with this Agreement, the System and the Standards. Representatives will have the right to interview present and former customers. The Representatives shall use reasonable efforts to avoid materially disrupting the operation of the Franchised Business. Without limiting Company's rights under other sections of this Agreement, if any inspection reveals a deficiency or unsatisfactory condition under this Agreement, the Standards, System or the Manual(s), including quality, cleanliness, service, health and safety, and Authorized Products, Company will notify Franchisee in writing of Franchisee's non-compliance and Franchisee shall promptly (but not later than 30 after notice) correct or repair such deficiency or unsatisfactory condition, which corrective action may include temporarily closing the Franchised Business.

10.3 **Audits.** Franchisee shall prepare, and keep for not less than 7 years following the end of each of its fiscal years, or such longer period required under Applicable Law, adequate books and records showing daily receipts, applicable sales tax returns, all pertinent sales slips and transaction records, and Information System and point of sale records, and such other sales records as may be reasonably required by Company in a form suitable for an audit of its records by an authorized auditor or agent of Company. Company, its agents or representatives may, at any reasonable time before, during or after normal working hours, audit or review Franchisee's books and records. Company may also conduct the audit using electronic means and/or at a site other than the Protected Area and Franchisee shall provide all information promptly upon demand (but not later than 5 days following the date of the request). If any audit or other investigation reveals an under-reporting or under-recording error, then upon demand Franchisee shall pay the amount determined to be owed, plus interest at the highest rate permitted by Applicable Law, but not to exceed 12% percent per annum. In addition, if an audit or other investigation reveals an under-reporting or under-recording error of 5% or more, then in addition to any other sums due and in addition to any other rights and remedies, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Company, which shall include Company's Travel Expenses and reasonable accounting and legal expense. If such an audit or other investigation reveals an overpayment to Company, Company shall

promptly pay Franchisee the amount of the overpayment or, at Company's option, apply such overpayment to any then outstanding amounts due to Company by Franchisee.

10.4 Books and Records. Franchisee shall maintain an accounting and record keeping system, in accordance with sound business practices, which shall provide for accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manual(s). Franchisee shall maintain accurate, adequate and verifiable books and supporting documentation relating to such accounting information. Franchisee shall engage and maintain an independent bookkeeper or certified public accountant for the Franchised Business. In order to qualify as being "independent," the bookkeeper or certified public accountant must be an independent contractor whose services are available to the public generally, maintains a business location separate from the Franchised Business, has no equity interest in the Franchised Business, and is not related by blood or marriage to the of the franchisee nor employs anyone who has such a relationship or equity interest. Franchisee shall provide to Company the name, address, telephone number, and email address of any independent bookkeeper or certified public accountant Franchisee engages to comply with this subsection upon request by Company. Any changes in that information shall be provided by Franchisee to Company within two days of Franchisee learning of those changes. Franchisee will also authorize any independent bookkeeper or CPA to release to Company any information pertaining to the operation of the Franchised Business upon request by Company made directly to said bookkeeper or CPA. Franchisee shall maintain and utilize the chart(s) of accounts and formats specified from time to time by Company. The bookkeeping information necessary to compile the sales, income, expense and inventory data for each month shall be set forth in the form required by Company and shall be mailed or hand delivered to the Franchisee's independent bookkeeper or CPA of choice on or before 15 days after the end of each month to insure that such monthly information is available to Company within the time stated herein.

ARTICLE 11 TRADEMARKS

11.1 Use of Marks. Subject to Section 11.5, the Franchised Business shall be operated under the name and Marks specified by Company. Franchisee shall use and display Company's trade dress, Marks, and such signs, advertising and slogans only as Company may prescribe or approve. Franchisee will: (i) maintain the highest standard of quality in the provision, operation, promotion, marketing and advertising of all products and services; (ii) provide high quality services to the public similar, and at least equal to, the type, quality, and distinguishing characteristics of the services being offered by Company and its Affiliates; and (iii) display the Marks in accordance with the Standards. Upon expiration or sooner termination (including nonrenewal) of this Agreement, Company may execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary or appropriate to end and cause the discontinuance of Franchisee's use of the trade dress and Marks, and Company is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so. Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the prior written approval of Company. Franchisee shall not use the Marks in connection with any assignment or offering of securities or any request for credit without the prior written approval of Company. Company may withhold or condition any approval related to the Marks. Franchisee shall identify the Franchised Business as independently owned and operated under a license from Company, in the form and manner specified by Company, including on all invoices, order forms, receipts, checks, business cards, on posted notices at the Franchised Business and in other media and advertisements. Company may withhold or condition any approval related to the Marks.

11.2 Non-Use of Trade Name. If Franchisee is an Entity, it shall not use Company's Marks, or Company's trade name, or any words or symbols which are confusingly similar, phonetically or visually, to the Marks, as all or part of Franchisee's name.

11.3 Non-ownership of Marks. Nothing in this Agreement shall give Franchisee, and Franchisee shall not assert, any right, title or interest in Company's trade dress, or to any of the Marks or the goodwill attributable to the Marks. Franchisee is granted only a license during the Term to display and use the Marks according to the terms and conditions of this Agreement. All goodwill accrued by, and due to, Franchisee's use of the Marks anywhere shall be the sole and exclusive property of Company.

11.4 Defense of Marks; Prosecution of Infringers.

11.4.1 If Franchisee receives notice, or is otherwise informed, of any claim, suit or demand against Franchisee of any alleged infringement, unfair competition or similar matter on account of its use of the Marks or trade dress, Franchisee shall promptly notify Company of the same. Company shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim, but Company shall not be obligated to take any such action, however. Franchisee shall not settle or compromise any claim by a third party without the prior written consent of Company. Company shall have the sole right to defend, compromise or settle any claim, in its discretion, at Company's sole cost and expense, using attorneys of its own choosing.

11.4.2 If Franchisee receives notice or learns that any unauthorized third party is using Company's trade dress or Marks or something similar, Franchisee shall promptly notify Company. Company shall then determine whether or not it wishes to take any action against such third person. Franchisee shall have no right to make any demand against any alleged infringer or to prosecute any claim of any kind or nature whatsoever against any alleged infringer for or on account of such infringement.

11.4.3 Franchisee agrees to sign any documents and take any other reasonable actions that, in the opinion of Company's or its licensor's attorneys, are necessary or advisable to protect and maintain Company's (and its licensor's) interests in any litigation or Patent and Trademark office or other proceeding or otherwise to protect and maintain Company's (and its licensor's) interest in the Marks. Franchisee may participate at its own expense in such defense or settlement, but Company's decisions with regard to the disposition of a claim shall be final. Franchisee agrees not to communicate with any person or Entity other than Company and its licensor, their respective attorneys, and Franchisee's attorneys regarding any infringement, challenge or claim.

11.5 **Modification of Marks.** From time to time Company may add to, delete or modify any or all of the Marks and trade dress. Franchisee shall, use, or cease using, the Marks and/or trade dress at its expense including any modified or additional trade names, trademarks, service marks, logotypes, commercial symbols, and trade dress in accordance with the Manual(s) and Standards. Except as Company may otherwise direct, Franchisee shall implement any change within 60 days after notice by Company at Franchisee's expense.

11.6 **Acts in Derogation of the Marks.** Franchisee agrees that Company's trade dress and the Marks are the exclusive property of Company and/or its Affiliates and Franchisee now, and will hereafter, assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed and/or franchised use thereof, or otherwise. Franchisee further agrees that it is familiar with the standards and high quality of the use of the trade dress and Marks, and Franchisee agrees that it will maintain this standard in its use of the Marks and trade dress. All use of the Marks and trade dress by Franchisee inures to the benefit of Company. Franchisee shall not contest or assist anyone in contesting at any time, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Company or its Affiliates in connection with the same, either during the Term or thereafter, and that it will use the Marks and Company's trade dress only for the uses and in the manner permitted under this Agreement. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Company's trade dress and/or the Marks by any other franchisee or licensee of Company; or (ii) divert or attempt to divert any business or any customers of the Franchised Business to any other person or Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

11.7 **Assumed Name Registration.** If required by Applicable Law, Franchisee shall promptly upon the execution of this Agreement file with Governmental Authorities a notice of its intent to conduct its business under the Mark(s) designated by the Company with only such additional prefix or suffix, if any, as may be required by Company. Promptly upon the expiration or termination (including nonrenewal) of this Agreement Franchisee shall execute and file such documents as may be necessary to revoke or terminate such assumed name registration, or any other registrations or filings, and if Franchisee fails to promptly

execute and file such documents, Franchisee hereby irrevocably appoints Company as its attorney-in-fact to do so for and on behalf of Franchisee.

11.8 Use of Other Trademarks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person or Entity in connection with the operation of the Franchised Business without the prior written consent of Company.

ARTICLE 12

COVENANTS REGARDING OTHER BUSINESS INTERESTS

12.1 Non-Competition.

12.1.1 Franchisee acknowledges that the System is distinctive and has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and Confidential Information regarding the System. Franchisee recognizes its obligations to keep confidential such information as set forth in this Agreement. Franchisee therefore agrees as follows:

(a) During the Term, no Restricted Person nor any Immediate Family Member shall in any capacity, either directly or indirectly, through one or more affiliated Entities, (i) engage in any Competitive Activities, (ii) divert or attempt to divert any business or customers of the Franchised Business to any other person or Entity, or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

(b) To the extent permitted by Applicable Law, upon (i) the expiration or termination (including nonrenewal) of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Restricted Person's relationship with Franchisee, each person who was a Restricted Person or Immediate Family Member before such event shall not for a period of three (3) years thereafter, either directly or indirectly, through one or more affiliated Entities engage in Competitive Activities within the Protected Area and within a radius of 10 miles from any then-existing Restaurant.

12.1.2 Franchisee shall require his or her management personnel and, if applicable, each of its Owners to sign a non-competition agreement prohibiting said individuals from engaging, either directly or indirectly, or in an advisory capacity, in any competing business wherever located while an Owner or employee of Franchisee and for a period of time following termination of that position in the franchise and protecting Company's trade secrets. Franchisee shall provide a copy of said non-competition agreement signed by each person, whether or not an employee of Franchisee, to Company within ten days of executing this Agreement, within ten days of any person becoming an Owner, prior to any assignment or transfer of an ownership interest in Franchisee or prior to assuming the duties of a management employee.

12.2 Confidential Information.

12.2.1 Restricted Persons may have access to proprietary and trade secret information, including the Confidential Information, Standards, recipes, secret ingredients, procedures, concepts and methods and techniques of developing and operating a Restaurant and producing Authorized Products. Company may disclose certain of its Confidential Information to Restricted Persons in the Manual(s), bulletins, supplements, confidential correspondence, or other communications, and through Company's training program and other guidance and management assistance. No Restricted Person shall acquire any interest in the Confidential Information other than the right to use them in developing and operating the Franchised Business during the Term. A Restricted Person's duplication or use of the Confidential Information in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Confidential Information in any business or other endeavor other than in connection with the Franchised Business; (ii) refrain from disclosing the Confidential Information and maintain the absolute confidentiality of the Confidential Information during and after the Term; and (iii) make no unauthorized copy of any portion of the Confidential Information, including the Manual(s), bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral.

In addition to any procedures prescribed by Company, Franchisee shall implement reasonable procedures prevent unauthorized use and disclosure of the Confidential Information. If Franchisee has any reason to believe that any employee or Restricted Person has improperly used or disclosed the Confidential Information, Franchisee shall promptly notify Company and shall cooperate with Company to protect Company against infringement or other unlawful use, including, the prosecution of any lawsuits if, in the judgment of Company, such action is necessary or advisable.

12.2.2 "Confidential Information" shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Company's disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Company or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of Company's Confidential Information. The burden of proving the applicability of the foregoing will reside with Franchisee.

12.2.3 In view of the importance of the Marks and the Confidential Information and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth in this Agreement, the parties agree that each party shall have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the jurisdiction of the courts of the state and Federal courts of the state where Company's headquarters is located. Franchisee agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

12.2.4 Franchisee shall obtain covenants similar to those in Sections 12.1 and 12.2 from Restricted Persons, and such other management personnel that have access to the Confidential Information, as Company may specify. Company may regulate the form of agreements Franchisee uses and may require that Company be an express third party beneficiary with the right to enforce such agreements. Promptly upon Company's request, Franchisee shall deliver executed copies of such agreements to Company.

12.3 **Certain Developments.** All ideas, concepts, techniques or materials relating to a Restaurant ("**Developments**"), whether or not protectable intellectual property and whether created by or for Franchisee or its Owners, employees or contractors, must be promptly disclosed to Company and will be deemed to be Company's sole and exclusive property and works made-for-hire for Company. To the extent any Development does not qualify as a "work made-for-hire" for Company, by this section, Franchisee hereby assigns and shall assign ownership of that item, and all related rights to that item, to Company and agrees to sign (and cause its Owners, employees and contractors to sign) whatever assignment or other documents Company requests to evidence Company's ownership and to help Company obtain intellectual property rights in the item. Franchisee may not use any Development in operating the Franchised Business or otherwise without Company's prior written approval.

12.4 **Press Releases.** Unless required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Franchised Business or any Crisis Management Event shall be made by Franchisee without the prior written consent of Company.

12.5 **Effect of Applicable Law.** In the event any portion of the covenants in this Article violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Company and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Article shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

ARTICLE 13
NATURE OF INTEREST, ASSIGNMENT; SECURITY INTEREST

13.1 Assignment by Company. This Agreement is fully transferable by Company without the consent of Franchisee, and shall inure to the benefit of any transferee or the legal successor to Company's interests in this Agreement. Company may, in whole or in part, (i) assign or delegate any or all of its rights and obligations under this Agreement; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other Entities, or be acquired by other persons or Entities; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above or similar actions. Company shall have no liability for the performance of any obligations contained in this Agreement after the effective date of a transfer or assignment. In connection with any of the foregoing, at Company's request, Franchisee shall deliver to Company a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Franchisee is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Company may reasonably request; and Franchisee agrees that any such statements may be relied upon by Company and any prospective purchaser, assignee or lender of Company.

13.2 Assignment by Franchisee.

13.2.1 The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Company in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Franchised Business. Accordingly, neither Franchisee nor any Owner (other than Company, if applicable) shall cause or permit any Assignment without Company's prior written consent, which consent shall not be unreasonably withheld. If Company grants its consent, Company may impose any condition, including some or all of the following (any of which may be waived by Company), each of which the parties deem to be reasonable:

(a) that Franchisee provide a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Company may reasonably request. Company shall have the right, without limitation, to consider whether the price and terms of payment are so burdensome as to adversely affect the Franchised Business;

(b) that Franchisee's rights and obligations to occupy such location shall have been assigned to, and assumed by, the transferee, and that any applicable consent to such transfer has been obtained, and all pertinent documentation been delivered to Company for Company's review and acceptance;

(c) that Franchisee's right to receive payments in connection with the Assignment shall be subordinated to Company's rights to receive any outstanding monetary obligations or other outstanding obligations due from Franchisee or transferee under any agreement with Company or any Affiliate, whether arising before or after the Assignment;

(d) that Franchisee provides Company a true and correct list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Company may require;

(e) that Franchisee shall have complied with Section 13.3 and Company shall not have exercised the ROFR;

(f) that Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), all agreements with Company's Affiliates, the Manual(s) or any other obligations owed Company;

(g) that all obligations to third parties in connection with the Franchised Business shall have been satisfied or assumed by the transferee;

(h) that Franchisee, and its Owners, if Franchisee is an Entity, shall execute a general release, in a form prescribed by Company, of any and all known and unknown claims against Company and its Affiliates and their Owners, officers, directors, agents, and employees;

(i) that the transferee/assignee shall have demonstrated to Company's satisfaction that it meets all of Company's then-current Standards for new Restaurant operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the operation of the Restaurant, and the ability to fully comply with the terms of this Agreement;

(j) that the transferee/assignee shall have agreed, under a written assumption agreement approved by Company, that at closing, the transferee/assignee shall, at Company's option, either (a) assume this Agreement; provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any continuing obligations; or (b) execute a replacement franchise or license agreement on the then-current form of franchise agreement used by Company in the State in which the Franchised Business is being operated, provided, however, that the term of the replacement franchise or license agreement shall be, at Company's option, the remaining term of this Agreement, unless Company otherwise agrees; and, at Company's request, the transferor/assignor shall have executed a continuing guaranty in favor of Company of the performance and payment by the transferee/assignee of all obligations and debts to Company and its Affiliates under the replacement franchise or license agreement;

(k) that the transferee/assignee agrees to refurbish the Franchised Business as needed (in Company's discretion) to match the then-current Standards;

(l) that there shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Franchised Business;

(m) that Franchisee shall have paid to Company a non-refundable administrative/transfer fee equal to \$15,000 (of which \$12,500 is refundable if Company does not approve the proposed transferee) plus Company's then-current training fees and reimbursement of its employee's Travel Expenses if Company determines that the transferee/assignee must successfully complete the Initial Training Program;

(n) that Franchisee and its Owners agree with the assignee/transferee not to compete after the Assignment in accordance with restrictions acceptable to Company and substantially similar to those provided in this Agreement to the maximum extent permitted by Applicable Law, and Company will be named as a third party beneficiary of such agreement; and

(o) that the transferee/assignee, or its anticipated operating Principal shall have satisfactorily completed the Initial Training Program.

13.2.2 Any purported Assignment occurring by operation of law or otherwise without Company's prior written consent shall constitute a material default of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell the Franchised Business and assign this Agreement in accordance with the terms of this Agreement, Franchisee shall not, without

Company's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, FFE, the Assets, the lease any real property used in connection with the Franchised Business. To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the Assets may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice containing the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest in this Agreement or the Assets.

13.2.3 If Franchisee is an Entity, Franchisee shall promptly provide Company with written notice of each and every issuance of Equity by Franchisee and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment".

13.2.4 Company's consent to an Assignment shall not (a) constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (i) any payment or other duty owed by Franchisee to Company under this Agreement before such Assignment; or (ii) Franchisee's duty of indemnification and defense, whether before or after such Assignment, or (iii) the obligation to obtain Company's consent to any subsequent transfer; or (b) be an indication as to the likelihood of success or economic viability of the assignee/transferee.

13.3 **Right of First Refusal.** If Franchisee or any Owner (other than Company, if applicable) desire to cause or permit any Assignment, then Franchisee and/or such Owner shall notify Company in writing, provide such information and documentation describing or relating to the proposed Assignment as Company may require, and grant Company (and its designee) a right of first refusal (the "**ROFR**") for 60 days following Company's receipt of Franchisee's written notice of the proposed Assignment and copies of all required documentation (the "**ROFR Period**") to purchase the interest which Franchisee or such Owner proposes to transfer, on the same terms and conditions offered by the third party; provided that Company (and its designee) may substitute cash for any non-cash consideration in an amount determined by Company (or designee as applicable), reasonably and in good faith, as the approximate equivalent value of the non-cash consideration. Franchisee shall comply with each of its obligations under this Agreement during the ROFR Period, and Company (and its designee) shall have the right, but not the obligation, to offset any payment due to Franchisee on account of any default hereunder by Franchisee. Notwithstanding the terms and conditions offered by the third party, Franchisee shall make representations and warranties to Company (and its designee) that are customary for transactions of the type proposed, including (1) its power, authority and legal capacity to sell, transfer and assign the property or interests, (2) valid right, title and interest in the property or interests, (3) the absence of all liens, encumbrances and liabilities on the property or interests, and (4) the absence of any violation, in any material respect, or default under, or acceleration of any material agreement or instrument pursuant to which the property or interests to be transferred are encumbered or bound as the result of the sale. If Company (or its designee) elects to exercise the ROFR, Company (or its designee) shall notify Franchisee in writing, and the closing of the transaction shall occur within 60 days after delivery of Company's (and its designee's) notice, subject to the satisfaction of all conditions to closing. If Company (or its designee) does not exercise the ROFR, any material change in the terms of an offer prior to closing, or the failure to close the transaction within 60 days following the ROFR Period, shall cause it to be deemed a new offer, subject to the same ROFR as in the case of the initial offer. Company's (or its designee's) failure to exercise the ROFR shall not constitute consent to the transfer or a waiver of any other provision of this Agreement.

13.4 **Entity Franchisee.** If a Franchisee is an Entity, the following provisions will apply:

13.4.1 Franchisee represents, warrants and covenants that: (a) Franchisee has the authority to execute, deliver and perform its obligations under this Agreement and all related agreements and is duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation; (b) the execution of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party; (c) any individual executing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement will constitute a valid and binding obligation of the Franchisee; and (d) the information set forth in Exhibit E, is accurate and complete in all material respects. Franchisee shall notify Company in writing within 10 days of any change

in the information set forth in Exhibit E, and shall submit to Company a revised Exhibit E, certified by an officer of Franchisee as true, correct and complete. Franchisee promptly shall provide such additional information as Company may request concerning all persons who may have any direct or indirect financial interest in Franchisee. Franchisee shall upon demand reimburse Company for its direct and indirect costs, including reasonable attorneys' fees, to review any revised or supplemental Exhibit E.

13.4.2 All of Franchisee's organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Restaurants. All certificates and other documents representing Equity in Franchisee must bear a legend in a form prescribed by Company referring to this Agreement's restrictions.

13.4.3 All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guaranty in a form prescribed by Company, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee's obligations to Company and to Company's Affiliates. For purposes of determining whether said 10% threshold is satisfied, holdings of spouses (and family members who live in the same household) and Affiliates shall be aggregated. Upon each transfer or assignment of an interest in Franchisee, or other change in ownership interests in Franchisee, and at any other time upon Company's request, said holders shall re-execute a written guaranty in a form prescribed by Company.

