

## FRANCHISE DISCLOSURE DOCUMENT



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The franchisee will operate a "Sarpino's Pizzeria" business, which offers carry-out and pizza delivery products and services (a "**Sarpino's Store**").

The total initial investment necessary to develop a Sarpino's Store is \$375,800 to \$552,700. This includes \$40,000 that must be paid to the franchisor or an affiliate.

The total investment necessary to develop two Sarpino's Stores under a Development Agreement is \$751,600 to \$1,105,400. This includes \$80,000 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brenda Briggs at 8101 Richardson Road, Suite 101, Commerce Township, Michigan 48390, (248) 363-4580.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this Franchise Disclosure Document is April 30, 2026.

## **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:

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

## WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

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

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

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

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

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

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

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

## SOME STATES REQUIRE REGISTRATION

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

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

## SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

**Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation and litigation in Michigan. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Michigan than in your own state.

**Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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.

SARPINO'S USA, INC.  
FRANCHISE DISCLOSURE DOCUMENT

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Exhibits

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| A | Franchise Agreement and Related Exhibits                | G | Financial Statements                |
| B | Development Agreement                                   | H | Table of Contents for Manual        |
| C | State Franchise Administrators                          | I | State-specific Disclosures          |
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|   |                                                         | M | Receipts (2 copies)                 |

**Item 1****The Franchisor, And Any Parents, Predecessors, And Affiliates****The Franchisor**

The Franchisor is Sarpino's USA, Inc.. For ease of reference, Sarpino's USA, Inc. is referred to as "**we**", "**us**", "**our**" or "**Sarpino's**" in this Disclosure Document. We refer to the person who buys the franchise as "**you**" or "**your**" throughout this Disclosure Document. Additionally, if the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted.

We are an Illinois corporation that was formed on October 25, 2002 under the name KDD Sarpino's of Illinois, Inc., and was formed by shareholders to serve as an area franchisor for Sarpino's Pizzeria franchises in the State of Illinois. On March 21, 2005, Sarpino's USA, Inc. purchased certain assets of Sarpino's International Inc., a Washington corporation ("**Sarpino's International**"), the franchisor of "Sarpino's Pizzeria" franchises in the United States at that time, and became the franchisor for "Sarpino's Pizzeria" restaurant franchises and area franchises in the United States. On May 20, 2005, KDD Sarpino's of Illinois, Inc. changed its name to Sarpino's USA, Inc.

On October 1, 2024 (the "**Purchase Date**"), our owners Kousay Askar and Bassam Askar entered into a stock purchase agreement with our prior owners to purchase all of our stock and, as a result, the affiliates identified below became our affiliates as of the Purchase Date (and were not our affiliates prior to the Purchase Date).

We currently conduct business under our corporate name and the name "Sarpino's Pizzeria." We do not conduct business under any other name. Our principal place of business is located at 8101 Richardson Road, Suite 101, Commerce Township, Michigan 48390. We have been offering "Sarpino's Pizzeria" franchised businesses since March 2005, when we acquired the system (as described above). We do not offer and have never offered franchises in any other lines of business.

Our agents for service of process are disclosed in Exhibit D to this disclosure document.

**Our Parent, Predecessor, and Affiliates**

We do not have a parent company. Our affiliates, below, share our principal place of business at 8101 Richardson Road, Suite 101, Commerce Township, Michigan 48390. None of our affiliates are obligated to provide products or services to you or any of our franchisees. These affiliates are as follows:

| <b>Affiliate</b>                                                                                        | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Askar Management Group, LLC (" <b>AMG</b> "), a Michigan limited liability company formed Jan. 21, 2009 | AMG manages several aspects of the Franchised Business under a management agreement. AMG participates with us and our other brands in establishing franchise stores by providing sales, marketing, administration, training, and support services. AMG's role is limited to acting as the franchise manager and providing the services as described above. All licensing of trademarks, service marks, trade dress and other intellectual property rights and all other aspects of the franchise relationship are our responsibility. AMG does not own or operate any franchises of any kind and has never offered franchises in any line of business. |