13.5 **Business Practices.** Franchisee represents, warrants and covenants to Company that:

13.5.1 As of the Effective Date, Franchisee and each of its Owners (if Franchisee is an Entity) shall be and shall remain in full compliance with all Applicable Laws in each jurisdiction in which Franchisee or any of its Owners, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official, or candidate is an owner or has any investment interest in the revenues or profit of Franchisee;

(b) None of the Assets or interests of Franchisee or any of its Owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Franchisee, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Franchisee) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Franchisee and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended.

(d) Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

13.5.2 Franchisee has taken all necessary and proper action required by Applicable Law and has the right to execute this Agreement and perform under all of its terms. Franchisee shall implement and comply with anti-money laundering policies and procedures that incorporate "know-your-customer" verification programs and such other provisions as may be required by Applicable Law.

13.5.3 Franchisee shall implement procedures to confirm, and shall confirm, that (a) none of Franchisee, its Affiliates, its Owners, any person or Entity that is at any time a legal or beneficial Owner of any interest in Franchisee or that provides funding to Franchisee is identified by name or address on any Terrorist List or is an Affiliate of any person so identified; and (b) none of the Assets or interests of Franchisee is subject to being “blocked” under any Anti-Terrorism Laws.

13.5.4 Franchisee shall promptly notify Company upon becoming aware of any violation of this Section or of information to the effect that any person or Entity whose status is subject to confirmation pursuant to Section 13.5.3 is identified on any Terrorist List, any list maintained by OFAC or to being “blocked” under any Anti-Terrorism Laws, in which event Franchisee shall cooperate with Company in an appropriate resolution of such matter.

13.5.5 In accordance with Applicable Law, none of Franchisee nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or Entity acting in an official capacity on behalf of, the Governmental Authority, or any political party or party official or while knowing that any portion of that money or thing of value will be offered, given or promised, directly or indirectly, to any official to (a) influence any action or decision of the official in any official capacity; (b) induce the official to do or omit to do any act in violation of any lawful duty; or (c) induce the official to influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person or Entity.

13.6 **Security Interest.** Franchisee is required to grant to Company a security interest in all of the property, including FFE associated with the Franchised Business to secure any and all obligations of the Franchisee as set forth in this Agreement. The security interest will be created and perfected by Franchisee executing a security agreement and a UCC-1 financing statement in the general form and style as required by Company from time to time. If necessary, Franchisee agrees to execute a modification of the Security Agreement to provide security in any additional equipment or fixtures acquired for use in the business and execute a UCC-3 form to perfect such modification. The security interest granted to Company must be first in priority and superior to any other security interest granted by Franchisee to any third party except if Franchisee has granted a security interest in such property to a lender for the purpose of financing establishment of the Franchised Business or purchasing property for the business in a reasonable sum, and then Company will accept a security interest second in priority only to that lender. The security agreement and financing statement must be executed and delivered to the Company by Franchisee prior to Franchisee opening the Franchised Business. Additionally, Franchisee is required to provide to Company amendments to the security agreement and financing statement to provide Company a security interest in any and all new property acquired by Franchisee after the opening of the Franchised Business. Such additional grants of security shall also be first in priority and superior to the security interest of any other third party except such security interest may be second in priority to the security interest of a lender or financier of such new property but up to and including the amount of the purchase price of such new property actually loaned or deferred. It is the obligation of the Franchisee to advise the Company of any new acquisitions of property within ten days of the date of acquisition. If the Franchisee is a corporation, limited liability company, limited partnership or other business entity with limited liability protection, all principal owners must also sign the Security Agreement

ARTICLE 14 DEFAULT AND TERMINATION

14.1 **General.** Company shall have the right to terminate this Agreement only for “cause”. “Cause” is hereby defined as a default of this Agreement. Company shall exercise its right to terminate this Agreement in the following circumstances and manners.

14.2 **Automatic Termination Without Notice.** Subject to Applicable Laws of the jurisdiction in which the Franchised Business is operated to the contrary, Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall at Company's election automatically terminate without notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of Applicable Law), shall admit to its inability to meet its

financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against it in the amount of more than \$25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Franchised Business, the Premises, or any of the Assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against the Franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); (iv) a levy of execution or attachment has been made upon the license granted by this Agreement or upon any of the Assets, and it is not discharged within 5 days of such levy or attachment; (v) Franchisee permits any recordation of a notice of mechanics lien against the Franchised Business or any equipment at the Franchised Business which is not released within 60 days, or if any person commences any action to foreclose on the Franchised Business or said equipment; (vi) Franchisee allows or permits any judgment to be entered against Company or any of its Affiliates, arising out of or relating to the operation of the Franchised Business; or (vii) a condemnation or transfer in lieu of condemnation has occurred.

14.3 Option to Terminate Without Opportunity to Cure. Franchisee shall be deemed to be in default and Company may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice by Company upon the occurrence of any of the following events:

14.3.1 Abandonment. If Franchisee shall abandon the Franchised Business. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the Term, to operate the Franchised Business for business for a period of 5 consecutive days, (ii) Franchisee's failure to operate the Franchised Business operating for any period after which it is not unreasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the Franchised Business, unless such failure to operate is due to Force Majeure (subject to Franchisee's continuing compliance with this Agreement), or (iii) failure to actively and continuously maintain and answer the telephones used by Franchisee for the Franchised Business solely with name designated by the Company in accordance with this Agreement (as the same may be modified in accordance with this Agreement).

14.3.2 Assignment, Death or Incapacity. If Franchisee shall purport to make any Assignment without the prior written consent of Company; provided, however, on condition that the Franchised Business continues to be operated in conformity with this Agreement (a) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Company shall allow up to 6 months after such death or legal incapacity for the heirs, personal representatives, or conservators (the "**Heirs**") of Franchisee either (i) assume this Agreement or at Company's discretion, execution Company's then current form of franchise agreement, if Company is subjectively satisfied that the Heirs meet the Standards, or (ii) if not so satisfied, to allow the Heirs to sell the Franchised Business to a person approved by Company, or (b) upon prompt written request and upon the death or legal incapacity of an Owner owning 20% or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 20% or more of any of the Partnership Rights of a Franchisee which is a Partnership, Company shall allow a period of up to 6 months after such death or legal incapacity for the Heirs to seek and obtain Company's consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Company. If, within said 6 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Franchised Business to a person approved by Company pursuant to this Agreement, or fail either to receive Company's consent to the Assignment of such Equity to the Heirs or to another person acceptable by Company, as provided in this Agreement, this Agreement shall thereupon automatically terminate;

14.3.3 Repeated Defaults. If Franchisee shall default in any one or more obligation(s) and Franchisee has previously received 2 or more written notices of default from Company within the preceding 12 months, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure;

14.3.4 Violation of Law. If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Company or Governmental Authority, to comply with any Applicable Law;

14.3.5 Criminal Offences. If Franchisee or any of its Owners, officers, directors, Operating Principal(s), or key employees is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Company, to adversely affect the Company's reputation, System, Marks or the goodwill associated therewith, or Company's interest therein;

14.3.6 Unfair Competition. If there is any breach of ARTICLE 12;

14.3.7 Sale of Unauthorized Products and Services. If Franchisee sells unauthorized products or services to the public after notice of default and thereafter sells such products or services, whether or not Franchisee has cured the default after one or more notices;

14.3.8 Under Reporting. If an audit or investigation conducted by Company hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Company;

14.3.9 Repeated Customer Complaints. Company and/or Franchisee receives repeated customer complaints regarding the Franchised Business that has, or Company reasonably believes may impair the Marks, goodwill associated with the Marks or Company's rights therein;

14.3.10 Failure to Complete Training. If the initial Operating Principal or general manager selected by Franchisee to complete the Initial Training Program fails to successfully complete such program;

14.3.11 Intellectual Property Misuse. If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Company's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Franchised Business, the System, or the Marks generally. Franchisee's unauthorized use, disclosure, or duplication of the "Confidential Information", excluding independent acts of employees or others if Franchisee shall have exercised its best efforts to prevent such disclosures or use; and

14.3.12 Health or Safety Violations. Franchisee's conduct of the Franchised Business is so contrary to this Agreement, the System and the Manual(s) as to constitute an imminent danger to the public health (for example, selling spoiled food knowing that the food products are spoiled or allowing a dangerous condition arising from a failure to strictly comply with any health code or ordinance or other Applicable Law to continue despite Franchisee's knowledge of such condition), or selling expired or other unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices.

14.4 Termination With Notice and Opportunity To Cure. Except for any default by Franchisee under Sections 14.2 or 14.3, Franchisee shall have 30 days (5 days in the case of any default in the timely payment of sums due to Company or its Affiliates) after Company's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Company; provided, however, that such 30 day period shall be extended by Company for a reasonable time (not to exceed 75 days) if in Company's reasonable determination Franchisee is not capable of curing the applicable default within such 30 day period and provided that Franchisee commences to cure such default within such 30 day period and thereafter diligently continues to prosecute such cure to completion. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure. The description of any default in any notice served under this Agreement by Company upon Franchisee shall in no way preclude Company from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or the termination hereof.

14.5 **Reimbursement of Company Costs.** In the event of default by Franchisee, all of Company's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Company's administrative employees shall be paid to Company by Franchisee within 5 days after cure or upon demand by Company if such default is not cured.

14.6 **Notice Required By Law.** Notwithstanding anything to the contrary contained in this Article, in the event Applicable Law limits Company's rights of termination or shall require longer notice or cure periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice and/or cure periods or restrictions upon termination required by Applicable Law. Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

14.7 **Cross-Default.** Any default by Franchisee under the terms and conditions of this Agreement, any lease for the Premises, or any other agreement between Company (or its Affiliate), and Franchisee (or any Affiliate of Franchisee), or any default by Franchisee (or any Affiliate of Franchisee) of its obligations to any Co-Op Advertising Region of which it is a member, shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Company may, at its option, terminate any or all said agreements.

14.8 **Termination by Franchisee.** Franchisee may terminate this Agreement due to a material default by Company of its obligations hereunder, which default is not cured by Company within 60 days after Company's receipt of prompt written notice by Franchisee to Company detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, Company shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion. This is a material term of this Agreement and an arbitrator, judge or referee shall not, and shall not have the power or authority to excuse, waive, modify or change this requirement in any proceeding. If Franchisee terminates this Agreement pursuant to this Section, Franchisee shall comply with all of the terms and conditions of ARTICLE 15.

ARTICLE 15 RIGHTS AND OBLIGATIONS UPON TERMINATION, EXPIRATION, NON-RENEWAL, ETC.

15.1 **General.** In the event of rescission of this Agreement, and/or upon the expiration or termination (including nonrenewal) of Franchisee's rights granted under this Agreement:

15.1.1 Franchisee shall immediately cease to use all Confidential Information, the Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall immediately return the Manual(s), all training materials, CD ROMs, DVDs, records, customer lists, IS Data, files, advertising and promotional materials and all other written materials incorporating or containing Confidential Information. Franchisee shall at its own cost make cosmetic changes to the Franchised Business so that it no longer contains or resembles Company's proprietary designs and trade dress. Franchisee shall remove all materials that would identify the Franchised Business as a Restaurant and otherwise as a business operated under the Marks, System and Standards, and remove distinctive cosmetic features and finishes, lighting, FFE, décor, logos, signs, menus, decals, floor and wall coverings and colors, and exterior finishes and colors, as Company may direct. Franchisee shall, at Company's request, immediately grant Company access to the Franchised Business to make cosmetic changes to the Franchised Business so that it no longer resembles a Restaurant. Company is permitted to identify in the Manual(s) additional actions Franchisee must take following termination or expiration (including nonrenewal) to de-identify the Franchised Business, and Franchisee will timely perform all such additional actions.

15.1.2 Company may retain all fees paid pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts owing to Company, its Affiliates, and/or Suppliers.

15.1.3 Any and all obligations of Company to Franchisee under this Agreement shall immediately cease and terminate.

15.1.4 Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a franchisee or other affiliate of Company.

15.1.5 Franchisee shall transfer and assign to Company or its designee all telephone numbers, white and yellow page listings, on-line telephone listings, all social media accounts and handles, and all other associated listings for the Franchised Business, and Franchisee shall notify the telephone company, all listing agencies, and all social media and other online marketing platforms of the termination or expiration of Franchisee's right to use any telephone number, social media handle or account, and any classified or other telephone directory listings associated with the Franchised Business, and authorize and instruct their transfer to Company, including providing Company with all user names, passwords and authentication tools necessary for Company to assume such handles and accounts.

15.1.6 If Company had authorized Franchisee to use the Marks in connection with the internet, any website or e-mail address, or social media Franchisee shall cancel or assign to Company or its designate, as Company directs, all of Franchisee's right, title and interest in any internet websites or web pages, e-mail addresses, social media listings, domain name listings and registrations which contain the Marks, or any of them, and Franchisee shall notify the persons and Entities of the termination of Franchisee's right to use any domain name, web page, social media listing, and other internet device associated with Company or the Franchised Business, and authorize and instruct their cancellation or transfer to Company, as directed by Company. Franchisee is not entitled to any compensation from Company if Company exercises its said rights or options. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the internet, except with the prior consent of Company.

15.1.7 Franchisee shall immediately return and cease using all Proprietary Systems and following Franchisee's return of such software and data, certify Franchisee's permanent deletion of all electronic copies of the same in Franchisee's possession or control.

15.1.8 In the event Franchisee has registered any of Company's Marks as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Company's Marks and any confusingly similar marks or names therefrom.

15.2 **Termination Without Prejudice.** The expiration or termination (including nonrenewal) of this Agreement shall be without prejudice to the rights of Company against Franchisee and such expiration or termination (including nonrenewal) shall not relieve Franchisee of any of its debts, obligations or liabilities, to Company existing at the time of expiration or termination (including nonrenewal) or terminate those obligations of Franchisee which, by their nature, survive the expiration or termination (including nonrenewal) of this Agreement, including without limitation, any such debt, obligation or liability which was the cause of termination or arose out of such cause. It is expressly understood and agreed that the promises and agreements of Franchisee contained in this Agreement are also for the benefit of Company's Affiliates and designees, and any of them may, in their own names, exercise all rights and remedies necessary or desirable to protect or enforce their respective interests, including, without limitation, obtaining injunctive relief to enforce the obligations of Franchisee set forth in this Agreement.

15.3 **Liquidated Damages.** The parties wish to agree upon a formula for liquidated damages to avoid the cost and expense of litigating damages in the event of Franchisee's breach of this Agreement. The parties agree that it would be extremely difficult or impractical to fix the amount of actual damages in advance because of uncertainties in the marketplace and differing circumstances that might exist at the time of breach, including uncertainly as to the value to Company of having a Restaurant in a particular region or area, the exposure of the business name and trade marks to the public, and marketing of prospective franchises to potentially interested parties. Based upon the estimate that it takes at least two years to find a replacement franchisee in a market, the parties have made a reasonable endeavor to estimate fair compensation for the loss that would be sustained upon a breach by the Franchisee during the term of this Agreement. The parties, therefore, agree that upon the termination of this Agreement due

to the breach of Franchisee, Franchisee shall pay to Company, in addition to any amounts Franchisee is required to pay to Company on account of Section 16.2, as liquidated damages and not as a penalty, twenty-four times the average monthly royalty that was due and payable on the gross receipts of Franchisee over the two years prior to termination (or if Franchisee has not operated its restaurant for two years, then the period from the month following the opening of the restaurant until the month prior to termination of this Agreement). If the breach occurs at a time when there remains less than 24 months remaining in the term of this Agreement, the multiple shall be reduced to the remaining months in the franchise term. The liquidated damages shall be full and complete compensation for any damages that Company would have suffered for the failure of the Franchisee to fulfill the complete term of this Agreement. Any debt of the Franchisee for royalties unpaid at the time of termination, for product purchases, advertising fund fees, or other fees, or other fees and costs will remain to be owed and will be in addition to the agreed upon liquidated damages. The parties further agree that the above-mentioned damages are reasonable and such would have a reasonable relationship to the actual damages, if such could be precisely determined.

15.4 Company's Purchase Option Following Termination or Expiration.

15.4.1 Following termination or expiration of this Agreement other than due to Company's uncured breach, Company (or Company's assignee, if applicable) shall have the option, exercisable by delivering written notice to Franchisee within sixty (60) calendar days from the date of the termination or expiration, to acquire from Franchisee, any or all of the Franchised Business's Assets (including equipment, fixtures, inventory, products, materials, and supplies) as selected by Company;

15.4.2 Company shall be entitled to receive from Franchisee such representations and warranties satisfactory to Company concerning Franchisee's ownership of the Assets, condition of and title to the Assets, and absence of any liens and encumbrances on the Assets, except as Company in good faith deems acceptable in its judgment;

15.4.3 The purchase price for the Assets shall be fair market value of the Assets (except actual cost for useable, unopened inventory and supplies); Company shall have the right to set off from the purchase price all amounts due from Franchisee to Company under this Agreement as well as any other amounts due to Company's Affiliates; in the event Company and Franchisee do not agree on the fair market value of the Assets within three (3) business days of Company's written offer to Franchisee, they shall each appoint (within ten (10) business days of Company's initial offer) an appraiser experienced in used foodservice equipment transactions to appraise the Assets within one week of appointment, both appraisals shall be provided to Company and to Franchisee to further attempt to agree on the fair market value; if Company and Franchisee are unable to agree on fair market value of the Assets within two (2) business days of such discussion, then Company shall have the option of either: (i) paying the average of the two appraisals and proceeding with the purchase; or (ii) canceling the exercise of Company's purchase of the Assets;

15.4.4 Company shall pay Franchisee the purchase price (by corporate check, or offset, or a combination, as applicable) at closing of the purchase; the closing shall take place at a time and place designated by Company within ninety (90) calendar days after Franchisee receives Company's notice of exercise of the purchase option; at closing, Franchisee shall deliver to Company an assignment (and other documentation as Company deems appropriate) transferring good and marketable title to the assets selected by Company, free of liens and encumbrances, with all sales and other transfer taxes paid by Franchisee;

15.4.5 If Company elects, then the parties shall comply with applicable bulk sales provisions of the commercial code in the state where the Franchised Business is located, and Company shall have the right to delay the closing until such compliance is completed; and

15.4.6 At Company's election, as part of the purchase Franchisee shall deliver to Company an assignment of the lease for the Premises (or, if assignment is prohibited, a sublease for the full remaining term and on the same terms as Franchisee's lease); if Franchisee owns the Premises, Franchisee shall lease the Premises to Company pursuant to the terms of a form lease reasonably

designated by Company, for a term selected by Company up to 5 years with two successive 5-year renewal options at fair market rental during the initial and renewal terms.

15.4.7 Company shall have the unrestricted right to assign its purchase option in this Section 15.3.

ARTICLE 16 RELATIONSHIP OF PARTIES, INDEMNITY

16.1 Relationship of Franchisee to Company. It is expressly agreed that the parties intend by this Agreement to establish between Company and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee will not hold itself out as the agent, representative, employee, partner or co-venturer of Company. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Company or subject to Company's control. Franchisee shall file its own tax, regulatory and payroll reports and be responsible for all employee benefits and workers compensation payments with respect to its employees and operations, saving and indemnifying the Company from any liability of any nature whatsoever. Franchisee shall not have the power to bind or obligate Company. Company and Franchisee agree that the relationship created by this Agreement is one of independent contractor and is not a fiduciary relationship.

16.2 Indemnity. Franchisee shall protect, defend and indemnify Company, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Entity or to any property (including data loss or damage) arising out of or in connection with (i) any breach of this Agreement by Franchisee, any Restricted Person or any Immediate Family Member; (ii) Franchisee's development, construction (including latent or patent defects), operation, maintenance of the Franchised Business, the Premises, any real property occupied by the Franchised Business, or the conduct to Franchisee's business; (iii) Franchisee's operation, marketing, advertising, promotion, offer for sale, sale, or provision of any products or services; (iv) any and all alleged torts, negligent acts, breaches of contract, fraud, omissions by Franchisee or its agents, representatives, contractors, or employees; and (v) the alleged failure of Franchisee to comply with Applicable Law. Company shall give Franchisee written notice of any claim for which Company demands indemnity; provided that such obligation shall not constitute a condition to Franchisee's indemnification obligation. Company shall retain the right and power to direct, manage, control and settle the litigation of any claim. Any payments made to an indemnified party shall be net of benefits received by any indemnified party on account of insurance in respect of such claims.

ARTICLE 17 DISPUTE RESOLUTION

17.1 Mediation. Except to the extent precluded by Applicable law, the parties hereby pledge and agree that prior to filing any lawsuit or demand for arbitration (other than seeking judicial relief for claims that are based solely on demands for money owed or judicial relief to seek provisional remedies, including injunctions), they shall first attempt to resolve any dispute between the parties pursuant to mediation conducted in accordance with the then-current Commercial Mediation Rules of the American Arbitration Association. The mediation provided for hereunder shall be commenced by the party requesting mediation providing written notice to of the request for mediation (the "request") to the party with whom mediation is sought. The request shall specify with reasonable particularity the matter or matters on which mediation is sought. Such mediation shall be conducted in the principal city closest to the Company's then-current headquarters and shall be conducted and completed within 60 days following the date of the request, or such longer period as may be agreed upon by the parties in writing. If the parties fail to complete the mediation within such 60 day period (or agreed longer period, as applicable), either party may initiate

arbitration as provided below. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Failure to comply with this provision prior to commencement of litigation shall constitute a waiver of the right to recovery attorneys' fees in any action, irrespective of whether such recovery of attorneys' fees and costs is permitted by statute, agreement or otherwise.

17.2 Waiver of Punitive Damages, Venue and Jury Trial. EXCEPT FOR PUNITIVE, EXEMPLARY AND OTHER FORMS OF MULTIPLE DAMAGES AVAILABLE TO ANY PARTY UNDER FEDERAL LAW OR OWED TO THIRD PARTIES WHICH ARE SUBJECT TO INDEMNIFICATION UNDER SECTION THIS AGREEMENT, COMPANY AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER. TO THE EXTENT PERMITTED BY APPLICABLE LAW THE PARTIES: (1) HEREBY WAIVE THEIR RIGHT TO JURY TRIAL WITH RESPECT TO ALL CLAIMS AND ISSUES ARISING UNDER, IN CONNECTION WITH, TOUCHING UPON OR RELATING TO THIS AGREEMENT, INCLUDING ANY BREACH AND/OR THE SCOPE OF THE PROVISIONS OF THIS SECTION 17.2, WHETHER SOUNDING IN CONTRACT OR TORT, AND INCLUDING ANY CLAIM FOR FRAUDULENT INDUCEMENT, AND (2) AGREE THAT THE STATE AND FEDERAL COURTS IN THE PRINCIPAL CITY CLOSEST TO THE COMPANY'S THEN-CURRENT HEADQUARTERS SHALL BE THE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

FRANCHISEE
INITIALS

COMPANY
INITIALS

ARTICLE 18 MISCELLANEOUS PROVISIONS

18.1 Notices. Except as otherwise expressly provided in this Agreement, all written notices and reports permitted or required to be delivered by the parties shall be deemed so delivered at the time delivered by hand; one business day after deposit with a reputable overnight courier, one business day after transmission by electronic system expressly approved in the Manuals(s) as appropriate for delivery of notices under this Agreement (with confirmation copy sent by U.S. mail or by reputable overnight courier, postage prepaid) and addressed as follows:

If to Company: Pizza Factory, Inc.
49430 Road 426, Suite D
PO Box 989
Oakhurst, California 93644
Attn.: Chief Executive Officer

With copy to (which will not constitute notice):
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401
Attn: Anthony J. Marks, Esq.

If to Franchisee: _____

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties.

18.2 Company's Right To Cure Defaults. In addition to all other remedies, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Company may, at its election, immediately or at any time thereafter, without waiving any claim for default or breach and without notice to Franchisee, cure such default or breach for the account and on behalf of Franchisee, and the cost to Company shall be due and payable on demand and shall be deemed to be additional compensation due to Company and shall be added to the amount of compensation next accruing, at the election of Company.

18.3 Waiver and Delay. No waiver by Company of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Company to exercise any right, power or option given to it under this or any other agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Franchised Business) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the Effective Date (and whether or not related to the Franchised Business), shall constitute a waiver of the provisions of this Agreement or the Standards with respect to any subsequent default, or a waiver by Company of its right at any time thereafter to require exact and strict compliance. Company will consider written requests by Franchisee for Company's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Company is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis, and nothing shall be construed to require Company to grant any such request. Any waiver granted by Company shall be without prejudice to any other rights Company may have, will be subject to continuing review by Company, and may be revoked, in Company's discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee. Company makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

18.4 Survival of Obligations. Termination or expiration (including nonrenewal) shall be without prejudice to any other rights or remedies that Company or Franchisee, shall have in law or in equity. In no event shall a termination or expiration (including nonrenewal) of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration or post-nonrenewal) covenants and agreements shall survive the termination or expiration (including nonrenewal) of this Agreement.

18.5 Successors and Assigns; Benefit. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained in this Agreement. This Agreement is for the benefit of the parties only, and, except as expressly provided in this Agreement, is not intended to and shall not confer any rights or benefits upon any person who is not a party to this Agreement.

18.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles, except that (a) the provisions in Section 12.1 and to the extent applicable, Section 12.5, shall be governed by the laws of the state in which the Franchised Business is located, and (b) state law relating to (i) the offer and sale of franchises (ii) franchise relationships, or (iii) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

18.7 Entire Agreement; Amendments. This Agreement and the Manual(s) contain all of the terms and conditions agreed upon by the parties with reference to the subject matter of this Agreement.

No other agreements concerning the subject matter of this Agreement, oral or otherwise, shall be deemed to exist or to bind any of the parties. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly superseded by this Agreement, except such representations as are made in any franchise disclosure document required to be received by Franchisee under Applicable Law and any representations made by Franchisee in acquisition of this Agreement. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document required to be received by Franchisee under Applicable Law, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto. Franchisee acknowledges that no oral or written statements, promises regarding this Agreement or the parties relationship, whether consistent or inconsistent with the terms of this Agreement, have been made to Franchisee, and that Franchisee is not relying on any statement or representation other than those in this Agreement and any franchise disclosure document required to be received by Franchisee under Applicable Law. Franchisee agrees that it will not attempt to introduce any evidence of such statements in court or any other proceeding to challenge the terms of this Agreement or the validity of the Agreement as a whole, whether such challenge is based on fraud, tort, breach of contract or otherwise. Nothing in this Agreement, including all attachments hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof is intended to disclaim the representations Company made in any required franchise disclosure document received by Franchisee. Franchisee has read all of the terms of this Agreement, including, the preceding paragraph: _____ [franchisee initial]

18.8 **Titles For Convenience.** Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

18.9 **Gender and Construction.** The terms of the Recitals and all Exhibits and attachments to this Agreement are incorporated into and made a part of this Agreement as if set forth in full. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. When a reference is made in this Agreement to an Article, a Section or Exhibit, such reference shall be to an Article or a Section of, or an Exhibit to, this Agreement unless otherwise indicated. Unless otherwise expressly provided in this Agreement to the contrary, any consent, acceptance, approval or authorization of Company which Franchisee may be required to obtain may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Standards or satisfaction, Company may do so in its sole subjective judgment and discretion. No provision in this Agreement expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties. Company and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.10 **Severability.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement or the Manual(s) and any Applicable Law contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manual(s) thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. If any part, article, section, sentence or clause of this Agreement or the Manual(s) shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision

shall be deemed deleted, and the remaining part of this Agreement or the Manual(s) shall continue in full force and effect.

18.11 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

18.12 **Fees and Expenses.** If any party to this Agreement shall bring any arbitration, action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

ARTICLE 19 REPRESENTATIONS AND WARRANTIES BY FRANCHISEE

19.1 **Representations and Warranties.** Franchisee represents and warrants to Company that:

19.1.1 It has independently investigated this opportunity and recognizes that, like any other business, the nature of a Restaurant will evolve and change over time.

19.1.2 An investment in a Restaurant involves business risks that could result in the loss of a significant portion or all of Franchisee's investment.

19.1.3 Franchisee's business abilities and efforts are vital to the Franchised Business's success.

19.1.4 Retaining customers to a Restaurant will require a high level of customer service and strict adherence to the System and Standards.

19.1.5 Franchisee has not received from Company, and is not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Restaurant.

19.1.6 Company has not made any representation, warranty or other claim regarding this opportunity, other than those made in this Agreement and any franchise disclosure document delivered to Franchisee, and that Franchisee has independently evaluated this opportunity, including by using its own business professionals and advisors, and has relied solely upon those evaluations in deciding to enter into this Agreement.

19.1.7 Franchisee has represented to Company, to induce its entry into this Agreement, that all statements Franchisee has made and all information it has given Company is accurate and complete and Franchisee has made no misrepresentations or material omissions in obtaining the franchise.

19.1.8 Franchisee has read this Agreement and any franchise disclosure document delivered to Franchisee and understands and accepts that this Agreement's terms and covenants are

reasonably necessary for Company to maintain high standards of quality and service, as well as the uniformity of those standards at each Restaurant, and to protect and preserve the goodwill of its Marks.

19.1.9 Franchisee has been afforded an opportunity to ask any questions it has and to review any appropriate materials of interest to it concerning this opportunity.

19.1.10 Franchisee has been afforded an opportunity, and has been encouraged by Company, to have this Agreement and all other agreements and materials it has been given or made available to it by Company, reviewed by an attorney and has either done so or chosen not to do so.

19.1.11 Franchisee has capital and net worth that is sufficient to invest in this opportunity, and it will have sufficient funds to meet all of its obligations under this Agreement.

19.1.12 FRANCHISEE ACKNOWLEDGES THAT COMPANY'S DECISIONS TO ENFORCE OR NOT TO ENFORCE COMPLIANCE BY OTHER FRANCHISEES WITH THEIR OBLIGATIONS AND STANDARDS SHALL NOT AFFECT COMPANY'S RIGHT TO ENFORCE SUCH OBLIGATIONS AND STANDARDS AGAINST FRANCHISEE, EVEN UNDER SIMILAR CIRCUMSTANCES. FRANCHISEE IS ALSO AWARE THAT SOME PRESENT OR FUTURE FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND THAT, CONSEQUENTLY, COMPANY'S AND SUCH FRANCHISEE'S RESPECTIVE OBLIGATIONS AND RIGHTS MAY DIFFER MATERIALLY FROM THE PARTIES' RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

**ARTICLE 20
SUBMISSION**

20.1 **Submission of this Agreement.** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution by both Company and Franchisee. This Agreement shall not be binding on Company unless and until it shall have been accepted and signed on its behalf by an authorized officer of Company.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

"Company"

**PIZZA FACTORY, INC.,
a California corporation**

Date of Execution

By: _____
Name: _____
Its: _____

"Franchisee"

Date of Execution

_____,
[] an individual;
[] a _____ general partnership
[] a _____ limited partnership
[] a _____ limited liability company
[] a _____ corporation

Name: _____
Its: _____

EXHIBIT A
PROTECTED AREA

Check Applicable Box:

☐ The area outlined on the attached map and described as follows:

☐ The area described as follows:

* If the Protected Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Protected Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

EXHIBIT B

Defined Terms

In this Agreement in addition to those terms defined elsewhere, the following capitalized terms shall have the meanings set forth below:

"Accounting Period" means the period(s) designated by Company from time to time in writing (upon no less than 30 days prior written notice) as "Accounting Period(s)". As of the Effective Date, each accounting period is one calendar month period.

"Additional Training" shall have the meaning set forth in Section 6.4.1.

"Advertising Fee" shall have the meaning set forth in Section Error! Reference source not found.

"Advertising Fund" shall have the meaning set forth in Section Error! Reference source not found.

"Affiliate" when used in connection with Company or Franchisee, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Company or Franchisee, as applicable. Without limiting the foregoing, the term "Affiliate" when used in connection with Franchisee includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the above definition, if Company or its Affiliate has any ownership interest in Franchisee, the term "Affiliate" shall not include or refer to Company or that Affiliate (the **"Company Affiliate"**), and no obligation or restriction upon an "Affiliate" of Franchisee, shall bind Company, or Company's Affiliate or their respective parents or subsidiaries, officers, directors, or managers.

"Agreement" means this Franchise Agreement, together with all exhibits and addenda to this Franchise Agreement.

"Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

"Applicable Law" means applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including, those governing the development, construction and operation of the Franchised Business, including all health and safety, labor, immigration, food and drug laws and regulations, the Americans with Disabilities Act, zoning laws, construction codes, and permit variance, conditional use permit or similar requirements and conditions, all as may be amended, supplemented or enacted from time to time.

"Assets" means all of the following personal property and assets owned by Franchisee or in which Franchisee otherwise has any rights, and located at, or used in connection with the Franchised Business: (a) all accounts, licenses, permits, and contract rights, including this Agreement, leasehold interests, all telephone and telecopier numbers, telephone and other directory listings, websites, email addresses, social media and other electronic accounts, profiles and listings associated with the Franchised Business, intellectual property derived from and created in connection with the Franchised Business (to the extent not assigned to Company), general intangibles, receivables, claims of Franchisee, all guaranties and security therefor and all of Franchisee's right, title and interest in the goods purchased and represented by any of

the foregoing; (b) all chattel paper including electronic chattel paper and tangible chattel paper; (c) all documents and instruments; (d) all letters of credit and letter-of-credit rights and all supporting obligations; (e) all deposit accounts; (f) all investment property and financial assets; (g) all inventory and products thereof and documents therefor; (h) all furniture, fixtures, equipment, leasehold improvements and machinery, wherever located and all documents and general intangibles covering or relating thereto; (i) all books and records pertaining to the foregoing, including computer programs, data, certificates, records, circulation lists, subscriber lists, advertiser lists, supplier lists, customer lists, customer and supplier contracts, sales orders, and purchasing records; (j) all software including computer programs and supporting information; (k) all commercial tort claims; (l) all other personal property of Franchisee of any kind used in connection with the Franchised Business; and (m) all proceeds of the foregoing, including proceeds of insurance policies. The terms used in this definition shall have the meanings given them in the California Uniform Commercial Code if defined in such code.

"Assignment" means any assignment, transfer, gift, lien, pledge, mortgage, hypothecation, encumbrance, or grant of a security interest, in whole or in part, voluntarily or involuntarily, by operation of Applicable Law or otherwise, of any interest in this Agreement or any of Franchisee's rights or privileges under this Agreement, or all or a substantial portion of the Assets, excluding only an equipment lease arrangement or financing arrangement for equipment on an arm's-length basis. If Franchisee is an Entity, each of the following shall be deemed to be an Assignment: (i) the sale, assignment, transfer, conveyance, gift, lien, pledge, mortgage, hypothecation or other encumbrance of more than 49% in the aggregate, whether in one or more transactions, of the Equity or voting power of Franchisee, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Franchisee; (ii) the issuance or change of any securities by, or Equity of, Franchisee which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date or the date of the last Assignment for which Company granted its consent, whichever is later, owning less than 51% of the outstanding Equity or voting power of Franchisee; (iii) if Franchisee is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 49% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than 49% of the Equity or voting power of Franchisee; (v) any merger, stock redemption, conversion, consolidation, reorganization, recapitalization involving, directly or indirectly, Franchisee or any Owner; and/or (vi) transfer of control of Franchisee, however effected.

"Authorized Products" means the ingredients, proteins, soups, sides, salads, and beverages and other food items (including ingredients) and other products, which may include specialty foods, packaged foods, books, hats, digital media, electronic media, and other media, apparel, retail items, and gift or loyalty cards, as specified by Company from time to time in the Manual(s), or as otherwise directed by Company in writing, for sale at a Restaurant (or the Franchised Business), all which are purchased, prepared, sold and/or manufactured in strict accordance with Company's recipes, and Standards, including specifications as to ingredients, brand names, preparation and presentation.

"Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant 10% or more of whose gross sales is derived from the sale of pizza, other than a Restaurant operated pursuant to a validly subsisting Franchise Agreement with Company, or (ii) any business that specializes in developing, operating or franchising restaurants 10% or more of whose gross sales is derived from the sale of pizza or pasta, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any pizza or pasta. Notwithstanding the foregoing, **"Competitive Activities"** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if applicable owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity.

"Confidential Information" means proprietary and confidential information, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies, and

methods and techniques of operating the Franchised Restaurant and producing and preparing Authorized Products.

"Continuing Royalty" shall have the meaning set forth in Section 4.2.

"Crisis Management Event" means any event that occurs at or about the Franchised Business that has or may cause harm or injury to customers or employees, such as criminal conduct, allegations of criminal conduct, food or product tampering /sabotage, natural disasters, terrorist acts, shootings, or any other circumstance which may injure or impair the System, Marks, or image or reputation of Restaurants or Company or its Affiliates.

"Default" or **"default"** means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Effective Date" means the date indicated in the first paragraph of this Agreement.

"EFT" shall have the meaning set forth in Section 4.6.

"Entity" means any limited liability company, Partnership, trust, association, corporation or other entity which is not an individual.

"Equity" means capital stock, membership interests, Partnership Rights, other equity ownership interests of an Entity, or right to receive profits or losses of an Entity.

"FFE" means all required and suggested furniture, fixtures, equipment, Information Systems, accessories, menu boards, décor items, signs and other items Company designates as FFE in the Manual(s) that Company requires from time to time for the Franchised Business and the business Franchisee operates under this Agreement.

"Force Majeure" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor general economic conditions; nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person shall be an event of Force Majeure, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Franchisee's financial inability to perform or Franchisee's insolvency shall not be an event of Force Majeure.

"Franchised Business" means, as context requires, the Restaurant to be developed, or already developed, in the Protected Area by Franchisee pursuant to this Agreement.

"Governmental Authority" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"Heirs" shall have the meaning set forth in Section 14.3.2.

"Immediate Family Member" means with respect to each Restricted Person the spouse and each family member who lives in the same household as that Restricted Person.

"Information" shall have the meaning set forth in Section 10.1.

"Information Systems" means all electronic based hardware, software, middleware, web-based solutions, wireless, mobile, electronic interfaces, cabling, and other electronic devices, including, computer systems, point of sale and cash collection systems, order systems, email systems, data systems, network systems, printer systems, internet systems, mobile applications, telecommunication systems, telephone

systems, security systems, digital media systems, video and still digital cameras, power systems, required service and support systems and programs, and other related accessories and peripheral equipment.

"Initial Training Program" shall have the meaning set forth in Section 6.1.1.

"Intranet" shall mean, as designated by Company, any access network, software application or website portal intended to directly interface with Franchisee in connection with the System and for the operation of the Franchised Business.

"Local Advertising Expenditure" shall have the meaning set forth in Section 8.2.

"Manual(s)" means Company's operations brand manual and any other written directive related to the System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manual(s) and written directives established by Company.

"Marks" shall have the meaning set forth in Recital B above.

"Net Sales" means the total of all revenues received or receivable by Franchisee as payment, whether in cash, for credit or barter or received as donation, or other means of exchange (and, if for credit or barter, whether or not payment is received therefor), on account of any and all goods, merchandise, services or products sold or provided in or from the Franchised Business, or which are promoted or sold under any of the Marks, whether or not Company has authorized such goods or services to be offered and sold, including; (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Entity (including Franchisee's Affiliate(s)) from the Franchised Business; (b) revenues from sales of all products or services at the Premises, whether in compliance or in contravention of this Agreement; and (c) the proceeds of any business interruption insurance, after the satisfaction of any applicable deductible (but assuming the full gross revenues achievable by Franchisee). Notwithstanding the foregoing, "Net Sales" shall: (i) be calculated before reduction of any amounts (whether fees or expenses) from any third-party order or delivery applications, platforms, marketplaces, or the like, and other persons or vendors that may collect funds from a customer and remit a balance to Franchisee; and (ii) exclude the following: (1) sums representing sales taxes collected directly from customers by Franchisee in the operation of the Franchised Business, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, products, merchandise or services sold or provided at or from the Franchised Business, provided that such taxes are actually transmitted to the appropriate Governmental Authority; (2) tips or gratuities paid to employees; and (3) proceeds from isolated sales of FFE (other than inventory) not constituting any part of the products offered for resale at the Franchised Business nor having any material effect upon the ongoing operation of the Franchised Business required under this Agreement.

"Non-Traditional Venue" means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider; (ii) mobile outlets, temporary or seasonal food service facilities; and/or (iii) commercial kitchen facilities that provide order and delivery-only services, which may include the associated online or mobile ordering and delivery services to and from locations in or outside of the Protected Area. Examples of Non Traditional Venues include mobile outlets (such as food trucks), "ghost" kitchens, grocery stores, concert venues, casinos, toll roads, hotels and motels, ships, ports, piers, supermarkets, convention centers, airports, resorts, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract food service provider.

"Notice of Election" shall have the meaning set forth in Section 3.3.1.

"On-Site Training" shall have the meaning set forth in Section 6.2.

“Owner” means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Company or any Affiliate of Company has any ownership interest in Franchisee, the term “Owner” shall not include or refer to Company or that Company Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the “Franchisee”, or its Owners shall bind Company, or said Affiliate or their respective direct and indirect parents and subsidiaries, or their respective officers, directors, or managers.

“Partnership” means any general partnership, limited partnership, or limited liability partnership.

“Partnership Rights” means voting power, property, profits or losses, or partnership interests of a Partnership.

“Permits” means and includes all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law.

“Premises” means the premises owned, leased or subleased by Franchisee at the Premises, including any ancillary common area(s), parking lot(s), campus(es), building(s) and/or other structures associated with the Premises.

“Restricted Persons” means Franchisee, and each of its Owners and Affiliates, and their respective officers, directors, managers, and Affiliates, and the Operating Principal; except, that if Company or any Affiliate of Company has any ownership interest in Franchisee, (i) the term “Restricted Person” shall not include or refer to the Company or that Affiliate or their respective direct and indirect parents and subsidiaries, (ii) the term “Restricted Person” shall not include or refer to any manager, officer or director of Franchisee that is designated to be manager, officer or director of Franchisee by the Company or its Affiliates; and (iii) no obligation or restriction upon the “Franchisee”, or its Owners shall bind Company, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers..

“ROFR” shall have the meaning set forth in Section 13.3.

“ROFR Period” shall have the meaning set forth in Section 13.3.

“Standards” means the then-current specifications, standards, guidelines (including site selection guidelines), policies, procedures, methods of operation, and rules Company prescribes for the development, ownership and operation of Restaurants and the offer and sale of products and services from a Restaurant, as modified by Company from time to time in writing. Standards may be designated by Company as mandatory or suggested. Compliance with “suggested” Standards is not required.

“Successor Agreement Right” shall have the meaning set forth in Section 3.2.1.

“Successor Franchise Agreement” shall have the meaning set forth in Section 3.2.1.

“Successor Term” shall have the meaning set forth in Section 3.2.1.

“Supplier” shall have the meaning set forth in Section 9.2.

“System” shall have the meaning set forth in Recital C above.

“Term” shall have the meaning set forth in Section 3.1.

“Terrorist Lists” means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department’s Office of Foreign Asset Control (“**OFAC**”), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

“Travel Expenses” means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Company’s employees’,

agents' and/or representatives' expenses, a per diem charge determined by Company in advance, with respect to other incidental expenses incurred, including laundry and/or telephone expenses.

"Venue" means any fixed site or location other than a Non-Traditional Venue.