| Affiliate                                                                                                           | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                     | AMG will be an Approved Supplier (defined below) of certain products and services to our franchisees (see Item 8). Other than AMG and ASC, below, we do not have any affiliates that may provide products or services to our franchisees. Certain of our affiliates as described below also offer franchises in the pizza delivery and carry out business. We do not currently have other business activities.                                                                                                                                           |
| ASC Foods, LLC (“ <b>ASC</b> ”), a Michigan limited liability company formed on May 28, 2009                        | ASC sells certain products and items to our franchisees and the franchisees of our affiliates. ASC does not own or operate any franchises of any kind and has never offered franchises in any line of business.                                                                                                                                                                                                                                                                                                                                          |
| Papa’s Pizza To-Go, Inc., a Georgia corporation (“ <b>PPTG</b> ”) formed on June 16, 1986                           | PPTG offers franchises for the right to operate stores that sell pizza, breadsticks, salads, pasta, wings, beverages and related food under the trademark and service mark “Papa’s Pizza To-Go” (the “ <b>Papa’s Pizza To-Go Stores</b> ”). PPTG or its predecessors have offered Papa’s Pizza To-Go Store franchises since 1986. PPTG has not owned or offered franchises for businesses other than Papa’s Pizza To-Go Stores. As of December 31, 2025 there were 21 franchised Papa’s Pizza To-Go Stores in the United States.                         |
| Breadeaux’s Pisa, LLC, a Michigan limited liability company (“ <b>Breadeaux</b> ”) formed Aug. 24, 2010             | Breadeaux grants franchises for the right to operate stores that sell pizza, breadsticks, salads, pasta, wings, beverages and related food under the trademark and service mark “Breadeaux Pisa” and “Breadeaux Pizza” (the “ <b>Breadeaux Stores</b> ”). Breadeaux or its predecessors have offered Breadeaux Store franchises since 1985. Breadeaux has not owned or offered any franchises for businesses other than Breadeaux Stores. As of December 31, 2025 there were 13 franchised Breadeaux Stores franchises in the United States.             |
| Papa Romano’s Enterprises, LLC, a Michigan limited liability company (“ <b>Papa Romano’s</b> ”) formed May 28, 2009 | Papa Romano’s grants franchises for the right to operate stores that sell pizza, breadsticks, salads, pasta, wings, beverages and related food under the trademark and service mark “Papa Romano’s” (the “ <b>Papa Romano’s Stores</b> ”). Papa Romano’s or its predecessors have offered Papa Romano’s Store franchises since 1969. Papa Romano’s has not owned or offered franchises for businesses other than Papa Romano’s Stores. As of December 31, 2025 there were 23 franchised and one company-owned Papa Romano’s Stores in the United States. |
| Blackjack Enterprises, LLC, a Michigan limited liability company (“ <b>Blackjack</b> ”) formed June 7, 2012         | Blackjack grants franchises for the right to operate stores that offer pizza delivery and carry-out services under the trademark and service mark “Blackjack” (the “ <b>Blackjack Stores</b> ”). Blackjack or its predecessors have offered Blackjack Store franchises since 2012. Blackjack has not owned or offered franchises for businesses other than Blackjack Stores. As of December 31, 2025 there were 38 franchised and one company-owned Blackjack Stores in the United States                                                                |

Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

## The Franchise Offered

We offer franchises for the establishment and operation of “Sarpino’s Pizzeria” businesses (“**Sarpino’s Stores**”) that specialize in gourmet pizza and authentic Italian pastas along with a variety of other items such as salads, wings, appetizers, breadsticks, calzone wraps and sandwich dishes for carry-out, delivery and dine-in. A Sarpino’s Store is operated in a building that bears our trade dress (interior, exterior, or both) and specializes in the sale of “**Proprietary Items**” as well as non-proprietary items and other beverage items) for carry-out consumption and delivery (collectively, the “**Products**”). Sarpino’s Stores are customarily located in a strip mall, shopping center or other leased facility. You may be authorized to offer restaurant services at your franchised location, with limited seating capability, although most Sarpino’s Stores provide only delivery or walk-in food pickup service.

A Sarpino’s Store operates under our “Sarpino’s Pizzeria” system (the “**System**”). We identify the System by means of certain trade names (for example, the “SARPINO’S PIZZERIA” mark and logo), service marks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “**Proprietary Marks**”). Sarpino’s Stores must operate according to our standards and procedures, as set out in our confidential manual and other written instructions relating to the operation of a Sarpino’s Store (the “**Manual**”).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified corporations and persons (“**you**”) that wish to establish and operate a Sarpino’s Store. The current form of Franchise Agreement is attached to this disclosure document as Exhibit A. (In this disclosure document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee.”)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate one Sarpino’s Store (the “**Franchised Business**”) at an agreed-upon specified location (the “**Approved Location**”) and within a specified area (the “**Territory**”).