EXHIBIT C

Electronic Funds Transfer

Authorization To Honor Charges Drawn By and Payable To

Pizza Factory, Inc.

Bank Name Account No. ABA# FEIN

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as it if were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization.

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the request and authorization, or in any manner arising by reason of the Depository's or Payee's participation.

Name of Depository: _____

Name of Depositor: _____

Designated Bank Account: _____

(Please attach one voided check for the above account)

Business Number: _____

For information call: _____

Address: _____

Phone #: _____ Fax #: _____

Name of Franchisee/Depositor (please print)

By: _____

Signature and Title of Authorized Representative

Date: _____

EXHIBIT D
LEASE ADDENDUM

ADDENDUM TO LEASE

THIS **ADDENDUM TO LEASE** ("**Addendum**") is made this ___ day of ___, 20___ by and among _____ ("**Landlord**"), _____ ("**Tenant**") and Pizza Factory, Inc. ("**Company**"), with reference to the following facts:

A. Company and Tenant are parties to that certain Franchise Agreement dated _____, 20___ (the "**Franchise Agreement**"), pursuant to which Company has granted Tenant a franchise and license to operate a Pizza Factory Restaurant (the "**Restaurant**") on the terms and conditions stated in the Franchise Agreement.

B. Landlord and Tenant desire to enter into a lease (the "**Lease**"), a true and correct copy of which is attached hereto as Exhibit "A," pursuant to which Tenant will occupy the premises located at _____ (the "**Premises**") for the Restaurant licensed under the Franchise Agreement.

C. Tenant is required to execute and to cause Landlord to execute this Addendum.

NOW, THEREFORE, the parties agree as follows:

1. Notwithstanding anything to the contrary contained in the Lease:

(a) The Premises shall only be used for the operation of the Restaurant, and shall be constructed and improved pursuant to the Franchise Agreement including exterior signs displaying Company's service marks, in accordance with Company's standards and specifications;

(b) Company or its designee, which may include, without limitation, an affiliate, franchisee or licensee of Company (a "**Designee**") shall have the option, without cost or expense to Company or such Designee and without Landlord's consent, to assume the Lease, or execute a substitute lease on the same terms, at any time, including, without limitation, upon Company's (or its Designee's) acquisition of Tenant (whether by asset purchase, equity purchase, merger, or otherwise), or upon the termination or expiration (including nonrenewal) of the Franchise Agreement for any reason;

(c) Company or its Designee shall have the right, but not the obligation, to succeed to Tenant's rights under the Lease if Tenant fails to exercise any option to renew, and/or extend the term of the Lease;

(d) Landlord shall promptly notify Company in writing each and every time, if any, that Tenant is delinquent or fails to pay rent or other sums payable to Landlord for 60 days or more;

(e) Upon Tenant's actual or alleged default under the Lease, the Landlord shall notify Company in writing concurrently with notice to Tenant (but in no event less than 15 days prior to the date of termination or non-renewal of the Lease) and, in the case of a default, Company or its Designee shall have the right, but not the obligation, without liability to Tenant, to cure the default and to succeed to Tenant's rights under said Lease or request that the Landlord terminate the Lease and enter into a substitute Lease with Company or its Designee on the same terms by giving written notice of such election to Tenant and such Landlord;

(f) Tenant shall have the unrestricted right, without Landlord consent, payment to Landlord or modification of any term of the Lease, during the entire term of the Lease (including any renewal terms) to assign or sublet the Premises to Company or its Designee;

(g) Except as permitted above, the Lease may not be assigned, subleased, modified or amended without Company's prior written consent and that Company shall be provided with copies of all such assignments, subleases, modifications and amendments;

(h) Landlord must disclose to Company, upon Company's request, all sales and other information furnished to the Landlord by Tenant;

(i) Company or its authorized Designee shall have the right to enter the Premises at any time to inspect Tenant's operations;

(j) Landlord shall notify Company in writing of non-renewal or expiration of the Lease at least 90 days prior to the date of non-renewal or expiration of the Lease; and

(k) Upon expiration or termination of the Lease for any reason, Tenant shall, upon Company's demand, remove all of Company's proprietary trademarks from the Premises and modify the decor of the Premises so that it no longer resembles, in whole or in part, a Restaurant, and otherwise comply with the Franchise Agreement. If Tenant shall fail to do so, Company or its Designee will be given written notice and the right to enter the Premises to make such alterations, in which event Tenant shall reimburse Company or its Designee for all direct and indirect costs and expense it may incur in connection therewith, including attorneys' fees.

2. If Company or its Designee elects to succeed to Tenant's rights under the Lease, Tenant shall assign to Company or such Designee all of its right, title and interest in and to the Lease. Upon such assignment, Landlord shall attorn to Company or such Designee as the tenant under the Lease. Tenant shall execute and deliver to Company or such Designee such assignment and take such further action as Company or such Designee, may deem necessary or advisable to effect such assignment. Upon demand, Company or such Designee shall be, and hereby is, appointed Tenant's attorney in fact to execute such assignment and/or take further action in Tenant's name and on its behalf. This power of attorney granted by Tenant to Company and such Designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Tenant. Any sum expended by Company or such Designee to cure Tenant's default of the Lease shall be deemed additional sums due Company and Tenant shall pay such amount to Company upon demand.

3. Nothing in the Lease or this Addendum shall either create or purport to create any obligations on behalf of Company to Landlord or Tenant. Nothing in the Lease or this Addendum shall grant or purport to grant to Landlord any right to pursue any claim against Company arising out of Tenant's breach or default under the Lease.

4. Without limiting any other rights or obligations of Company set forth in this Addendum, Landlord agrees that it shall not accept Tenant's voluntary surrender or abandonment of the Lease without providing Company with at least 15 days' prior written notice.

5. Any notices required in this Addendum must be in writing and will be deemed given when actually delivered by personal delivery or 4 days after being sent by certified or registered mail, return receipt requested, if addressed as follows:

Company: PIZZA FACTORY, INC.

Phone: () _____
Fax: () _____
Attn: Chief Executive Officer

Landlord: _____

Tenant:

Any party may change its address for receiving notices by appropriate written notice to the others.

6. Tenant hereby authorizes Company and Landlord to communicate with one another for any purpose, including de-identification of the Premises following the termination or expiration (including nonrenewal) of the Lease, Tenant's operations, Tenant's defaults under the Lease, and negotiating a lease for the Premises following the termination or expiration of the Lease.

7. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Addendum.

8. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto.

9. In the event of any conflict or inconsistency between the Lease and this Addendum, this Addendum shall control.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first set forth above.

"Landlord"

By: _____

Name: _____

Its: _____

"Tenant"

By: _____

Name: _____

Its: _____

"Company"

PIZZA FACTORY, INC.

By: _____

Name: _____

Its: _____

EXHIBIT A

Copy of Lease

EXHIBIT E

Entity Information

If Franchisee is an Entity, Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

- ☐ corporation
☐ limited liability company
☐ general partnership
☐ limited partnership
☐ Other (specify): _____

(2) Franchisee shall provide to Company concurrently with the execution of this Agreement true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution of this Agreement, and any amendments to the foregoing ("**Entity Documents**").

(3) Franchisee promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Franchisee.

(4) The name and address of each of Franchisee's Owners, members, or general and limited partner:

NAME	ADDRESS	NUMBER OF SHARES / PERCENTAGE INTEREST

1 There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business:

NAME	ADDRESS

2 The address where Franchisee's Financial Records, and Entity records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is: __

Exhibit E
Area Development Agreement

**PIZZA FACTORY
AREA DEVELOPMENT AGREEMENT**

BY AND BETWEEN

Pizza Factory, Inc.

AND

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**PIZZA FACTORY, INC.
AREA DEVELOPMENT AGREEMENT**

THIS **AREA DEVELOPMENT AGREEMENT** ("**Agreement**") is made and entered into this ____ day of _____, 20____, (the "**Effective Date**") by and between Pizza Factory, Inc., a California corporation (the "**Company**") and _____, a(n) _____ ("**Developer**") with reference to the following facts:

A. Company owns and has developed the right to use and sublicense the "Pizza Factory" name, trademark and service mark, and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs directed or authorized by Company for use from time to time (the "**Marks**") trade dress and designs used in connection with the development and operation of pizza and pasta restaurants under the Marks, each operated in accordance with Company's prescribed methods and business practices (each a "**PF Restaurant**").

B. Company desires to expand and develop PF Restaurants in the Development Area, and Developer wishes to develop Traditional PF Restaurants in the Development Area, upon the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE 1
GRANT OF DEVELOPMENT RIGHTS**

1.1 Certain Fundamental Definitions and Applicable Information. In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following capitalized terms, shall have the meanings set forth below, unless the context otherwise requires:

"**Developer Notice Address**" is: _____

Fax No. _____

"**Expiration Date**" means _____, 20__.

"**Initial Development Fee**" means \$_____.

"**Operating Principal**" means _____, or such other individual hereafter designated by Developer, subject to the provisions of this Agreement.

1.2 Grant of Development Rights

1.2.1 Upon the terms and subject to the conditions of this Agreement, Company hereby grants to Developer, and Developer hereby accepts, the right and obligation, during the Term (defined below), to develop Traditional PF Restaurants in the geographic area described in Exhibit A, which is attached hereto and by this reference made a part hereof (the "**Development Area**"). An increase or decrease in the size of the cities, counties geographical areas or political subdivisions, if any, included within these boundaries shall have no effect on the Development Area as it is described in Exhibit A. No right or license is granted to Developer hereunder to develop PF Restaurants at Non-Traditional Venues.

1.2.2 No right or license is granted to Developer hereunder to use any Marks or any other trademarks, trade names, service marks, logotypes, insignias, trade dress or designs owned by Company, such right and license being granted solely pursuant to Franchise Agreements executed pursuant hereto. Without limiting the generality of the foregoing, nothing in this Agreement shall permit Developer to own or operate a PF Restaurant, except pursuant to duly executed and subsisting Franchise Agreement. Developer shall not use the Marks or any other trademarks, trade names, service marks,

logotypes, insignias, trade dress or designs in any manner or for any purpose, including in connection with any offering of securities or any request for credit, without the prior express written approval of Company.

1.3 Territorial Rights

1.3.1 During the Term of this Agreement, neither Company nor its Affiliates shall operate or grant a license or franchise to any other person or Entity to operate a Traditional PF Restaurant within the Development Area.

1.3.2 Company expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, itself and through its employees, Affiliates (defined below), representatives, licensees, franchisees, assigns, agents and others:

(a) to own and/or operate and to franchise or license others to own and/or operate (i) PF Restaurants, the physical location of which are located outside of the Development Area, regardless of proximity to the Development Area, (ii) businesses that provide goods and services within and outside of the Development Area, regardless of proximity to the Development Area under names other than "Pizza Factory," (iii) PF Restaurants and other businesses at Non-Traditional Venues within or outside the Development Area, and regardless of their proximity to any PF Restaurant developed or under development or consideration by Developer; and (iv) businesses operating under names other than under the Marks at any location, and of any type whatsoever, regardless of their proximity to the Development Area and whether or not such businesses use any portion of the System, offer similar products or services or compete with PF Restaurants.

(b) to offer, sell, provide, produce, license, distribute and market products and services identified by the Marks and/or other trademarks or service marks to any person or Entity, at or through any location or outlet (other than PF Restaurants, the physical premises of which are located within the Development Area, except for PF Restaurants located at Non-Traditional Venues), regardless of proximity to the Development Area, and through any distribution channel, at wholesale or retail, including by means of the internet or internet web site, mail order catalogs, direct mail advertising, and other distribution methods, including websites, online retailers, and direct sales through affiliates;

(c) to advertise and promote the System through any means, including the internet or internet web site, temporary or permanent displays of products or services, including those offered or sold through PF Restaurants, television, radio, billboards, email, text message, social media, print media, direct mail, demonstrations, seminars, and other forms of advertising and promotion;

(d) to develop or become associated with other concepts (including dual branding and/or franchise systems), whether or not using the System and/or the Marks, and award franchises and/or licenses under other concepts for locations anywhere; and

(e) to engage in any other activities not expressly prohibited by this Agreement.

ARTICLE 2 DEVELOPER'S DEVELOPMENT OBLIGATION

2.1 Development Obligation. Within each Development Period specified in Exhibit B, Developer shall construct, equip, open and thereafter continue to operate within the Development Area, not less than the cumulative number of Traditional PF Restaurants required by the Development Obligation for that Development Period. PF Restaurants developed hereunder which are open and operating and which have been assigned to Affiliates of Developer in accordance with Section 7.2.2 with Company's consent, shall count in determining whether Developer has satisfied the Development Obligation for so long as the applicable Affiliate continues to satisfy the conditions set forth in Section 7.2.2.

2.2 Limited Extension of Individual Development Periods. If Developer fails to satisfy the Development Obligation for an individual Development Period solely because Developer failed to open the PF Restaurant prior to the applicable Development Period, but had a Franchise Agreement and lease for the applicable PF Restaurant prior to end of such Development Period, then such Development Period (and no other Development Periods) shall be extended for a period of 3 months (the “**Extension Period**”). If Developer fails to use the entire Extension Period, the balance of the same shall be forfeited and shall not alter or affect any other Development Period.

2.3 Force Majeure

2.3.1 Subject to Developer's continuing compliance with Section 2.3.2, should Developer be unable to meet the Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Company to deliver a Franchise Disclosure Document pursuant to Section 6.2, which results in the inability of Developer to construct or operate the PF Restaurants in all or substantially all of the Development Area pursuant to the terms of this Agreement, the particular Development Period during which the event of Force Majeure (or Company's legal disability to deliver a Franchise Disclosure Document) occurs shall be extended by an amount of time equal to the time period during which the Force Majeure (or Company's legal disability to deliver a Franchise Disclosure Document) shall have existed during that Development Period. Development Periods during which no such Force Majeure (or legal disability) existed shall not be extended. Other than as a result of Force Majeure or Company's legal disability to deliver a Franchise Disclosure Document, any delay in Company's issuance of acceptance of any site under Article 6, including, as a result of Developer's failure to satisfy the conditions set forth in Section 6.3, shall not extend any Development Period.

2.3.2 In the event of the occurrence of an event which Developer claims to constitute Force Majeure, Developer shall provide written notice to Company within 5 days following commencement of the alleged Force Majeure which notice shall include the words “force majeure” and explicitly describe the specific nature and extent of the Force Majeure, and how it has impacted Developer's performance hereunder. Developer shall continue to provide Company with updates and all information as may be requested by Company, including Developer's progress and diligence in responding to and overcoming the Force Majeure and the cessation of the Force Majeure. If Developer shall fail to notify Company of any alleged Force Majeure within said 5 day period or shall fail to provide updates or notify Company of the cessation of the Force Majeure, Developer shall be deemed to have waived the right to claim such Force Majeure.

2.4 Developer May Exceed The Development Obligation. Developer may construct, equip, open and operate more than the total number of Traditional PF Restaurants comprising the Development Obligation with Company's prior written consent, not to be unreasonably withheld, which consent may be conditioned, including conditioned on the payment of additional fees and/or the execution of an amendment to this Agreement.

ARTICLE 3 DEVELOPMENT AREA

3.1 Company's Right to Develop. Notwithstanding Section 2.1 above, if during the Term of this Agreement, Developer is unable or unwilling, or fails for any reason (except due to Force Majeure as provided in Section 2.3), to satisfy the Development Obligation, Developer shall be deemed to be in material default of this Agreement and Company may terminate this Agreement upon notice to Developer. Upon such termination, Company may, but has no obligation to, open and operate, or license others to (or grant others development rights to) open and operate, PF Restaurants at any site(s) within the Development Area, subject to the terms of the individual Franchise Agreement(s) for each then existing Traditional PF Restaurant located in the Development Area.

3.2 Protected Territory for Each Individual PF Restaurant. Subject to certain conditions and reserved rights set forth in the Franchise Agreements and the rights reserved to Company (and its designees), each such agreement executed pursuant hereto shall provide that Company may not open or

operate, or franchise or license the operation of, any Traditional PF Restaurant within a three-mile straight-line radius from the location of the applicable Traditional PF Restaurant.

ARTICLE 4

TERM OF AREA DEVELOPMENT AGREEMENT

4.1 Term. The term of this Agreement shall commence on the Effective Date and, unless otherwise negotiated, terminated or extended as provided herein, shall continue until the earlier of (i) the Expiration Date, or (ii) the date of execution of the Franchise Agreement granting Developer the right to open the last PF Restaurant necessary for Developer to fully satisfy the Development Obligation (the “**Term**”). At the end of the Term, this Agreement shall be deemed expired.

4.2 Limited Additional Development Right. If Developer shall determine that it desires to engage in further development of Traditional PF Restaurants in the Development Area in excess of the Development Obligation, Developer shall at the earlier of (i) 180 days prior to the scheduled expiration of the Term or (ii) the date on which acceptance of the proposed site for the last Traditional PF Restaurant required to meet the Development Obligation is issued, notify Company in writing (“**Additional Development Notice**”) of Developer’s desire to develop additional Traditional PF Restaurants in the Development Area and a plan for such development over a new term, setting forth the number of proposed Traditional PF Restaurants and the deadlines for the development of each of them within such proposed term. This right of additional development by Developer shall be exercised only in accordance with Section 4.3 and is subject to the conditions set forth in Section 4.4. This Agreement is not otherwise renewable.

4.3 Exercise of Right of Additional Development

4.3.1 If Company determines the additional development obligation proposed by the Additional Development Notice is unacceptable in any respect(s), Company and Developer shall (subject to Section 4.4) negotiate during the following 60 days in an effort to reach a mutually agreeable additional development obligation. Each party may negotiate to protect its own interests as it deems appropriate in its discretion.

4.3.2 If the additional development obligation proposed by the Additional Development Notice is acceptable to Company, or if Company and Developer reach agreement on an alternative additional development obligation (the “**Additional Development Obligation**”) within said 60 day period, then Company shall deliver to Developer a copy of Company’s Then-current Franchise Disclosure Document, if required by Applicable Law, and two copies of the Then-current area development agreement, which may vary substantially from this Agreement, setting forth the agreed upon Additional Development Obligation. Within 30 days after Company’s delivery of the said area development agreement, but no sooner than immediately after the expiration of any applicable waiting period(s) prescribed by Applicable Law, Developer shall execute two copies of the area development agreement and return them to Company together with the applicable development fee, if any, for the Traditional PF Restaurants required by the Additional Development Obligation. If Developer has so executed and returned the copies and has satisfied the conditions set forth in Section 4.4, Company will execute the copies and return one fully executed copy to Developer.

4.4 Conditions to Exercise of Right of Additional Development. Developer’s right to additional development described in Section 4.2 shall be subject to Developer’s fulfillment of the following conditions precedent:

4.4.1 Developer (and each of its Affiliates which have developed or operate PF Restaurants in the Development Area) shall have fully performed all of its obligations under this Agreement and all other agreements between Company and Developer (or the applicable Affiliate).

4.4.2 Developer shall have demonstrated to Company’s satisfaction Developer’s financial capacity to perform the Additional Development Obligations set forth in the area development

agreement. In determining if Developer is financially capable, Company will apply the same criteria to Developer as it applies to prospective area developer Developers at that time.

4.4.3 At the expiration of each Development Period and at the expiration of the Term, Developer shall have opened and shall thereafter have continued to operate, in the Development Area, not less than the aggregate number of Traditional PF Restaurants then required by the Development Obligation.

4.4.4 Company and Developer shall have executed a new area development agreement pursuant to Section 4.3.

4.4.5 Developer and all Affiliates of Developer who then have a currently effective franchise agreement or area development with Company shall have executed and delivered to Company a general release, or a form prescribed by Company, of any and all known and unknown claims against Company or its Affiliates, and their respective officers, directors, agents, shareholders and employees.

4.5 Effect of Expiration. Unless an Additional Development Obligation shall have been agreed upon, and a new area development agreement shall have been executed by the parties as provided in this Agreement, following the expiration of the Term, or the sooner termination of this Agreement, (a) Developer shall have no further right to construct, equip, own, open or operate additional PF Restaurants which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Developer (or an Affiliate of Developer) and Company which is then in full force and effect, and (b) Company or its Affiliates may thereafter itself construct, equip, open, own or operate, franchise, and license others to (or grant development rights to) construct, equip, open, own or operate PF Restaurants at any location(s) (within or outside of the Development Area), without any restriction, subject only to any territorial rights granted for any then-existing PF Restaurants pursuant to a validly subsisting Franchise Agreement executed for such PF Restaurant.

ARTICLE 5 PAYMENTS BY DEVELOPER

5.1 Initial Development Fee. Concurrently with the execution of this Agreement, Developer shall pay to Company, by certified check or wire transfer of immediately available funds, the amount of the Initial Development Fee. The Initial Development Fee represents one-half of the total Initial Franchise Fees payable for all of the PF Restaurants to be developed under the this Agreement (other than your first PF Restaurant), plus the sum of \$20,000 representing the Initial Franchise Fee payable pursuant to the first Franchise Agreement required to be executed pursuant hereto. Developer acknowledges that the Initial Development Fee is fully earned upon execution of this Agreement, nonrefundable and not contingent on the opening or operation of any PF Restaurant.

5.2 Initial Franchise Fee. Notwithstanding the terms of the Franchise Agreement executed for each Traditional PF Restaurant developed pursuant to this Agreement, Developer shall pay to Company, in cash or by certified check, an initial franchise fee ("**Initial Franchise Fee**") equal to the amounts set forth below, for each Traditional PF Restaurant, which Initial Franchise Fee shall be payable upon execution by Developer of each Franchise Agreement entered into pursuant to this Agreement, provided, however, that Company shall credit such development fee against the Initial Franchise Fees payable under the second and each subsequent Franchise Agreement (at the rate of \$7,500 per Franchise Agreement for the second through fourth Traditional PF Restaurants and the rate of \$5,000 per Franchise Agreement for the fifth and subsequent Traditional PF Restaurants).

Restaurants	Initial Franchise Fee
1 st Traditional PF Restaurant	\$20,000
2 nd through 4 th Traditional PF	\$15,000

Restaurant	
5 th and subsequent Traditional PF Restaurant	\$10,000

5.3 Royalty Fee; Advertising Fee. The Franchise Agreement executed for each PF Restaurant developed pursuant hereto, shall provide that: (1) the monthly royalty shall be equal to 5% of net sales (as defined in the Franchise Agreement); and (2) the monthly advertising fee shall be 3% of net sales.

ARTICLE 6 EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Site Review

6.1.1 Promptly following the Effective Date, Developer shall promptly locate one or more proposed sites at sites other than Non-Traditional Venues that meet the Standards. When Developer has located a proposed site for construction of a Traditional PF Restaurant, Developer shall submit to Company in a form prescribed by Company such demographic and other information regarding the proposed site(s) and neighboring areas as Company shall require, in the form prescribed by Company ("**Site Review Request**"). Company may seek such additional information as it deems necessary within 15 days of submission of Developer's Site Review Request, and Developer shall respond promptly to such request for additional information. If Company shall not deliver written notice to Developer that Company accepts or rejects the proposed site, within 30 days of receipt of Developer's Site Review Request, or within 15 days after receipt of such additional requested information, whichever is later, the site shall be deemed rejected. Company may accept or reject a proposed site in its sole discretion. If the Company accepts the proposed site it shall notify Developer of its acceptance of the site. Company may impose a fee of \$2,500 per each Site Review Request if Developer has submitted more than one Site Review Request per Traditional PF Restaurant to be developed.

6.1.2 Although Company may voluntarily (without obligation) assist Developer in locating an acceptable site for a Traditional PF Restaurant, neither Company's said assistance, if any, nor its acceptance of any proposed site, whether initially proposed by Developer or by Company, shall be construed to insure or guarantee the profitable or successful operation of the PF Restaurant at that site by Developer, and Company hereby expressly disclaims any responsibility therefor. Developer acknowledges its sole responsibility for finding each site for the Traditional PF Restaurants it develops pursuant to this Agreement.

6.2 Delivery of Franchise Disclosure Document, Execution of Lease and Franchise Agreement

6.2.1 Promptly following Developer's receipt of Company's acceptance, Developer shall proceed to negotiate a lease or purchase agreement for the site and shall submit to Company a copy of the proposed lease or purchase agreement, as applicable. Following Company's receipt of the proposed lease or purchase agreement, as applicable, which meets Company's requirements, Company shall notify Developer of its acceptance or rejection of the proposed lease or purchase agreement, as applicable.

6.2.2 If the accepted location is leased or subleased, (i) the lease shall name Developer as the sole lessee thereunder, and may not be subleased to Developer by any Affiliate of Developer or any of its Owners without Company's express prior written consent; (ii) Developer shall neither create nor purport to create any obligations on behalf of Company, nor grant or purport to grant to the lessor thereunder any rights against Company, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iii) the lease shall be for a term which is not less than the term of the Franchise Agreement, unless Company shall approve, in writing, a shorter term of the lease; (iv) the lease shall not contain a non-competition covenant which purports to restrict the Company, or any Developer or licensee of the Company (or its Affiliates), from operating a PF Restaurant or any other retail establishment,

unless such covenant is approved by the Company in writing prior to execution of the Lease; (v) Developer shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon Developer under the lease; and (vi) a fully executed copy of said lease, in the form and on the terms previously accepted by Company, shall be delivered to Company promptly following the execution thereof. The lease shall, unless Company otherwise consents in writing, include an addendum in the form prescribed by Company.

6.2.3 Company's review and acceptance or rejection of the lease or purchase agreement is solely for Company's benefit and is solely an indication that the lease meets Company's minimum Standards and specification at the time of acceptance of the lease (which may be different than the requirements of this Agreement). Company's review and acceptance of the lease shall not be construed to be an endorsement of such lease, confirmation that such lease complies with Applicable Law, or confirmation that the terms of such lease are favorable to Developer, and Company hereby expressly disclaims any responsibility therefore.

6.2.4 Subject to Section 6.3, after Company's acceptance of each proposed site, Company shall deliver to Developer a copy of Company's Then-current Franchise Disclosure Document as may be required by Applicable Law (the "**Franchise Disclosure Document**") and two copies of the Then-current Franchise Agreement. Immediately upon receipt of the Franchise Disclosure Document, Developer shall return to Company a signed copy of the Acknowledgment of Receipt of the Franchise Disclosure Document. Developer acknowledges that the new Franchise Agreement may vary substantially from the current Franchise Agreement. If Company is not legally able to deliver a Franchise Disclosure Document to Developer by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay acceptance of the site for Developer's proposed PF Restaurant, or delivery of a Franchise Agreement, until such time as Company is legally able to deliver a Franchise Disclosure Document.

6.2.5 Within 30 days after Developer's receipt of the Franchise Disclosure Document and the Then-current Franchise Agreement, but no sooner than immediately after any applicable waiting periods prescribed by Applicable Law have passed, Developer shall execute two copies of the Franchise Agreement described in the Franchise Disclosure Document and return them to Company together with the applicable Initial Franchise Fee. If Developer has so executed and returned the copies and Initial Franchise Fee and has satisfied the conditions set forth in Section 6.3, Company shall execute the copies and return one fully executed copy of such Franchise Agreement to Developer.

6.2.6 Developer shall not execute any lease or purchase agreement for any PF Restaurant, until Company has accepted the proposed site and Company has delivered to Developer a fully executed Franchise Agreement counter-signed by Company pursuant to Sections 6.2.5. After Company's acceptance of the site and lease (or purchase agreement, if applicable), and its delivery to Developer of the fully executed Franchise Agreement, Developer shall then procure the site pursuant to the purchase agreement or lease which has been reviewed and accepted by Company, and shall forward to Company, within ten (10) days after its execution, one copy of the executed lease or, if purchased, the deed evidencing Developer's right to occupy the site. Developer shall then commence construction and operation of the PF Restaurant pursuant to the terms of the applicable Franchise Agreement.

6.3 Condition Precedent to Company's Obligations. It shall be a condition precedent to Company's obligations pursuant to Sections 6.1 and 6.2, and to Developer's right to develop each and every PF Restaurant, that Company is then offering and selling franchise in the state where the Development Area is located, and Developer shall have satisfied all of the following conditions precedent prior to Company's acceptance of the proposed PF Restaurant and the site and lease or purchase agreement therefor, and the Company's execution of the Franchise Agreement therefor:

6.3.1 Developer and its Affiliates that have developed or operate PF Restaurants in the Development Area, shall have fully performed all of its obligations under this Agreement and all Franchise Agreements and other written agreements between Company and Developer, and must not at any time

following Developer's submission of its Site Review Request, and until Company grants its acceptance of the proposed site, be in default of any of its contractual or other legal obligations to Company or any of its Affiliates, or any approved vendor or supplier, or to any federal, state, county or municipal agency.

6.3.2 Developer shall have demonstrated to Company, in Company's discretion, Developer's financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement, and Developer's submission of a comprehensive management plan acceptable to, and accepted by Company, which shall include among other reasonable requirements as may be established by Company, an organization chart and supervisory requirements for the proposed PF Restaurant. In determining if Developer is financially or otherwise capable, Company shall apply the same criteria to Developer as it applies to prospective area developers at that time.

6.3.3 Developer and its Affiliates shall continue to operate, in the Development Area, not less than the cumulative number of PF Restaurants required by the Development Obligation set forth in Exhibit B to be in operation as of the end of the immediately preceding Development Period.

6.3.4 Developer, and each of its Affiliates who then has a currently effective Franchise Agreement or area development agreement with Company, must sign a general release of any claims they may have against Company and its Affiliates, on a form prescribed by Company.

6.3.5 Developer and each of its Affiliates shall be in full compliance with Applicable Law.

ARTICLE 7 ASSIGNMENT AND SUBFRANCHISING

7.1 Assignment by Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer and shall inure to the benefit of any transferee or their legal successor to Company's interests in this Agreement; provided, however, that such transferee and successor shall expressly agree to assume Company's obligations under this Agreement. Without limiting the foregoing, Company may (i) assign or delegate any or all of its rights and obligations under this Agreement; (ii) sell its assets, the Marks, or the System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another individual or Entity; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof). In connection with any of the foregoing, at Company's request, Developer shall deliver to Company a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Developer is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Company may reasonably request; and Developer agrees that any such statements may be relied upon by Company and any prospective purchaser, assignee or lender of Company.

7.2 No Subfranchising by Developer.

7.2.1 Developer shall not offer, sell, or negotiate the sale of franchises to any third party, either in Developer's own name or in the name and/or on behalf of Company, or otherwise subfranchise, subcontract, sublicense, share, divide or partition this Agreement or any Franchise Agreement executed pursuant hereto, and nothing in this Agreement will be construed as granting Developer the right to do so. Developer shall not execute any Franchise Agreement with Company, or construct or equip any PF Restaurant with a view to offering or assigning such Franchise Agreement or PF Restaurant to any third party.

7.2.2 Notwithstanding Section 7.2.1, Developer may, with Company's prior written consent, execute and contemporaneously assign a Franchise Agreement executed pursuant hereto to a separate Entity controlled by Developer (each a "**Subsidiary**"); provided and on condition that:

(a) Upon Company's request, Developer has delivered to Company a true, correct and complete copy of the Subsidiary's articles of incorporation or articles of organization, bylaws, operating agreement, partnership agreement, and other organizational documents, and Company has accepted the same;

(b) The Subsidiary's articles of incorporation or articles of organization, bylaws, operating agreement, and partnership agreement, as applicable, shall provide that its activities are confined exclusively to operating PF Restaurant;

(c) Developer, directly owns and controls not less than 100% of the Equity and voting rights of the Subsidiary;

(d) the Subsidiary is in good standing in its jurisdiction of organization and each other jurisdiction where the conduct of its business or the operation of its properties requires it to be so qualified;

(e) the person designated by Developer as the Operating Principal has exclusive day-to-day operational control over the Subsidiary;

(f) the Subsidiary conducts no business other than the operation of the PF Restaurant;

(g) the Subsidiary assumes all of the obligations under the Franchise Agreement as franchisee pursuant to written agreement, the form and substance of which shall be acceptable to Company;

(h) each person or Entity comprising Developer, and all present and future Owners of 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights of any franchisee under any and all Franchise Agreements executed pursuant to this Agreement shall execute a written guaranty in a form prescribed by Company, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of all of the obligations to Company and to Company's Affiliates under this Agreement and each Franchise Agreement executed pursuant hereto (for purposes of determining whether said 10% threshold is satisfied, holdings of spouses, family members who live in the same household, and Affiliates shall be aggregated);

(i) none of the Owners of the Equity of the franchisee under the applicable Franchise Agreement is engaged in Competitive Activities;

(j) at Company's request, Developer shall, and shall cause each of its Affiliates to execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its Affiliates and their officers, directors, agents, shareholders and employees; and

(k) Developer shall reimburse Company for all direct and indirect costs and expense it may incur in connection with the transfer and assignment, including attorney's fees.

7.2.3 In the event that Developer exercises its rights under Section 7.2.2 then, Developer and such Subsidiary shall, in addition to any other covenants contained in the applicable Franchise Agreement, affirmatively covenant to continue to satisfy each of the conditions set forth in Section 7.2.2 throughout the term of such Franchise Agreement.

7.3 Assignment by Developer

7.3.1 This Agreement has been entered into by Company in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Developer. Neither Developer nor any Owner shall cause or permit any Assignment unless Developer shall have obtained Company's prior written consent, which consent may be withheld for any reason whatsoever in Company's judgment or for no reason at all, and shall comply with Company's right of first refusal pursuant to Section 7.3.4. Except as provided in Section 7.2.2, Developer acknowledges and agrees that it will not be permitted to make an Assignment of this Agreement or sell, gift, convey, assign or transfer the assets used in any of the PF Restaurants developed hereunder or any Franchise Agreement executed pursuant to this Agreement except in conjunction with a concurrent Assignment to the same approved assignee of all of the assets used in all of said PF Restaurants, and all of the Franchise Agreements executed pursuant to this Agreement or at Company's election the execution by the assignee of new Franchise Agreements on Company's Then-current form for each of the PF Restaurants then developed or under development by Developer, and otherwise in accordance with the terms and conditions of Developer's Franchise Agreement(s). If Developer is an Entity, Developer shall promptly provide Company with written notice (stating such information as Company may from time to time require) of each and every transfer, assignment, encumbrance, gift and other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise by any Owner of any direct or indirect Equity or voting rights in Developer, notwithstanding that the same may not constitute an "Assignment" as defined by this Agreement.

7.3.2 Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever without the prior express written consent of Company. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Developer shall provide not less than 10 days prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

7.3.3 Securities, partnership or other ownership interests in Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Company, which consent shall not be unreasonably withheld. All materials required for any such private offering by federal or state law shall be submitted to Company for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Company for such review prior to their use. No such offering by Developer shall imply that Company is participating in an underwriting, issuance or offering of securities of Developer or Company, and Company's review of any offering materials shall be limited solely to the subject of the relationship between Franchise and Company and its Affiliates. Company may, at its option, require Developer's offering materials to contain a written statement prescribed by Company concerning the limitations described in the preceding sentence. Developer, its Owners and the other participants in the offering must fully defend and indemnify Company, and its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any additional documentation required by Company to further evidence this indemnity. For each proposed offering, Developer shall pay to Company a non-refundable fee of \$5,000, which shall be in addition to any transfer fee under any Franchise Agreement or such greater amount as is necessary to reimburse Company for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Developer shall give Company written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

7.3.4 Developer's written request for consent to any Assignment must be accompanied by an offer to Company of a right of first refusal to purchase the interest which is proposed to be transferred, on the same terms and conditions offered by the third party; provided that Company may substitute cash for any non-cash consideration proposed to be given by such third party (in an amount determined by

Company reasonably and in good faith as the approximate equivalent value of said non-cash consideration); and provided further that Developer shall make representations and warranties to Company customary for transactions of the type proposed (the “**ROFR**”). If Company elects to exercise the ROFR, Company or its nominee, as applicable, shall send written notice of such election to Developer within 60 days of receipt of Developer's request. If Company accepts such offer, the closing of the transaction shall occur within 60 days following the date of Company's acceptance. Any material change in the terms of an offer prior to closing or the failure to close the transaction within 60 days following the written notice provided by Developer (the “**ROFR Period**”) shall cause it to be deemed a new offer, subject to the same right of first refusal by Company, or its third-party designee, as in the case of the initial offer. Company's failure to exercise such right of first refusal shall not constitute consent to the transfer or a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer.

ARTICLE 8 CONFIDENTIALITY; NON-COMPETITION

8.1 Confidentiality

8.1.1 Restricted Persons may have access to proprietary and Confidential Information, including the Standards, procedures, concepts and methods and techniques of developing and operating a PF Restaurant. Company may disclose certain of its Confidential Information to Restricted Persons in the operations manuals(s), bulletins, supplements, confidential correspondence, or other communications, and through Company's training program and other guidance and management assistance. No Restricted Person shall acquire any interest in the Confidential Information other than the right to use it in developing a PF Restaurant. A Restricted Person's duplication or use of the Confidential Information in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Confidential Information in any business or other endeavor other than in connection with the development of PF Restaurants; (ii) refrain from disclosing the Confidential Information and maintain the absolute confidentiality of the Confidential Information during and after the Term; and (iii) make no unauthorized copy of any portion of the Confidential Information, including the operations manual(s), bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Developer shall implement reasonable procedures prevent unauthorized use and disclosure of the Confidential Information. If Developer has any reason to believe that any employee or Restricted Person has improperly used or disclosed the Confidential Information, Developer shall promptly notify Company and shall cooperate with Company to protect Company against infringement or other unlawful use, including, the prosecution of any lawsuits if, in the judgment of Company, such action is necessary or advisable.

8.1.2 Developer shall obtain covenants similar to those in Sections 8.1 and 8.2 from Restricted Persons, and such other personnel, as Company may specify. Company may require that Company be an express third party beneficiary with the right to enforce such agreements. Promptly upon Company's request, Developer shall deliver executed copies of such agreements to Company.

8.2 Non-Competition. Developer acknowledges that the System is distinctive and has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Developer has regular and continuing access to valuable and confidential information, training, and Confidential Information regarding the System. Developer therefore agrees as follows:

8.2.1 During the Term, no Restricted Person shall in any capacity, either directly or indirectly, through one or more Affiliates or otherwise, engage in any Competitive Activities at any location, whether within or outside the Development Area.

8.2.2 To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cessation of any Restricted Person's relationship with Developer, each person who was a Restricted Person before such event shall not for a period of 24 months thereafter, either directly or indirectly, own, operate, advise, be employed by, or have

any financial interest in any business engaged in Competitive Activities within the Development Area or within 5 miles of any then-existing PF Restaurant.

8.3 Certain Developments. All ideas, concepts, techniques or materials relating to a PF Restaurant (“**Developments**”), whether or not protectable intellectual property and whether created by or for Developer or its Owners, employees or contractors, must be promptly disclosed to Company and will be deemed to be Company's sole and exclusive property. Developer assigns ownership of that item, and all related rights to that item, to Company. The Company will sign and cause its Owners, employees and contractors to sign whatever assignment or other documents Company requests to evidence Company's ownership and to help Company obtain intellectual property rights in the item. Developer may not use any Developments in operating a PF Restaurant or otherwise without Company's prior written approval. Developer waives all moral rights in the Developments and will cause all of its Owners, employees and contractors to waive all moral rights in the Developments.

8.4 Press Releases. Unless required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby shall be made by Developer without the prior written consent of Company.

8.5 Enforcement. The parties hereby expressly agree that if the scope or enforceability of Article 8 (or any section thereof) is disputed at any time by Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law. In addition, Company reserves the right to reduce the scope of either, or both, of said provisions without Developer's consent, at any time or times, effective immediately upon notice to Developer. In view of the importance of the Marks and the Confidential Information and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth in this Agreement, the parties agree that each party shall have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a proper court in the place where Developer has its principal office court of competent jurisdiction to enforce the covenants and agreements in this Article 8, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the jurisdiction of the court in the place where the Developer has its principal office for these purposes. Developer agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Developer's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any injunction being expressly waived).

ARTICLE 9 TERMINATION

9.1 Termination By Company Pursuant to a Default of this Agreement

9.1.1 Subject to Applicable Law to the contrary, this Agreement may be terminated by Company in the event of any Default by Developer of this Agreement, unless such Default is cured by Developer within 5 days following written notice of the Default (in the case of a failure to pay money), or 30 days following written notice of the Default (in the case of any other Default); provided that in the case of a Default by Developer (or its Affiliate) under any Franchise Agreement or other written agreement, the notice and cure provisions of the Franchise Agreement or other agreement shall control, and provided, further, however, that any Default described in Sections 9.1.2(a), (b) or (e) below shall be deemed incurable.

9.1.2 The term “Default”, as used herein, includes the following:

(a) Any Assignment or attempted Assignment in violation of the terms of Section 7.2 or 7.3, or without the written consents required pursuant to this Agreement; provided, however, (i) upon prompt written request to Company following the death or legal incapacity of a Developer who is an individual, Company shall allow a period of up to 60 days after such death or legal incapacity for his or her heirs, personal representatives, or conservators (the “**Heirs**”) to seek and obtain Company's consent

to the Assignment his or her rights and interests in this Agreement to the Heirs or to another person acceptable to Company; or (ii) upon prompt written request to Company following the death or legal incapacity of an Owner of a Developer which is an Entity, directly or indirectly, owning more than 20% or more of the Equity or voting power of Developer, Company shall allow a period of up to 60 days after such death or legal incapacity for his or her Heir(s) to seek and obtain Company's consent to the Assignment of such Equity and voting power to the Heir(s) or to another person or persons acceptable to Company. If, within said 60 day period, said Heir(s) fail to receive Company's consent as aforesaid or to effect such consented to Assignment, then this Agreement shall immediately terminate at Company's election.

(b) Subject to Section 2.3, failure of Developer to satisfy the Development Obligation within the Development Periods set forth herein.

(c) Failure of Developer (or any Affiliate of Developer) to pay any Initial Franchise Fee or Royalty Fee in a timely manner as required by this Agreement or any Franchise Agreement signed by Developer.

(d) Developer's opening of any PF Restaurant in the Development Area except in strict accordance with the procedures set forth in Sections 6.1 through 6.3.

(e) Failure of Developer to fully comply with the requirements of Article 8.

(f) Any Default of any other agreement between Developer (or any Affiliate of Developer) and Company (or any Affiliate of Company), including any Franchise Agreement executed pursuant hereto.

ARTICLE 10 ADDITIONAL COVENANTS OF DEVELOPER

10.1 Entity Developer Information. If Developer is an Entity, Developer represents and warrants that the information set forth in Exhibit C which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Developer shall notify Company in writing within 10 days of any change in the information set forth in Exhibit C, and shall submit to Company a revised Exhibit C, which shall be certified by Developer as true, correct and complete and upon acceptance thereof by Company shall be annexed to this Agreement as Exhibit C. Developer promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer, including providing copies of all amendments to Developer's "**Entity Documents**" as defined in Exhibit C. Developer shall conduct no business other than the business contemplated hereunder and under any currently effective Franchise Agreement between Company and Developer. The Entity Documents of Developer shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in the Agreement and any Franchise Agreement executed pursuant thereto.