We may also offer area development agreements (“**Development Agreements**”) to qualified individuals, corporations, partnerships, limited liability companies and partnerships (“**Developers**”) in the United States. The current form of Development Agreement is attached to this disclosure document as Exhibit B. If you sign a Development Agreement, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of Sarpino’s Stores within an agreed-upon designated area (the “**Development Area**”), under an agreed-upon timetable (the “**Development Schedule**”). Each Sarpino’s Store will be constructed and operated under a Franchise Agreement. The Franchise Agreement for the first Sarpino’s Store developed under the Development Agreement will be in the form attached to the Development Agreement. The Franchise Agreement for each additional Sarpino’s Store developed will be in the form of the Franchise Agreement we generally offer to new franchisees at that time, the terms of which may differ from the form of Franchise Agreement attached to this disclosure document.

## Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Business operations, including, for example, zoning, building code, health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, sexual harassment, and tax laws. The Americans with Disability Act of 1990 and state equivalents require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, the sale and service of alcohol, etc. For example, you must obtain permits for your building, construction, outdoor patio, and zoning, to provide alcohol service, as well



as operational licenses. There are also regulations that pertain to sanitation, food and menu labeling (such as nutritional and caloric information), food preparation, food handling, food content (such as on trans fats), and food service. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Franchised Business. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

### Competition

You can expect to compete in your market with national as well as regional quick service restaurant chains that offer beverage and food products that may compete with the products offered at a Sarpino's Store. The market for these items is well-established and highly competitive. Businesses such as a Sarpino's Store compete on the basis of many factors such as location, price, service, product offerings and quality, speed of service, hospitality, and customer experience, as well as store promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer preferences, economic conditions, seasonal population fluctuation, and traffic patterns.

## **Item 2**

## **Business Experience**

### **Manager and Chairman of Sarpino's USA, Inc.: Kousay "Casey" Askar**

Mr. Askar became our Manager and Chairman as of the Purchase Date. He is also, and has been, the Manager and Chairman of PPTG, Bredeaux and AMG since January 2017, Blackjack since December 2012, ASC since 2010, Papa Romano's since 2009, and Pita Franchise Corp. in Commerce Township, Michigan since 2008.

### **Chief Executive Officer of Sarpino's USA, Inc.: Bassam "Sam" Askar**

Sam Askar became our Chief Executive Officer on the Purchase Date. He is also, and has been, the CEO of Bredeaux since January 2017, Blackjack since December 2012, Papa Romano's and ACS since 2010, and PPTG and AMG since 2009. Mr. Askar started with Papa Romano's in 2006 as Regional Operations Director for its company-owned stores. Before that, he operated Milford Solo, Inc., a pizza franchise in Commerce Township, Michigan, from January 2005 to December 2006.

### **Vice President of Marketing: DonnaJane Mercer**

DonnaJane Mercer has been our Vice President of Marketing since February 2025. Before that, she was Director of Marketing for AMG from October 2021 to February 2025. She was Senior Director of Dining Services for Compass Group in Jupiter, Florida from June 2003 to September 2021.

## **Item 3**

## **Litigation**

No litigation is required to be disclosed in this Item.

## **Item 4**

## **Bankruptcy**

No bankruptcy is required to be disclosed in this Item.

**Franchise Agreement**

You must pay an initial franchise fee of \$40,000 in full when you sign the Franchise Agreement. If you are a U.S. military veteran with an honorable discharge, we will reduce the initial franchise fee by 30% to \$28,000 for your first Sarpino's Store franchise. If you are a conversion franchisee, converting to a Sarpino's Store from another concept, we will reduce the initial franchise fee by 40% to \$24,000.

The initial franchise fee is uniformly applied and is non-refundable.

**Development Agreement**

When you sign the Development Agreement, you must pay us a development fee in an amount equal to \$20,000 for the 2<sup>nd</sup> and each additional Sarpino's Store to be developed under the Development Agreement. For the first Sarpino's Store to be developed under the Development Agreement, there is no development fee but you must enter into the Franchise Agreement for that first Sarpino's Store simultaneously with the Development Agreement and pay us the initial franchise fee under that Franchise Agreement in full.

So by way of illustration only, if you are to develop four Sarpino's Stores under the Development Schedule, you would pay to us at the time of execution of the Development Agreement the initial franchise fee of \$40,000 for the first Sarpino's Store to be developed, and a development fee in the amount of \$60,000 (\$20,000 x 3) for the second, third and fourth Sarpino's Stores to be developed in connection with Development Agreement.

The amount of the development fee therefore depends on the number of Sarpino's Stores you choose to develop, which will vary under the circumstances and will be subject to our mutual discussion and agreement. Factors that will impact the number of Sarpino's Stores for development include the market in which you choose to develop, the economics and demographics of that market, and our determination as to the "value" of the Development Area to be granted under the Development Agreement. The development fee must be paid in lump sum, is uniformly applied, and is non-refundable.

If you are in compliance with your obligations under the Development Agreement, then as and when you enter into a Franchise Agreement for a Sarpino's Store to be developed under the Development Agreement, we will credit to you the portion of the development fee paid to us for that Sarpino's Store (provided, that the total amounts that we credit to you under a Development Agreement will not exceed the total development fee that you actually pay to us).

**Item 6****Other Fees**

| Type of Fee (Note 1)         | Amount                                                                                                                           | Due Date                                                                                                                                                                      | Remarks                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty (Note 2)             | 6% of Gross Sales                                                                                                                | Payable weekly between the 8th and 11th day after the end of each business week or other date to specified with respect to the prior week's sales by electronic fund transfer | Gross Sales means all revenue related to the Franchised Business (including amounts applied to defray expenses, such as salaries and third party delivery services, and excluding sales taxes collected and remitted to the proper authorities). Payments must be made by electronic funds transfer using the Automated Clearing House (ACH) Network. There is also a Minimum Sales Requirement. See Note 2. |
| Marketing Contribution       | 2% to 5% of Gross Sales (Note 3)                                                                                                 | Same as Royalty                                                                                                                                                               | You must contribute these amounts, which we will allocate as described in Note 3. The description of "Gross Sales" is above. Payments must be made by electronic funds transfer (using the ACH network).                                                                                                                                                                                                     |
| Transfer Fee                 | \$5,000                                                                                                                          | At time of transfer                                                                                                                                                           | Only due if you sell your franchise or your company; but there are circumstances (such as transfers for estate planning purposes) where the transfer fee is not due.                                                                                                                                                                                                                                         |
| Renewal Fee                  | \$10,000, or 25% of the initial franchise fee that we are then-charging to new Sarpino's Store franchisees, whichever is greater | Before renewal                                                                                                                                                                | Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee. There is no renewal under the Development Agreement.                                                                                                                                                                                                |
| Interest on Overdue Payments | 18% per year on underpayment (Note 4)                                                                                            | Upon demand                                                                                                                                                                   | Only due if there are any past due payments to us, measured from the payment was originally due until it was actually paid                                                                                                                                                                                                                                                                                   |
| Costs and Attorneys' Fees    | Actual costs                                                                                                                     | Upon demand                                                                                                                                                                   | Only due if you are in default under the Franchise Agreement or Development Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement.                                                                                                                                                                                |

| Type of Fee (Note 1)                                                 | Amount                                                                                                                                 | Due Date                   | Remarks                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Costs                                                          | All costs and expenses associated with the audit, reasonable accounting and legal costs; and interest on the underpayment (see Note 4) | Upon demand                | Only due if we audit because you did not submit sales statements, you didn't keep books and records, or if you underreport your sales by 2% or more.                                                                                                                         |
| Indemnification                                                      | Actual costs                                                                                                                           | As incurred                | Note 5                                                                                                                                                                                                                                                                       |
| Securities Offering Fee                                              | \$5,000 or our actual expenses, whichever is greater                                                                                   | Upon demand                | Only due if you engage in a securities offering, you must reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering and you also must indemnify us (see above).                                            |
| Replacement training and Additional Individuals for Initial Training | \$1,500 for each individual to be trained                                                                                              | Before training begins     | Note 6                                                                                                                                                                                                                                                                       |
| Site Evaluation Visit Costs                                          | Hourly rate for our representative (currently \$175/hour), plus actual travel costs incurred by our representative to evaluate a site  | As incurred                | We will perform one on-site evaluation in response to your requests for site approval under the Site Selection Addendum. If we perform any additional on-site evaluations, you must reimburse us for our expenses to do so, including the cost of travel, lodging and meals. |
| Product and Equipment Purchases                                      | Actual costs of product and equipment purchases                                                                                        | Upon delivery or as agreed | We charge you for products and equipment you purchase from or through us.                                                                                                                                                                                                    |
| Supplier Approval                                                    | \$500 to \$1,000                                                                                                                       | As incurred                | If you want to buy any supplies, or any other items from an unapproved supplier, you first must request our approval, and we estimate that the charge associated with our approval of a typical proposed supplier will range from \$500 to \$1,000.                          |