10.2 Operating Principal; Training Director.

10.2.1 Developer shall at all times throughout the Term and the term of each Franchise Agreement executed pursuant hereto after such date retain and employ an Operating Principal. The Operating Principal shall (i) be vested with the authority and responsibility for the day-to-day operations of all PF Restaurants owned or operated by Developer within the Development Area and (ii) be principally responsible for communicating and coordinating with Company regarding business, operational and other ongoing matters concerning this Agreement and the PF Restaurants developed pursuant hereto. The Operating Principal shall, during the entire period he/she serves as such, meet the following qualifications: (a) shall devote full working-time and best efforts solely to operation of all PF Restaurants owned or operated by Developer in the Development Area and to no other business activities; and (b) shall have successfully passed to Company's satisfaction, Company's initial training program and such additional and supplemental training programs as Company may require from time to time. The Operating Principal shall have the full authority to act on behalf of Developer in regard to performing, administering or amending this

Agreement and all Franchise Agreements executed pursuant hereto. Company may, but is not required to, deal exclusively with the Operating Principal in such regards unless and until Company's actual receipt of written notice from Developer of the appointment of a successor Operating Principal.

10.2.2 Commencing on the date which Developer opens its second PF Restaurant within the Development Area, and at all times throughout the Term and the term of each Franchise Agreement executed pursuant hereto after such date, Developer shall employ and retain a Training Director (as defined below), and a general manager, which may be the Operating Principal. After Company has performed its initial training obligations pursuant to the first two (2) PF Restaurants developed and opened hereunder, the Training Director shall be responsible for training all of Developer's employees and independent contractors in meeting, achieving and maintaining the Standards. The "**Training Director**" is a person employed by Developer on a full-time basis that (i) has successfully passed to Company's satisfaction, Company's initial training program and such additional and supplemental training programs as Company may require from time to time, (ii) is certified by Company to train Developer's PF Restaurant-level employees in meeting, achieving and maintaining the Standards, and (iii) is principally reasonable for ensuring that Developer's employees and independent contractors are so trained and retrained from time to time and are performing to meet, achieve and maintain the Standards. Company may charge Developer a fee for training any Training Director.

10.2.3 Each PF Restaurant must be operated and supervised only by persons that have successfully completed the training as specified by Company and/or who have been trained by Developer's certified trainer.

10.3 Business Practices. Developer represents, warrants and covenants to Company that:

10.3.1 As of the date of this Agreement, Developer and each of its Owners (if Developer is an Entity) shall be and, during the Term shall remain, in full compliance with all applicable laws in each jurisdiction in which Developer or any of its Owners (if Developer is an Entity), as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official thereof, or candidate is an owner or has any investment interest in the revenues or profit of Developer;

(b) None of the property or interests of Developer or any of its Owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Developer, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Developer) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Developer and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(d) Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

10.3.2 Developer has taken all necessary and proper action required by Applicable Law and has the right to execute this Agreement and perform under all of its terms. Developer shall implement and comply with anti-money laundering policies and procedures that incorporate "know-your-customer" verification programs and such other provisions as may be required by applicable law.

10.3.3 Developer shall implement procedures to confirm, and shall confirm, that (a) none of Developer, any person or entity that is at any time a legal or beneficial owner of any interest in Developer or that provides funding to Developer is identified by name or address on any Terrorist List or is an Affiliate of any person so identified; and (b) none of the property or interests of Developer is subject to being "blocked" under any Anti-Terrorism Laws.

10.3.4 Developer shall promptly notify Company upon becoming aware of any violation of this Section or of information to the effect that any person or entity whose status is subject to confirmation pursuant to Section 10.3.1(c) is identified on any Terrorist List, any list maintained by OFAC or to being "blocked" under any Anti-Terrorism Laws, in which event Developer shall cooperate with Company in an appropriate resolution of such matter.

10.3.5 In accordance with Applicable Law, none of Developer nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or entity acting in an official capacity on behalf of, the Governmental Authority, or any political party or official thereof or while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any official, for the purpose of (a) influencing any action or decision of such official in his or its official capacity; (b) inducing such official to do or omit to do any act in violation of his or its lawful duty; or (c) inducing such official to use his or its influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person.

10.3.6 The provisions of this Section shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Company for any infringement of, violation of, or interference with, this Agreement, or the Marks, System, Confidential Information, or any other proprietary aspects of Company's business.

10.4 Reports. Developer shall submit to Company the following financial information for Developer and the Subsidiaries:

10.4.1 On or before the 45th day following each calendar quarter during the Term, Developer shall submit to Company accurate and complete financial statements for the preceding calendar quarter, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by the Company and in accordance with sound accounting principles.

10.4.2 Within 90 days following the end of each calendar year during the Term, Developer shall submit to Company an unaudited annual financial statement prepared in accordance with sound accepted accounting principles, and in such form and manner prescribed by Company, which shall be certified by Developer to be accurate and complete.

ARTICLE 11 GENERAL CONDITIONS AND PROVISIONS

11.1 Relationship of Developer to Company. It is expressly agreed that the parties intend by this Agreement to establish between Company and Developer the relationship of licensor and area developer. It is further agreed that Developer has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Developer agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

11.2 Indemnity by Developer. Developer hereby agrees to protect, defend and indemnify Company, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, individual or Entity or to any property arising out of or in connection with Developer's construction, development and/or operation of PF Restaurants pursuant hereto, except to the extent caused by intentional acts of the Company in breach of this Agreement. The terms of this Section 11.2 shall survive the termination, expiration or cancellation of this Agreement.

11.3 No Consequential Damages For Legal Incapacity. Company shall not be liable to Developer for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Developer by reason of any delay in the delivery of Company's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misfeasance of Company.

11.4 Waiver and Delay. No waiver by Company of any Default or Defaults, or series of Defaults in performance by Developer, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any Franchise Agreement or other agreement between Company and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the PF Restaurants), or to insist upon strict compliance with or performance of Developer's (or its Affiliates) obligations under this Agreement or any Franchise Agreement or other agreement between Company and Developer (or its Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the PF Restaurants), shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof. Company will consider written requests by Developer for Company's consent to a waiver of any obligation imposed by this Agreement. Developer agrees, however, that Company is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case by case basis, and nothing shall be construed to require Company to grant any such request. Any waiver granted by Company shall be without prejudice to any other rights Company may have, will be subject to continuing review by Company, and may be revoked, in Company's discretion, at any time and for any reason. Company makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

11.5 Survival of Covenants. The covenants contained in this Agreement which, by their nature or terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

11.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained herein. This Agreement is for the benefit of the parties only, and except as expressly provided in this Agreement, is not intended to and shall not confer any rights or benefits upon any person who is not a party to this Agreement.

11.7 Joint and Several Liability. If Developer consists of more than one person or Entity, or a combination thereof, the obligations and liabilities of each of such person or Entity to Company are joint and several, and such person(s) or Entities shall be deemed to be general partnership

11.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California (without giving effect to any conflict of laws), except that (a) the provisions of Sections 8.2 (and to the extent applicable, Section 8.5) shall be governed in accordance with the laws of the State where the Default of said section occurs, and (b) any state law relating to (1) the offer and sale of

franchises, (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

11.9 Entire Agreement; Amendment. This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings and representations, are merged herein and superseded hereby. Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not included in this Agreement or any Franchise Disclosure Document for prospective franchisees required by Applicable Law, and Developer agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto. Developer acknowledges that no oral or written statements, promises regarding this Agreement or the parties relationship, whether consistent or inconsistent with the terms of this Agreement, have been made to Developer except as set forth in the Franchise Disclosure Document provided to Developer, and that Developer is not relying on any statement or representation other than those in this Agreement and in such Franchise Disclosure Document. Developer agrees that it will not attempt to introduce any evidence of such statements in court or any other proceeding to challenge the terms of this Agreement or the validity of the Agreement as a whole, whether such challenge is based on fraud, tort, breach of contract or otherwise. If there is any conflict between the rights and obligations of the parties set forth in this Agreement and the rights and obligations of the parties described in the Franchise Disclosure Document provided to Developer, this Agreement shall control. Nothing in this Agreement, including all schedules attached hereto, and all agreements or documents which by the provisions of this Agreement are expressly incorporated herein or made a part hereof is intended to disclaim the representations Company made in any required franchise disclosure document received by Developer. Developer has read all of the terms of this Agreement, including, the preceding paragraph: _____ [Developer initial]

11.10 Titles for Convenience. Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

11.11 Gender and Construction. The terms of all Exhibits hereto are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full herein. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or Section hereof may require. When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article, Section or Exhibit to this Agreement, unless otherwise indicated. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, approval, acceptance or authorization of Company which Developer may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Company's Standards or satisfaction, Company may do so in its sole subjective judgment and discretion. No provision herein expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. Company and Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

11.12 Severability, Modification. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

11.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

11.14 Fees and Expenses. If any party to this Agreement shall bring any arbitration, action or proceeding for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such arbitration, action or proceeding and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such arbitration, action or proceeding and shall be paid whether or not such action or proceedings is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the trier of fact based upon an assessment of which party's major arguments or positions on major disputed issues. For the purposes of this Section, attorney fees shall include fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy, debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

11.15 Venue for Disputes. The state and federal courts in the principal city closest to the company's then-current headquarters shall be the venue for any litigation arising under this Agreement. The parties acknowledge that they have reviewed this section and have had the opportunity to seek independent legal advice as to its meaning and effect.

11.16 Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand; one business day after transmission by facsimile or other electronic system expressly approved in the manuals as appropriate for delivery of notices hereunder (with confirmation copy sent by regular U.S. mail), or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Company: Pizza Factory, Inc.
49430 Road 426, Suite D
PO Box 989
Oakhurst, California 93644

With copy (which shall not constitute notice) to:

Keith D. Klein Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, CA 90401-2386
Facsimile No.: (310) 576-2200

If to Developer: See Section 1.1

or to such other address as such party may designate by 10 days' advance written notice to the other party.

ARTICLE 12 ACKNOWLEDGMENT

12.1 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Developer.

12.2 General

12.2.1 Developer acknowledges that it has carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that it has obtained the advice of counsel in connection with entering into this Agreement, that it understands the nature of this Agreement, and that it intends to comply herewith and be bound hereby.

12.2.2 Company expressly disclaims making, and Developer acknowledges that it or they have not received or relied on any warranty or guarantee, express or implied, as to the potential volume, profits, expenses, or success of the business venture contemplated by this Agreement

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

"Developer"

a _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

"Company"

Pizza Factory, Inc.
a California corporation

By: _____
Name: _____
Title: _____

ACCEPTED on this _____ day of _____, 20____.

Exhibit A
DEVELOPMENT AREA

The Development Area* is defined as the territory within the boundaries described below:

* If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

EXHIBIT B
DEVELOPMENT OBLIGATION

	DEVELOPMENT PERIOD ENDING	CUMULATIVE NO. OF TRADITIONAL PF RESTAURANTS TO BE IN OPERATION
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

EXHIBIT C
Entity Information

Developer represents and warrants that the following information is accurate and complete in all material respects:

(i) Developer is a (check as applicable):

- ☐ corporation
☐ limited liability company
☐ general partnership
☐ limited partnership
☐ Other (specify): _____

(ii) Developer shall provide to Company concurrently with the execution hereof true and accurate copies of its charter documents including Articles of Incorporation, Bylaws, Operating Agreement, Regulations Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing ("**Entity Documents**").

(iii) Developer promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer.

(iv) The name and address of each of Developer's owners, members, or general and limited partner:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(v) There is set forth below the names, and addresses and titles of Developer's principal officers or partners who will be devoting their full time to the PF Restaurants:

NAME	ADDRESS
_____	_____
_____	_____
_____	_____

(vi) The address where Developer's Financial Records, and Entity Documents are maintained is: _____

APPENDIX 1

"Affiliate" when used herein in connection with Company or Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Company or Developer, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Developer includes any Entity 10% or more of whose Equity or voting control, is held by person(s) or Entities who, jointly or severally, hold 10% or more of the Equity or voting control of Developer. For purposes of this definition, control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Developer, the term "Affiliate" shall not include or refer to the Company or that Affiliate (the **"Company Affiliate"**), and no obligation or restriction upon an "Affiliate" of Developer, shall bind Company, or said Company Affiliate or their respective direct/indirect parents or subsidiaries, or their respective officers, directors, or managers.

"Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

"Applicable Law" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all laws governing the development, construction and operation of a PF Restaurant, all labor, immigration, disability, privacy, food and drug laws and regulations, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

"Assignment" shall mean any assignment, sale, transfer, gift, lien, pledge, mortgage, hypothecation, conveyance, encumbrance, grant of a security interest, or other conveyance, voluntarily or involuntarily, in whole or in part, by operation of Applicable Law or otherwise, of any interest in this Agreement or any of Developer's rights or privileges hereunder, or all or any substantial portion of the assets of Developer; provided, further, however, that if Developer is an Entity, each of the following shall be deemed to be an Assignment of this Agreement: (i) the sale, assignment, transfer, conveyance, gift, lien, pledge, mortgage, hypothecation, grant of a security interest, or other encumbrance of more than 49% in the aggregate, whether in one or more transactions, of the Equity or voting power of Developer, by operation of law or otherwise or any other event(s) or transaction(s) which, directly or indirectly, effectively changes control of Developer; (ii) the issuance or change of any securities by, or Equity of, Developer which itself or in combination with any other transaction(s) results in the Owners, as constituted on the Effective Date, or the date of the last Assignment for which Company granted its consent, whichever is later, owning less than 51% of the outstanding Equity or voting power of Developer; (iii) if Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or of any limited partner owning more than 49% of the Partnership Rights of the Partnership, or the admission of any additional general partner, or the transfer by any general partner of any of its Partnership Rights in the Partnership, or any change in the ownership or control of any general partner; (iv) the death or legal incapacity of any Owner owning more than 49% of the Equity or voting power of Developer; (v) any merger, stock redemption, conversion, consolidation, reorganization, recapitalization involving, directly or indirectly, Developer or any Owner, and/or (vi) transfer of control of Developer, however effected.

"Competitive Activities" means to, own, operate, lend to, advise, be employed by, or have any financial interest in (i) any restaurant 10% or more of whose gross sales is derived from the sale of pizza or pasta, other than a PF Restaurant operated pursuant to a validly subsisting Franchise Agreement with Company, or (ii) any business that specializes in developing, owning, operating or franchising restaurants 10% or more of whose gross sales is derived from the sale of pizza or pasta, or (iii) any business engaged in the preparation, production or sale, at wholesale, of any pizza or pasta food product. Notwithstanding the foregoing, **"Competitive Activities"** shall not include the direct or indirect ownership solely as an investment, of securities of any Entity which are traded on any national securities exchange if applicable

owner thereof (i) is not a controlling person of, or a member of a group which controls, such Entity and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Entity.

"Confidential Information" means proprietary and confidential information and trade secrets of Company, including, Standards, specifications, programs, supplier information, procedures, policies, recipes, concepts, systems, know-how, plans, software, strategies, methods, programs, routines, service techniques, services, clothing designs, techniques and plans for advertising, promoting, developing and operating PF Restaurants.

"Default" or **"default"** means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

"Development Area" shall have the meaning set forth in Section 1.1 of this Agreement.

"Development Obligation" shall mean the Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of PF Restaurants set forth in Exhibit B hereto within each Development Period and, if applicable, within the geographic areas specified therein.

"Development Period" means each of the time periods indicated on Exhibit B during which Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate PF Restaurants in accordance with the Development Obligation.

"Entity" means any limited liability company, Partnership, trust, association, corporation or other entity that is not an individual.

"Equity" means capital stock, membership interests, Partnership Rights or other equity ownership interests of an Entity.

"Franchise Agreement" means the form of agreement prescribed by Company and used to grant to Developer the right to own and operate a single PF Restaurant in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"Franchise Disclosure Document" shall have the meaning set forth in Section 6.2.4.

"Force Majeure" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Developer could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor general economic conditions; nor the performance, non-performance or exercise of rights under any agreement with Developer by any lender, landlord, contractor, or other person shall be an event of Force Majeure, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Developer's financial inability to perform or Developer's insolvency shall not be an event of Force Majeure.

"Governmental Authority" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"Initial Franchise Fee" shall have the meaning set forth in Section 5.2.

"Non-Traditional Venue" means (i) any location within another primary business, corporate campus complexes, institutional venues, and any location to which the general public does not have unlimited access and any site for which the lessor, owner or operator thereof shall have indicated its intent to prefer or limit the operation of its food service facilities to a master concessionaire or contract food service provider; (ii) mobile outlets, temporary or seasonal food service facilities; and/or (iii) commercial kitchen facilities that provide order and delivery-only services, which may include the associated online or mobile

ordering and delivery services to and from locations in or outside of the Development Area. Examples of Non Traditional Venues include mobile outlets (such as food trucks), “ghost” kitchens, grocery stores, concert venues, casinos, toll roads, hotels and motels, ships, ports, piers, supermarkets, convention centers, airports, resorts, amusement parks, sports stadiums, fairs, expositions, college and university buildings, military bases, hospitals and medical centers, and other venues operated by a master concessionaire or contract food service provider.

“**Owner**” means any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of an Entity, except, that if Company or any Affiliate of Company has any ownership interest in Developer, the term “Owner” shall not include or refer to the Company or that Affiliate or their respective direct and indirect parents and subsidiaries, and no obligation or restriction upon the “Developer”, or its Owners shall bind Company, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

“**Partnership**” means any general partnership, limited partnership or limited liability partnership.

“**Partnership Rights**” means voting power, property, profits or losses, or partnership interests of a Partnership.

“**Restricted Persons**” means the Developer, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, and the spouse and family members who live in the same household of each of the foregoing who are individuals, except, that if Company or any Affiliate of Company has any ownership interest in Developer, (i) the term “Restricted Person” shall not include or refer to the Company or that Affiliate or their respective direct and indirect parents and subsidiaries, (ii) the term “Restricted Person” shall not include or refer to any manager, officer or director of Developer that is designated to be manager, officer or director of Developer by the Company or its Affiliates; and (iii) no obligation or restriction upon the “Developer”, or its Owners shall bind Company, said Affiliate or their respective direct and indirect parents and subsidiaries or their respective officers, directors, or managers.

“**ROFR**” shall have the meaning set forth in Section 7.3.4.

“**ROFR Period**” shall have the meaning set forth in Section 7.3.4.

“**Site Review Request**” shall have the meaning set forth in Section 6.1.

“**Standards**” mean Company’s then-current specifications, standards, policies, procedures and rules prescribed for the development, ownership and operation of a PF Restaurant, as modified by Company from time to time in writing.

“**System**” means the Company’s business formats, operating methods and business practices related to a PF Restaurant, and the relationship between Company and its developers and franchisees, including interior and exterior PF Restaurant designs; other items of trade dress; specifications of equipment, fixtures, and uniforms; recipes, ingredients, menus, techniques; copyrights, procedures, signs, layouts, defined product offerings, methods of operation, and preparation methods; standard operating and administrative procedures; restrictions on ownership; management and technical training programs; and marketing and public relations programs; all as Company may modify the same from time to time.

“**Term**” shall have the meaning set forth in Section 4.1.

“**Terrorist Lists**” means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department’s Office of Foreign Asset Control (“**OFAC**”), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

“**Then-current**” as used in this Agreement and applied to the Franchise Disclosure Document, an area development agreement and a Franchise Agreement shall mean the form then currently provided by

Company to similarly situated prospective franchisees or area developers, or if not then being so provided, then such form selected by the Company in its discretion which previously has been delivered to and executed by a licensee, area developer or franchisee, as applicable, of Company.

"Traditional PF Restaurant" means a business premises that exists (or will exist, as the case may be) primarily as a "Pizza Factory" restaurant, excluding all Non-Traditional Venues and PF Restaurants at Non-Traditional Venues.

"Venue" means any location that is not a Non-Traditional Venue.

Exhibit F
Pizza Factory Sample Menu

2 TWISTED BREADSTIX (third period)
A bread mix is placed into a bowl and topped with 1/2 cup of oil. The bread is then placed in a 350°F oven for 15 minutes. The bread is then removed from the oven and allowed to cool. The bread is then cut into 1/2 inch slices and served.

For more information, visit www.pearsoncmg.com

With choice 105, you can enjoy 2.35

Mean of figures. 0.001 is significant at the 99.9 percent level; 0.01, at the 99 percent level; and 0.05, at the 95 percent level. Figures in parentheses are standard deviations.

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that "based on the information I have just given, do I have additional questions?"

ALL YOU CAN EAT SALAD
Don't let the weight of your diet count against you! This great Greek salad recipe is a healthy, low-fat meal that's easy to make. **1.50.**

The present study indicates a trend of lower serum lipoprotein concentrations (LDL cholesterol) among female farmers, workers, and gardeners of straw.

Example of being affiliated with a large company or with an elite, prestigious group, that exalts and glorifies a certain and approved performance. ¹²⁸

with children: (2) = 1.25.

First class medicine, a genuine tonic of blood for post-empyema patients. A full course of treatment is \$10.00. With charges, \$11.00 net. 7-25

LASAGNA (1975, 1981).
 Journal of Ecological Entomology, 10, 1-11. *Abstracted in Entomological Abstracts, 1976, 1981.*

Our findings are consistent with the idea that the use of a single, standardized, and validated instrument to assess the prevalence of mental health problems in a community is a valid and reliable method.

BAKED SPAGHETTI

PETTUCCINE ALFREDO (114 cal)

DAVID L. ...

THE UNIVERSITY OF CHICAGO PRESS

should be the subject of further research.

that may affect the patient with liver metastases, blood clots, gastric ulcers, diabetes, chronic obstructive pulmonary disease and 10% increasing dose.

was estimated (14) by dividing the flow of the water by the depth.

WE SERVE ONLY 100% MOZZARELLA CHEESE.
WE'LL MELT YOUR PIZZA WITH A THIN LAYER OF THE BEST LAY THICK.
OLD-FASHIONED WAY IN ANY COMBINATION YOU LIKE. 12 & 1/2 14 &
16 NO CHARGE. EXTRA TASTING. (ADDITIONAL CHARGES MAY APPLY.)