| Type of Fee<br>(Note 1) | Amount                                                                                                                                                                                        | Due Date        | Remarks                                                                                                                                                                                  |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relocation fee          | \$7,500                                                                                                                                                                                       | As incurred     | You may not relocate the Franchised Business without our prior written consent. If we approve a relocation of the Franchised Business, you must pay this fee.                            |
| Technology Fee          | (Currently \$0, but anticipated to be a minimum of \$400 per month, but not to exceed an amount equal to 3% of Gross Sales per month)                                                         | Same as Royalty | You must pay us a technology fee in our then current amount, which we will periodically change, as circumstances warrant, by giving you one month's prior written notice of that change. |
| Lost Future Royalties   | The average of the monthly Royalty Fees due for the previous 12 months, multiplied by the lesser of 36 or the number of months remaining in the then-current term of the Franchise Agreement. | Upon request    | Only due if we terminate the Franchise Agreement as a result of your default or if you abandon the Franchised Business.                                                                  |

Notes:

1. General:

- We impose and collect all fees, except for certain local marketing expenses that you will make directly. All fees are payable to us, uniformly applied to new system franchisees, and non-refundable (however, in some instances that we consider appropriate, we may waive some or all of these fees).
- For all fees and charges, you must use the payment method we designate. We have the right to require that you make these payments to us by EFT (electronic fund transfer), including ACH.
- We have the right to adjust, for inflation, all fixed dollar amounts under the Franchise Agreement, once a year, for changes to the Index from the year when you sign your Franchise Agreement. The term "**Index**" means the U.S. Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("**BLS**"). If the BLS no longer publishes the Index, then we will designate a reasonable substitute measure.

2. Beginning in the first full calendar year after you have operated the Franchised Business for at least three months, you must, on an annual calendar-year basis, achieve total Gross Sales of at least 50% of the average annual total Gross Sales of the other franchisees under the System not in default for the full calendar year in question (the "**Minimum Sales Requirement**"). If you fail to achieve the Minimum Sales Requirement during a calendar year, we may notify you of the failure. If you are notified of a failure to meet the Minimum Sales Requirement, you will be on probation for the following calendar year. If you again fail to achieve the Minimum Sales Requirement applicable to such following year, then we may, by written notice to you, elect to terminate the Franchise Agreement, or terminate your protected rights in the Protected Area.
3. We have the right to increase the Marketing Contribution up to 5% of Gross Sales and to allocate the Marketing Contribution in the proportion that we designate among the following:
  - the System-wide marketing and promotional fund (the "**Marketing Fund**"); and
  - local marketing, which we may allocate between: (a) any regional marketing fund established for your area (a "**Regional Fund**"); and (b) funds that you will spend on local marketing and promotion.

You must also conduct a Grand Opening Marketing Program when your Franchised Business opens.

4. Interest starts to accrue only if your payment is not made on time and, if so, when your payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
5. You must indemnify us, and reimburse us for our costs (including our attorneys' fees), if we are sued or held liable in any case: (a) having anything to do with any securities offering you or your affiliates make relating to the Franchised Business; (b) your use of our trademarks and service marks (other than in the manner that we approve); and (c) that has anything to do with a claim arising out of the operation of your Franchised Business.
6. If for any reason your "Designated Owner" and/or "Store Manager" cease active management or employment at the Franchised Business, or if we revoke the certification of your Designated Owner or your Store Manager to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within 30 days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so.