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SMALL (10)	MEDIUM (100)	LARGE (100)	X-LARGE (100)
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SPECIALTIES & NEIGHBORHOOD FAVORITES	1.02	14.00	18.50	22.00	24.35
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THESE BOOKS

Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

[illegible]

CHUCKLE

	DOGMET	17.06	17.08	17.09	17.10
RED TOMATO & GARLIC	✓ 50	13.05	13.06	13.07	13.08

7.00	1.25	1.00	2.00	52.00
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Year	1990	1991	1992	1993	1994
7.50	12.25	17.25	21.75	26.25	30.75

卷一百一十五

MEATS
Beef, Pork, Lamb, Chicken, Turkey

Journal of Interpersonal Violence 28(12)

Exhibit G
Pizza Factory Manual of Standard Operating Procedures (Table of Contents Only)

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Exhibit H
Guaranty

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

This Guaranty is from the undersigned officers, directors, partners or owners of the Franchisee under the Franchise Agreement (the "**Agreement**") dated _____ between PIZZA FACTORY, INC. ("**Franchisor**") and _____, [if assigned, add: and assigned to _____] ("**Franchisee**").

In consideration of and as an inducement to the execution of the Agreement by Franchisor, each person signing this Guaranty hereby personally and unconditionally, jointly and severally: (i) guarantees to Franchisor and its successors and assigns that the Franchisee will punctually pay when due all amounts required to be paid under the Agreement and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (ii) agrees to be personally bound by, and personally liable for, the breach of each and every provision in the Agreement.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the undersigned's obligations under this Guaranty; (ii) notice of demand for payment of any indebtedness or non-performance of any obligation guaranteed by the undersigned; (iii) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations guaranteed by the undersigned; (iv) any right the undersigned may have to require that an action be brought against the Franchisee or any other person as a condition of the undersigned's liability; and (v) all other notices and legal or equitable defenses to which the undersigned may be entitled in the undersigned's capacity as guarantor.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this Guaranty shall be joint and several; (ii) the undersigned will make any payment or render any performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (iii) the undersigned's liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against the Franchisee or any other person, including any other guarantor; (iv) the undersigned's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to the Franchisee, any guarantor or to any other person, including, for example, the acceptance of any partial payment or performance of the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; (v) the undersigned's liability will not be diminished, relieved or otherwise affected by any amendment or modification to the Agreement, or by any change in the name, objects, capital or constitution of the Franchisee, or by any amalgamation, insolvency or bankruptcy of the Franchisee; (vi) this Guaranty will continue and be irrevocable during the term of the Agreement and any renewals thereof and, as to those provisions of the Agreement that survive its termination or expiration, after its termination or expiration; and (vii) that any action to enforce this guarantee may be brought in the same jurisdiction as allowed by law or by the Agreement.

This Guaranty shall be governed by, and construed under, the laws of the State of California, without regard to its conflict of laws principles.

GUARANTORS:

(Print Name)

(Print Name)

Exhibit I
General Release

GENERAL RELEASE

This General Release (the "**Release**") is given by _____, ("**Franchisee**") Pizza Factory Franchisee of that certain Pizza Factory Franchise located at _____ ("**Franchise Outlet**") to and for the benefit of Pizza Factory, Inc., A California Corporation ("**Pizza Factory**") and is made with respect to the following facts:

- A. On or about _____, Franchisee and Pizza Factory entered into a Franchise Agreement whereby Franchisee was granted a license to operate the Franchise Outlet;
- B. Franchisee now wishes to transfer or assign within the meaning of Section 8 of the Franchise Agreement all or some of its interest in and to the Franchise Outlet to _____.
- C. The Franchise Agreement provides, among other things, that as a condition of Pizza Factory approving the assignment now desired by Franchisee, Franchisee is required to sign a General Release of claims it may have against Pizza Factory.

FRANCHISEE HEREBY PROMISES, AGREES AND COVENANTS AS FOLLOWS:

1. Franchisee does hereby agree to fully, finally and forever release, quitclaim and discharge Pizza Factory as well as its shareholders, officers, employees, attorneys, agents, and any or all of them, from any and all claims, liabilities, demands, debts, accounts, obligations, actions and causes of action, known or unknown, at law or in equity, including any successors or assigns to such claims, liabilities, demands, debts, accounts, obligations, actions and causes of action, which Franchisee may have or claim to have or to have had, arising at any time in the unlimited past to and including the date of this Agreement, including but without limiting the generality of the foregoing, any and all matters arising out of or in any manner whatsoever connected with the Franchise Agreement or Franchise Outlet EXCEPT as prohibited by state or federal laws, rules and regulations in effect as of the date of this Release and applicable in the state in which the Franchise Outlet is located to the extent applicable to the franchisor/franchisee relationship referred to above including, but not limited to, the California Franchise Investment Law and/or the California Franchise Relations Act.
2. Except as to any matter expressly excluded from the release set out in paragraph 1, hereof, Franchisee further acknowledges and agrees on behalf of himself/herself/themselves/itself that this Release shall operate as a complete bar to any and all litigation which Franchisee may initiate against Franchisor arising out of or relating to the Franchise Agreement or Franchise Outlet.
3. Franchisee acknowledges and agrees that the release given herein applies to all claims for injuries, damages, losses or of any other nature, whether those injuries, damages, losses are known or unknown, foreseen or unforeseen, or patent or latent which Franchisee may have against Franchisor and Franchisee hereby waives the application of any provision which states otherwise except any applicable provision regulating the offering and sale of franchises and that Franchisee understands and acknowledges the significance and consequence of this waiver is that even if he/she/it should eventually suffer additional damages arising out of the above-referenced Franchise Agreement and Franchise Outlet or any other matter arising out of or relating to said Franchise Outlet, he/she/it will not be able to make any claims for those damages except as expressly reserved by applicable provisions regulating the offer and sale of franchises. Furthermore, Franchisee acknowledges that he/she/it intend these consequences even as to claims for damages that may exist as of the date of this Release, but which Franchisee does not know exist, and which, if known, would materially affect Franchisees' decision to execute this Release, regardless of whether Franchisee's lack of knowledge is a result of ignorance, oversight, error negligence, or any other cause.
4. Franchisee hereby agrees that this Agreement and all of its terms shall be binding upon, if applicable, his/hers/its/their officers, shareholders, heirs, personal representatives, executors,

administrators, and as to the claims and other matter released by this instrument, assigns and successors in interest thereof.

5. This instrument and any other instrument specifically referred to herein constitute and contain the entire agreement and understanding between the parties concerning the subject matter hereof. This instrument supersedes and replaces all prior negotiations, proposed agreements or agreements, whether written or oral. Franchisee acknowledges that no other party or any agent or attorney of any party has made any promise, representation or warranty whatsoever, expressed or implied, written or oral, not contained herein concerning the subject matter hereof to induce the execution of this instrument and the other documents herein referred to. Franchisee further acknowledges that he/she/they/it has not executed this instrument or any other document in reliance on any promise, representation or warranty not contained herein.

6. If any action at law, in equity, in arbitration, or otherwise is brought to enforce or interpret the provisions of this Release or any agreement referred to herein or arising out of any of them, the prevailing party will be entitled to all expenses, costs and reasonable attorneys fees incurred in such action, including, but not by way of limitation, those incurred in enforcement or collection of any judgment or award or any proceeding in bankruptcy court or probate court.

7. Franchisee represents and acknowledges that, in entering into this Release he/she/they/it was represented by independent counsel or had the opportunity to be so represented and had full opportunity to confer with and seek the advice of said counsel and that he/she/they/it enter into this Release without any reservation whatsoever.

IN WITNESS WHEREOF, Franchisee set his/her/their/its hands on the day or days and year written below.

Dated: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

Exhibit J
Security Agreement

GENERAL SECURITY AGREEMENT

This **SECURITY AGREEMENT** ("Security Agreement") is made and entered into on _____, 20____, by and between _____ ("Debtor"), of _____, _____ County, State of _____ and Pizza Factory, Inc. ("**Secured Party**") of 49430 Road 426, Suite D, Oakhurst, Madera County, State of California, 93644, as follows:

1. For value received, the Debtor grants to the Secured Party a security interest in the following described property, wherever located and whether now or hereafter existing or now owned or hereafter acquired or arising, associated with the Franchised Business (as defined in the Franchise Agreement) (collectively, the "**Collateral**"):

(a) all assets, including all fixtures and personal property of every kind and nature including all accounts, goods (including all inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and

(b) all proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Debtor from time to time with respect to any of the foregoing, including but not limited to alcohol licenses, food service and preparation equipment supplies, and restaurant fixtures more particularly described in Exhibit A , attached hereto and incorporated herein by this reference.

2. The Collateral secures the due and prompt payment and performance of:

(a) any and all obligations of the Debtor to the Secured Party arising out of or as contained in that certain Franchise Agreement [and/or Guarantee and Assumption of Franchisee's Obligations] dated _____ or any modifications thereof (the "Franchise Agreement");

(b) all expenditures by the Secured Party for taxes, insurance, and repairs to and maintenance of the Collateral incurred by the Secured Party in the collection and enforcement of said obligations, covenants and promises of the Debtor;

(c) all other monetary obligations, including fees, costs, attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding); and

(d) all other covenants, duties, debts and liabilities of any kind of the Debtor under or in respect of the Franchise Agreement [and/or Guarantee and Assumption of Franchisee's Obligations].

3. The Debtor warrants and covenants that the Collateral is to be used in that certain business known as Pizza Factory located at _____. The collateral will remain at that location.

The Debtor warrants, covenants, and agrees as follows:

4. Title. Except for the security interest granted by this Agreement or any security interest granted by the Debtor to a third party who has provided financing either for acquisition of the collateral or financing to establish Debtor's Pizza Factory franchise business in a reasonable sum, one or more of the Debtors have, or on acquisition will have, full title to the Collateral free from any lien, security interest, encumbrance, or claim, and the Debtor will, at the Debtor's cost and expense, defend any action that may affect the Secured Party's security interest in, or the Debtor's title to, the Collateral.

5. Financing Statement and Other Actions as to Collateral

(a) The Debtor warrants that except for the security interest granted by this Agreement or any security interest granted by the Debtor to a specified third party described in herein, no financing statement covering the Collateral or any part of it or any proceeds of it other than the financing statement executed in conjunction with this Security Agreement is on file in any public office. At the Secured Party's request, the Debtor will execute all necessary financing statements in a form satisfactory to the Secured Party deemed necessary by the Secured Party. Debtor also irrevocably authorizes Secured Party to file all necessary financing statements with the required governmental agency and in all applicable jurisdictions in order to perfect the security interest granted by this Security Agreement and renew the same as necessary to maintain a perfected security interest in the collateral so long as the security interest remains effective. The Debtor agrees to provide all information required by Secured Party pursuant to this Section promptly to Secured Party upon request.

(b) If the Debtor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, Debtor shall promptly indorse, assign and deliver the same to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify.

(c) If the Debtor shall at any time hold or acquire a commercial tort claim, The Debtor shall promptly notify Secured Party in a writing signed by the Debtor of the particulars thereof and grant to Secured Party in such writing a lien therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Secured Party.

(d) The Debtor agrees that at any time and from time to time, at the Debtor's sole expense, the Debtor will promptly execute and deliver all further instruments, documents, assignments, control agreements and obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that Secured Party may reasonably request, in order to perfect and protect any lien granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral

6. Insurance. Until final termination of this Security Agreement, the Debtor will, at his/her/its own cost insure the Collateral with companies acceptable to the Secured Party against the casualties and in the amounts that the Secured Party shall reasonably require. Upon request by the Secured Party, the Debtor shall promptly deliver the insurance policies or certificates thereof to the Secured Party. In addition, all such property and casualty insurance shall be payable to the Secured Party as loss payee and shall name the Secured Party as an additional insured. Each insurance policy for liability insurance shall name the Secured Party as an additional insured. All policies of insurance shall provide for at least thirty (30) days' prior written cancellation notice to the Secured Party.

7. Protection of Collateral. The Debtor will (a) keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part of it and (b) defend the Collateral against the claims and demands of all other parties claiming an interest therein and keep the Collateral free from all

liens. The Debtor will not use the Collateral in violation of any statute or ordinance and the Secured Party will have the right to examine and inspect the Collateral at any reasonable time.

8. Taxes and Assessments. The Debtor will pay promptly when due all taxes and assessments on the Collateral, or any part of the Collateral, or for its use and operation.

9. Location and Identification.

(a) The Debtor will keep the Collateral separate and identifiable and at the address shown above, and will not remove the Collateral from that address without the Secured Party's written consent, for as long as this Security Agreement remains in effect. If any Collateral is at any time in the possession of a bailee, the Debtor shall promptly notify Secured Party thereof and, at Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to Secured Party, that the bailee holds such Collateral for the benefit of Secured Party and the bailee agrees to comply, without the Debtor's further consent, at any time with instructions of Secured Party as to such Collateral.

(b) The Debtor will not sell, lease, or otherwise dispose of any of the Collateral except for in the ordinary course of business.

10. Security Interest in Proceeds and Accessions. The Debtor grants to the Secured Party a security interest in and to all proceeds, increases, substitutions, replacements, additions, and accessories to the Collateral and to any part of the Collateral. This provision shall not be construed to mean that the Debtor is authorized to sell, lease, or dispose of the Collateral without the prior written consent of the Secured Party.

11. Reimbursement of Expenses. At the option of the Secured Party, the Secured Party may discharge taxes, liens, interest, or perform or cause to be performed for and on behalf of the Debtor any actions and conditions, obligations, or covenants that the Debtor has failed or refused to perform, and may pay for the repair, maintenance, and preservation of the Collateral, and may enter the premises where the Collateral or any part of it is located and cause to be performed as agent and on the account of the Debtor any acts that the Secured Party may deem necessary for the proper repair or maintenance of the Collateral or any part of it. Any and all sums expended by the Secured Party under this Paragraph, including but not limited to, attorney's fees, court costs, agent's fees, or commissions, or any other costs or expenses, shall bear interest from the date of payment at the annual rate of 10% and shall be payable at the place designated in the Debtor's note and shall be secured by this Security Agreement. No such performance of any covenant or agreement by the Secured Party on behalf of the Debtor, and no such advance or expenditure therefor, shall relieve the Debtor of any default under the terms of this Security Agreement.

12. Payment. The Debtor will perform those conditions, covenants and obligations secured by this Security Agreement and any renewal or extension of it and any other indebtedness secured by this agreement in accordance with the terms and provisions of the indebtedness and will repay immediately all sums expended by the Secured Party in accordance with the terms and provisions of this Security Agreement. On termination of the Franchise Agreement and full payment by the Debtor of all indebtedness due thereunder and secured by this agreement in accordance with this Security Agreement, this Security Agreement shall terminate.

13. Change of Residence or Place of Business. The Debtor will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Debtor will, prior to any change described in the preceding sentence, take all actions reasonably requested by the Secured Party to maintain the perfection and priority of Secured Party's lien in the Collateral.

14. Attorney-in-Fact. The Debtor appoints the Secured Party as the Debtor's attorney-in-fact to do any and every act that the Debtor is obligated by this Security Agreement to do, and to exercise all of the rights of the Debtor in the Collateral and to make collections to execute any and all papers and instruments and to do all other things necessary to preserve and protect the Collateral and to make collections and to protect the Secured Party's security interest in the Collateral (but Secured Party shall not be obligated to and shall have no liability to the Debtor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

15. Time of Performance and Waiver. In performing any act under this Security Agreement and the note secured by it, time shall be of the essence. The Secured Party's acceptance of partial or delinquent payments, or the failure of the Secured Party to exercise any right or remedy, shall not constitute a waiver of any obligation of the Debtor or right of the Secured Party and shall not constitute a waiver of any other similar default that occurs later. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

16. Default. The Debtor shall be in default under this Security Agreement on the occurrence of any of the following events or conditions:

(a) Default in the payment or performance of any condition, obligations, covenant, or liability secured by this Security Agreement which is considered a default under the Franchise Agreement;

(b) the Debtor fails or neglects to timely perform, keep, or observe any other term, provision, condition, covenant, or agreement contained in this Security Agreement and such failure or neglect continues five (5) business days from the earlier of the date the Debtor has knowledge of such failure or neglect or the date on which Secured Party gives the Debtor notice of such default(s); or

(c) a bankruptcy case shall be filed by or against the Debtor (and if filed against the Debtor, shall not have been dismissed within 60 days); or a receiver or trustee shall be appointed with respect to Debtor or all or substantially all of Debtor's assets; or Debtor shall make an assignment for the benefit of its creditors (collectively, a "**Bankruptcy Default**").

17. Remedies.

(a) On the occurrence of any event of default, and at any later time, the Secured Party may (a) declare all obligations secured due and payable immediately; provided that, with respect to a Bankruptcy Default, all obligations shall become due and payable automatically, and (b) proceed to enforce payment and exercise any and all of the rights and remedies provided by the California Commercial Code as well as other rights and remedies either at law or in equity possessed by the Secured Party, including the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral.

(b) Upon the request of Secured Party after the occurrence of and during the continuance of any event of default, Debtor will (i) assemble and make available to Secured Party the Collateral and all books and records relating thereto at any place or places specified by Secured Party, whether at Debtor's premises or elsewhere, and (ii) permit Secured Party, or Secured Party's representatives and agents, (A) to enter, occupy and use any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, (B) to take possession of all or any part of the Collateral or the books and records relating thereto, or both, (C) to remove all or any part of the Collateral or the books and records relating thereto, or both, and (D) to conduct sales of the Collateral and use any of Debtor's equipment, without any obligation to pay Debtor for such use and occupancy, if Secured Party deems such use necessary or advisable in order to take

possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral.

(c) If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Debtor at its notice address as provided in the Franchise Agreement ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, Secured Party may sell such Collateral on such terms and to such purchaser(s) as Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the obligations of the Debtor to Secured Party as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Debtor waives all claims, damages and demands it may acquire against Secured Party arising out of the exercise by it of any rights hereunder. The Debtor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the obligations of the Debtor to Secured Party or otherwise. At any such sale, unless prohibited by applicable law, Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto.

(d) If Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Debtor agrees that, upon request of Secured Party, Debtor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

(e) On the occurrence of any event of default, Secured Party shall also be entitled to apply for the appointment of a receiver for any or all of the Collateral, and of all rents, incomes, profits, issues and revenues thereof, and the Debtor hereby consents to such appointment and agrees that the receiver may serve without bond if permitted by law. The Debtor expressly waives notice of and the right to object to the appointment of a receiver for the Collateral and agrees that such appointment shall be made as a matter of absolute right of Secured Party and without reference to the adequacy or inadequacy of the value of the Collateral or to the Debtor's solvency.

18. Miscellaneous Provisions.

(a) California Law to Apply: This Security Agreement shall be construed in accordance with the California Commercial Code and other applicable laws of the State of California, and all obligations of the parties created under this Security Agreement are performable in Madera County, California.

(b) Parties Bound: This Security Agreement shall be binding on and inure to the benefit of the parties and their respective heirs, executors, administrators, legal representatives, successors, and assigns as permitted by this Security Agreement; provided that Debtor may not

assign or otherwise transfer any of its rights or obligations under this Agreement without Secured Party's prior written consent.

(c) Attorney's Fees : Upon any legal action based in contract law be commenced or should any dispute arise between the parties to this Security Agreement concerning the Collateral, this Security Agreement, or the rights and duties of either party in relation to them, the prevailing party shall be entitled to a reasonable sum as reimbursement for his/her/its attorney's fees and legal expenses, including fees and costs incurred for enforcement of any rights of the prevailing party or collection of any amounts due the prevailing party whether formal court or arbitration proceedings are initiated or not.

(d) Legal Construction: In case any one or more of the provisions contained in this Security Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability of that provision shall not affect any other provision of this Security Agreement, and this Security Agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been contained in it.

(e) Prior Agreements Superseded: This Security Agreement constitutes the only agreement of the parties and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter of this Security Agreement except for those agreements which the Debtor has signed as part of the purchase of a Pizza Factory franchise, and this Security Agreement shall be interpreted as providing additional and/or supplemental rights, duties and obligations of the respective parties as set forth in said other agreements. None of the terms or provisions of this Security Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Debtor therefrom shall be effective unless the same shall be in writing and signed by Secured Party and the Debtor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

(f) Definitions: All terms used in this Security Agreement that area defined in the California Commercial Code shall have the same meaning in this Security Agreement as in the Code.

[The balance of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Security Agreement as of the date first set forth above.

"DEBTOR":

"SECURED PARTY":

PIZZA FACTORY, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGEMENT TO: (Name and Address)

PIZZA FACTORY, INC.
49430 ROAD 426, SUITE D
OAKHURST, CA 93644

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME				
PIZZA FACTORY FRANCHISEE				
OR				
1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
ADD'L INFO RE ORGANIZATION DEBTOR		1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID#, if any ☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME				
OR				
2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
ADD'L INFO RE ORGANIZATION DEBTOR		2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID#, if any ☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) – insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME				
PIZZA FACTORY, INC.				
OR				
3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
PO BOX 989		OAKHURST	CA	93644 US

4. This FINANCING STATEMENT covers the following collateral:

ALL INVENTORY, CHATTEL PAPER, ACCOUNTS, EQUIPMENT, GENERAL INTANGIBLES, PRODUCTS, PROCEEDS, AND INSTRUMENTS; WHETHER ANY OF THE FOREGOING IS OWNED NOW OR ACQUIRED LATER, WHEREVER LOCATED; ALL ACCESSIONS, ADDITIONS, REPLACEMENTS, AND SUBSTITUTIONS RELATING TO ANY OF THE FOREGOING; ALL RECORDS OF ANY KIND RELATING TO ANY OF THE FOREGOING; ALL PROCEEDS RELATING TO ANY OF THE FOREGOING (INCLUDING INSURANCE, GENERAL INTANGIBLES, AND OTHER ACCOUNTS PROCEEDS) INCLUDING BUT NOT LIMITED TO FOOD SERVICE AND PREPARATION EQUIPMENT SUPPLIES AND RESTAURANT FIXTURES MORE PARTICULARLY DESCRIBED IN EXHIBIT A, ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING	
6. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2 [ADDITIONAL FEE] [optional]
8. OPTIONAL FILER REFERENCE DATA	

Exhibit K
List of State Administrators and Agents For Service of Process

**LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**

<u>State</u>	<u>Administrator</u>	<u>Agent for Service of Process</u>
CALIFORNIA	Commissioner of Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 Toll Free	Commissioner of the Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, California 95834
HAWAII	Commissioner of Securities of the State of Hawaii Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Chief, Franchise Bureau Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-1090	Illinois Attorney General Office 500 South Second Street Springfield, Illinois 62706
INDIANA	Franchise Section Indiana Securities Division 302 West Washington Street Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Securities Division 302 West Washington Street Room E-111 Indianapolis, Indiana 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360	Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020
MICHIGAN	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Dept. of Attorney General 670 Law Building 525 W. Ottawa Street Lansing, Michigan 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Dept. of Attorney General 670 Law Building 525 W. Ottawa Street Lansing, Michigan 48913 (517) 373-7117

Exhibit H to
Disclosure Document
revised 4/2017

<u>State</u>	<u>Administrator</u>	<u>Agent for Service of Process</u>
MINNESOTA	Commissioner of Commerce Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1638	Commissioner of Commerce State of Minnesota Department of Commerce Registration Division 85 Seventh Place East Suite 280 St. Paul, Minnesota 55101
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236	New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001
NORTH DAKOTA	Franchise Examiner North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510
RHODE ISLAND	Director of the Rhode Island Department of Business Regulation 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9500	Director of Business Regulation 1511 Pontiac Avenue Cranston, Rhode Island 02920
SOUTH DAKOTA	Registration Specialist, Securities Regulation Department of Labor and Regulation Division of Insurance 124 S. Euclid Avenue 2 nd Floor Pierre, South Dakota 57501-3185 (605) 773-3563	Director of the Division of Insurance Securities Regulation Department of Labor and Regulation 124 S. Euclid Avenue Second Floor Pierre, South Dakota 57501-3185
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street, First Floor Richmond, Virginia 23219

State

WASHINGTON

Administrator

State of Washington
Director of Department of Financial
Institutions Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760

Agent for Service of Process

State of Washington
Director of Department of
Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

Commissioner of Securities
Office of the Commissioner of
Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703

In all other states:

Mary Jane Riva
49430 Road 426, Suite D, PO Box 989
Oakhurst, California, 93644
(559) 683-3377

Exhibit L
Addenda to Franchise Agreement

Exhibit L1
2021 Incentive Program

**ADDENDUM TO
PIZZA FACTORY FRANCHISE AGREEMENT
(2021 Incentive Program)**

This **ADDENDUM TO FRANCHISE AGREEMENT** (the “**Addendum**”) is to that certain Pizza Factory Franchise Agreement (the “**Agreement**”) between Pizza Factory, Inc. (“**Company**”) and _____ (“**Franchisee**”), dated _____, 2021. The provisions of this Addendum supersede and shall control over any inconsistent provisions in the Agreement, including the definitions in the Agreement, which shall otherwise apply in this Addendum.

1. Amendment to Section 1.1. [check applicable section]

- ☐ [for qualified new franchisees] Section 1.1 of the Agreement shall be amended to read as follows:

“ “Initial Fee” means \$15,000.00; provided, however, that if, for any reason, the Franchised Business does not open to the public before the first anniversary of the date of this Agreement, the initial franchise fee shall be \$20,000 and Franchisee shall promptly remit the balance to Company.”

- ☐ [for qualified existing franchisees]

Section 1.1 of the Agreement shall be amended to read as follows:

“ “Initial Fee” means \$0.00; provided, however, that if, for any reason, the Franchised Business does not open to the public before the first anniversary of the date of this Agreement, the initial franchise fee shall be \$20,000 and Franchisee shall promptly remit the balance to Company.”

2. Amendment to Section 4.2. Notwithstanding Section 4.2 of the Agreement:

- ☐ [for qualified new franchisees] if the Franchised Business opens to the public on or before the first anniversary of the date of this Agreement, the royalty shall be as follows: (i) 0% of Net Sales for first three months after the Franchised Business opens to the public; (ii) 3% of Net Sales for next 9 months; and (iii) 5% of Net Sales thereafter. If the Franchised Business opens to the public after the first anniversary of the date of this Agreement, the royalty shall be 5% of Net Sales.
- ☐ [for qualified existing franchisees] if the Franchised Business opens to the public on or before the first anniversary of the date of this Agreement, the royalty shall be as follows: (i) 0% of Net Sales for first four months after the Franchised Business opens to the public; (ii) 2% of Net Sales for next 8 months; and (iii) 5% of Net Sales thereafter. If the Franchised Business opens to the public after the first anniversary of the date of this Agreement, the royalty shall be 5% of Net Sales.

[The balance of this page is intentionally left blank.]

3. Speedline POS Stations. If the Franchised Business opens to the public on or before the first anniversary of the date of this Agreement, Company shall provide Franchisee at no additional cost [check as applicable]:

- ☐ [for qualified new franchisees]: 2 Speedline POS Stations, provided that Franchisee shall be responsible for all installation costs, maintenance costs, software licenses, software subscriptions, and other operating subscriptions and costs.
- ☐ [for qualified existing franchisees] 1 Speedline POS Station, provided that Franchisee shall be responsible for all installation costs, maintenance costs, software licenses, software subscriptions, and other operating subscriptions and costs.

4. Effect of this Addendum. Notwithstanding anything to the contrary contained in this Addendum, the terms of this Addendum shall not apply in connection with any renewal or transfer or assignment of any franchise agreement or Pizza Factory restaurant. Except as expressly amended by this Addendum, the terms of the Agreement remain in full force and effect. In the event of any conflict or inconsistency between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. This Addendum may be executed in one (1) or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one (1) and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first set forth above.

Company:

Franchisee:

Pizza Factory, Inc.

By: _____
Mary Jane Riva, President

By: _____
Name: _____
Title: _____

Exhibit L2
Area Development Agreement Program

**ADDENDUM TO
PIZZA FACTORY FRANCHISE AGREEMENT
(2021 Area Development Agreement)**

This **ADDENDUM TO FRANCHISE AGREEMENT** (the “**Addendum**”) is to that certain Pizza Factory Franchise Agreement (the “**Agreement**”) between Pizza Factory, Inc. (“**Company**”) and _____ (“**Franchisee**”), dated _____, 2021. The provisions of this Addendum supersede and shall control over any inconsistent provisions in the Agreement, including the definitions in the Agreement, which shall otherwise apply in this Addendum.

1. Amendment to Section 4.2. Notwithstanding Section 4.2 of the Agreement, the royalty shall be as follows: (i) 0% of Net Sales for first three months after the Franchised Business opens to the public; (ii) 3% of Net Sales for next 21 months; and (iii) 5% of Net Sales thereafter.
2. Speedline POS Stations. If the Franchised Business opens pursuant this Agreement is the first Restaurant to be developed under an Area Development Agreement signed on or after May 17, 2021 through May 1, 2022: Company shall provide Franchisee, at no additional cost, 2 Speedline POS Stations, provided that Franchisee shall be responsible for all installation costs, maintenance costs, software licenses, software subscriptions, and other operating subscriptions and costs.
3. Effect of this Addendum. Notwithstanding anything to the contrary contained in this Addendum, the terms of this Addendum shall not apply in connection with any renewal or transfer or assignment of any franchise agreement or Pizza Factory restaurant. Except as expressly amended by this Addendum, the terms of the Agreement remain in full force and effect. In the event of any conflict or inconsistency between the provisions of the Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. This Addendum may be executed in one (1) or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one (1) and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first set forth above.

Company:

Franchisee:

Pizza Factory, Inc.

By: _____
Mary Jane Riva, President

By: _____
Name: _____
Title: _____

Exhibit M
Addendum to Franchise Agreement

ADDENDUM TO PIZZA FACTORY, INC. DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA

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.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31505). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

Neither Pizza Factory, Inc., nor any person in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

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 (franchised business). Franchisees or former franchisees, listed in the franchise disclosure document, may be one source of this information.

**ADDENDUM TO PIZZA FACTORY, INC. DISCLOSURE DOCUMENT FOR
THE STATE OF HAWAII**

1. The following paragraphs shall be added to the state cover page:

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is the Hawaii Commissioner of Securities, 335 Merchant Street, Honolulu, Hawaii 96813.

2. Each provision of this Addendum to the Disclosure document is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1, et seq., are met independently without reference to this Addendum to the Disclosure document, and only to the extent such provision is a then valid requirement of the statute.

ADDENDUM TO PIZZA FACTORY, INC. DISCLOSURE DOCUMENT FOR THE STATE OF NORTH DAKOTA

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

a. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

b. Situs of Arbitration Proceedings: Franchise Agreements providing that the parties must agree to the arbitration of the disputes at a location that is remote from the site of the franchisee’s business.

c. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

d. Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties.

e. Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

f. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

g. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

h. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the Franchise Agreement.

i. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

2. Item 17(r) in the table is modified by adding the following to the summary description opposite the subsection 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.”

**ADDENDUM TO PIZZA FACTORY, INC. FRANCHISE AGREEMENT FOR THE
STATE OF NORTH DAKOTA**

THIS ADDENDUM is entered into as of _____, 20____ between PIZZA FACTORY, INC., a California corporation (“Company”), and _____, a _____ (“Franchisee”), with reference to the following:

1. Company and Franchisee have entered into a PIZZA FACTORY, INC. Franchise Agreement dated as of _____, 20____, (the “Franchise Agreement”).

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 8.01, thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the North Dakota Franchise Investment Law.

2. The following caveat is added to Article 9:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties

3. The following caveat is added to Section 4.16:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

4. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 5.02 and Articles 9 and 10 thereof, the Franchise Agreement and the legal relations among the parties to the Franchise Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

5. The following caveat is added to Articles 9 and 10 of the Franchise Agreement:

“The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.”

6. Section 10.10 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“The site of the arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee’s place of business.”

7. Sections 10.02 and 10.10 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.”

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

“Company”

PIZZA FACTORY, INC. ,
a California corporation

By: _____

Name: _____

Its: _____

Date of signing:_____

“Franchisee”

_____,

☐ an individual

☐ a general partnership;

☐ a limited partnership;

☐ a limited liability company;

☐ a corporation;

By: _____

Name: _____

Its: _____

Date of signing:_____

**ADDENDUM TO PIZZA FACTORY, INC. AREA DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

THIS ADDENDUM is entered into as of _____, 20____ between PIZZA FACTORY, INC., a California corporation (“Company”), and _____, a _____ (“Developer”), with reference to the following:

1. Company and Developer have entered into a PIZZA FACTORY, INC. Area Development Agreement dated as of _____, 20____, (the “Area Development Agreement”).

2. The parties wish to modify the Area Development Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Area Development Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Area Development Agreement, and in particular Sections 4.3 and 4.4 thereof, any general release the Developer is required to assent to shall not apply to any liability Company may have under the North Dakota Franchise Investment Law.

2. The following caveat is added to Article 9:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties

3. The following caveat is added to Section 8.2:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

4. Notwithstanding anything to the contrary set forth in the Area Development Agreement, and in particular Article 11 thereof, the Area Development Agreement and the legal relations among the parties to the Area Development Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

5. The following caveat is added to Sections 11.8 and 11.15 of the Area Development Agreement:

“The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

Applicable Laws: Area Development Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

Limitation of Claims: Area Development Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.”

6. Section 11.15 of the Area Development Agreement is amended by the addition of the following language to the original language that appears therein:

“The site of the arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee’s place of business.”

7. Section 11.8 of the Area Development Agreement is amended by the addition of the following language to the original language that appears therein:

“This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.”

Except as set forth herein, the Area Development Agreement shall be valid and enforceable between the parties in accordance with its terms.

“Company”

PIZZA FACTORY. INC.
a California corporation

By: _____

Name: _____

Its: _____

Date of signing:_____

“Developer”

_____,

☐ an individual

☐ a general partnership;

☐ a limited partnership;

☐ a limited liability company;

☐ a corporation;

By: _____

Name: _____

Its: _____

Date of signing:_____

ADDENDUM TO PIZZA FACTORY, INC. DISCLOSURE DOCUMENT FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In August 2019 Washington State Attorney General's Office, Antitrust Division launched an investigation into so-called "no-poach" provisions in franchise agreements. On January 10, 2020, pursuant to RCW 19.86.100, the Attorney General's Office and we entered into an

agreement, known as an assurance of discontinuance (“AOD”), whereby we have agreed to no longer include “no-poach” provisions in future franchise agreements and agree to endeavor to remove all “no-poach” provisions from existing agreements for franchises in the State of Washington in order to avoid the initiation of a lawsuit by the Attorney General’s Office.

**ADDENDUM TO PIZZA FACTORY, INC. FRANCHISE AGREEMENT FOR THE
STATE OF WASHINGTON**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

[SIGNATURE PAGE FOLLOWS]

The undersigned does hereby acknowledge receipt of this addendum.

“Company”

PIZZA FACTORY, INC.

a California corporation

By: _____

Name: _____

Its: _____

Date of signing:_____

“Franchisee”

_____,
[] an individual

[] a general partnership;

[] a limited partnership;

[] a limited liability company;

[] a corporation;

By: _____

Name: _____

Its: _____

Date of signing:_____

ADDENDUM TO PIZZA FACTORY, INC. AREA DEVELOPMENT AGREEMENT FOR THE STATE OF WASHINGTON

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

[SIGNATURE PAGE FOLLOWS]

The undersigned does hereby acknowledge receipt of this addendum.

“Company”

PIZZA FACTORY, INC.;
a California corporation

By: _____

Name: _____

Its: _____

Date of signing:_____

“Franchisee”

_____,
☐ an individual

☐ a general partnership;

☐ a limited partnership;

☐ a limited liability company;

☐ a corporation;

By: _____

Name: _____

Its: _____

Date of signing:_____

Exhibit N
Non-Competition Agreement

AGREEMENT
(Non-Competition, Unfair Competition, Etc.)

This Agreement is made between _____
(Name of Employer/Franchisee hereinafter referred to as "Employer") and _____
_____ (name of employee and/or /principal hereinafter
referred to as "Employee") on _____ with reference to the
following facts:

A. Employer is a franchisee of Pizza Factory, Inc. and operates the Pizza Factory franchise restaurant located at _____
(hereinafter referred to as "Restaurant").

B. The Franchise Agreement between Pizza Factory, Inc. and Employer requires Employer to enter into an agreement between Employer and its principals and management employees which prohibits the principals or managers from certain activities and employment which agreement may be independently enforced by Pizza Factory, Inc.

C. Employee is [a management employee] [a principal] [both an employee and a principal] of Employer.

In consideration of Pizza Factory, Inc. granting Employer a Pizza Factory franchise and Employer hiring Employee and as a requirement for continued employment and for other good and valuable consideration, the parties hereto agree as follows:

Non-Competition During Term of Employment or While a Principal

1. (a) During the time that Employee is employed by Employer and/or while Employee holds any ownership interest in Employer, Employee shall not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of Employer or Pizza Factory, Inc.

(b) The foregoing obligation of Employee not to compete with Employer and/or Pizza Factory, Inc. shall not prohibit Employee from owning or purchasing any corporate securities that are regularly traded on a recognized stock exchange or over-the-counter market or.

Unfair Competition After Termination of Employment

2. Employee acknowledges and agrees that the sale or unauthorized use or disclosure of any of the trade secrets of Employer or Pizza Factory, Inc. as described herein obtained by Employee during Employee's employment with Employer or while holding any ownership interest in Employer, including information concerning marketing strategy or plans, operational procedures, current products and any future or proposed products or services of Pizza Factory, Inc. or Employer, the facts that those strategies, plans, procedures, products or services are planned, under consideration, or in process or production, as well as any descriptions of the features of those

strategies, plans, procedures, products or services constitute unfair competition. Employee promises and agrees not to engage in any unfair competition with Employer either during the term of this Agreement or at any time thereafter.

**Soliciting Customers and Employees or Participating in Competing Businesses
After Termination of Employment or Ownership**

3. (a) Employee acknowledges and agrees that the names and addresses of Employer's customers constitute trade secrets of Employer and that the sale or unauthorized use or disclosure of any of Employer's trade secrets obtained by Employee during Employee's employment with Employer constitute unfair competition. Employee further acknowledges that Employer's employees are a valuable asset in the operation of Employer's business. Employee promises and agrees not to engage in any unfair competition with Employer.

(b) For a period of one year immediately following the termination of Employee's employment with Employer or ownership in Employer, Employee shall not directly or indirectly make known to any person, firm, or corporation the names or addresses of any of the customers of Employer or any other information pertaining to them, or call on, solicit, take away, or attempt to call on, solicit, or take away any of the customers of Employer on whom Employee called or with whom Employee became acquainted during Employee's employment with Employer, either for Employee or for any other person, firm, or corporation.

(c) If employee holds any ownership interest in Franchise, then said employee for a period of one year immediately following the termination of employee's ownership in employer, or for one year following the termination of the Franchise Agreement between employer and Pizza Factory, Inc., shall not, directly or indirectly, either as employee, employer, consultant, agent, principal, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with employer's business within five miles of any other Pizza Factory franchise or the business of Pizza Factory, Inc.

Liquidated Damages

4. In the event that Employee breaches the foregoing obligation not to compete, Employee shall pay the sum of \$10,000.00 to employer and \$10,000.00 to Pizza Factory, Inc. per breach or, if applicable, \$10,000.00 to each employer and Pizza Factory, Inc. as liquidated damages for the period during which Employee continues to be in breach of the foregoing obligation not to compete. Employer and Employee agree that the amount stated herein as liquidated damages is reasonable under the circumstances existing at the time of the execution of this agreement. Nothing in this provision shall be interpreted to limit the right of Employer or Pizza Factory, Inc. from obtaining injunctive relief or any remedies which may be available by Pizza Factory, Inc. pursuant to the terms of this Agreement or the Franchise Agreement between Employer and Pizza Factory, Inc.

Independent Enforcement By Pizza Factory, Inc.

5. The parties hereto agree that the terms of this Agreement are made for, among other things, the benefit of Pizza Factory, Inc. and the terms hereof may be enforced by Pizza Factory,

Inc. either in conjunction with Employer or independently without Employer. Further, Pizza Factory, Inc. shall be permitted to join as a party to any action initiated by either Employer or Employee to enforce or pertaining in any fashion the terms hereof. No act or inaction by Employer shall affect the rights of Pizza Factory, Inc. or limit the ability of Pizza Factory, Inc. to enforce the terms of this Agreement. In that regard, Employee agrees that Employee may not rely upon any such act or inaction by Employer as limiting the ability of Pizza Factory, Inc. to enforce the terms hereof.

Severability of Provisions

6. If any provision of this Agreement is held to be illegal or invalid by any tribunal, such provision shall be deemed modified to eliminate the invalid element, and, as so modified, such provision shall be deemed a part of this Agreement as though originally included herein. The remaining provisions of this Agreement shall not be affected by such modification.

Modification of Agreement

7. This Agreement may only be modified by a written document signed by the Employee, Employer and Pizza Factory, Inc. which states that the writing is an amendment or modification of this Agreement.

Nonwaiver

8. No waiver of any condition or covenant contained in this agreement nor failure to exercise a right or remedy by either of the parties hereto shall be considered to imply or constitute a further waiver by such party of the same or any other condition, covenant, right, or remedy.

Attorney's Fees

9. In the event that any party hereto or Pizza Factory, Inc. initiates any legal proceeding to enforce the terms hereof, the prevailing party shall be entitled to an award of their reasonable attorneys' fees and costs.

Dated: _____, 20____

EMPLOYEE:

Dated: _____, 20____

EMPLOYEE:

State Effective Dates

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

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Pending
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Pending
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit O RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Pizza Factory offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Several states, including New York, require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Several states, including Michigan, require that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Pizza Factory does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit K.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise:

- ☐ Mary Jane Riva 49430 Road 426, Suite D, Oakhurst, California, 93644 (559) 683-3377
- ☐ Robert Raymond Riva 49430 Road 426, Suite D, Oakhurst, California, 93644 (559) 683-3377
- ☐ Steve Gibbs 49430 Road 426, Suite D, Oakhurst, California, 93644 (559) 683-3377
- ☐ Laura Tanaka 49430 Road 426, Suite D, Oakhurst, California, 93644 (559) 683-3377
- ☐ See attached list

Date of Issuance: May 18, 2021.

See Item 1 for our registered agent authorized to receive service of process.

I have received a disclosure document dated May 18, 2021 that included the following Exhibits:

- | | |
|---|---|
| A. Training Checklist | H. Guaranty |
| B. System Information | I. General Release |
| C. Franchisor's Audited Balance Sheet and Profit And Loss Statements | J. Security Agreement |
| D. Franchise Agreement. | K. List of State Administrators and Agents For Service of Process |
| E. Area Development Agreement | L. Addenda to Franchise Agreement |
| F. Pizza Factory Sample Menu | M. State Addenda to Franchise Agreement |
| G. Pizza Factory Manual of Standard Operating Procedures (Table of Contents Only) | N. Non-Competition Agreement |

Date: _____

Prospective Franchisee: _____

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____

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Date: _____

Prospective Franchisee: _____

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____