**Your Estimated Initial Investment**

| <b>Type of Expenditure</b>                                                                           | <b>Amount</b>          | <b>Method of Payment</b>  | <b>When Due</b>                   | <b>To Whom Payment Is To Be Made</b> |
|------------------------------------------------------------------------------------------------------|------------------------|---------------------------|-----------------------------------|--------------------------------------|
| Initial Franchise Fee<br>(See Note 1)                                                                | \$40,000               | Cash                      | On signing Franchise Agreement    | Us                                   |
| Advertising/Grand Opening Expense                                                                    | \$18,000 to \$25,000   | As arranged with provider | Prior to opening as incurred      | Third Parties                        |
| Leasehold Improvements<br>(See Note 2)                                                               | \$110,000 to \$180,000 | As arranged with provider | As Incurred                       | Outside Suppliers                    |
| Architectural and/or Engineering Fee<br>(See Note 2)                                                 | \$5,000 to \$10,500    | Cash                      | As specified in Lease or Sublease | Landlord                             |
| Food Inventory                                                                                       | \$7,000 to \$10,000    | As arranged with provider | As Incurred                       | Outside Suppliers                    |
| Equipment, Furniture, Fixtures and Signs (See Note 3)                                                | \$175,000-\$225,000    | As arranged with provider | As Incurred                       | Outside Suppliers                    |
| Supplies                                                                                             | \$800 to \$3,000       | As arranged with provider | As Incurred                       | Outside Suppliers                    |
| Insurance (See Note 4)                                                                               | \$4,000 to \$12,000    | As arranged with provider | As Incurred                       | Third Parties                        |
| Initial Training Costs – Travel & Living Expenses (Note 5)                                           | \$0 to \$5,700         | As arranged with provider | As Incurred                       | Third Parties                        |
| Accounting; Legal (See Note 6)                                                                       | \$0 to \$2,000         | As arranged with provider | As Incurred                       | Third Parties                        |
| Pre-Paid Expenses, including: Security Deposits, Utility Deposits and Business Licenses (See Note 7) | \$1,000 to \$10,000    | Cash                      | As Agreed                         | Third Parties                        |
| Additional Funds (3 months)<br>(See Note 8)                                                          | \$15,000 to \$30,000   | As arranged with provider | As Incurred                       | Us and Third Parties                 |

| Type of Expenditure                                       | Amount                        | Method of Payment | When Due | To Whom Payment Is To Be Made |
|-----------------------------------------------------------|-------------------------------|-------------------|----------|-------------------------------|
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b><br>(See Note 9) | <b>\$375,800 to \$552,700</b> |                   |          |                               |

Notes:

Unless indicated otherwise, all amounts noted in this Item 7 are nonrefundable.

We do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

1. Initial Franchise Fee. This amount is discussed in Item 5. If you have also signed a Development Agreement, and you are in compliance with your obligations under the Development Agreement and all of your Franchise Agreements, then we will apply a credit from your development fee toward the initial franchise fee. The amount of the credit will be the portion of the development fee paid for the Sarpino's Store to be developed, so long as the total amount of the credits that we extend to you does not exceed the amount that you paid us as a development fee under the Development Agreement.
2. Leasehold Improvements/Architectural Fees. You must build out your Franchise Location in accordance with our specifications. These costs include contractor and sub-contractor expenses and in some cases an architect you may engage. The leasehold improvements which you will typically make include, but are not limited to, interior remodeling, floor covering, painting, wall covering, HVAC, plumbing, electrical and various other improvements. Within 30 days after signing of the Franchise Agreement we will make available, at no charge to you, standard plans and specifications for a typical Store, including interior and exterior design and layout, fixtures, equipment, furnishings, decor and signs. You must adapt such standard plans to the approved location, including compliance with applicable building, safety and health codes and ordinances. You must retain and pay for the services of a qualified architect and/or engineer to prepare a site plan and construction drawings for the approved location. The final plans and drawings are subject to our review and approval before construction and/or remodeling of the approved location begins.

Stores will typically be located in shopping centers, free standing buildings, storefronts and malls in urban and suburban areas and will contain approximately 1,000 to 1,600 square feet. They will be configured to permit over-the-counter carryout sales and the preparation of menu items for delivery. Some Stores may contain approximately 1,600 to 2,500 square feet and may include limited customer seating if permitted by local ordinance for 17 to 50 persons. In limited circumstances, a Store may contain approximately 2,500 to 4,000 square feet and may include full customer seating, and in our sole discretion, a buffet, and/or beer and wine licenses for consumption on premises for 36 to 72 persons. Most Captive Audience Facilities will be approximately 400 to 1,000 square feet and will be configured to permit over-the-counter carryout sales. Some Stores may require additional space for customer seating and or a buffet if they offer those services. Easy vehicular access for your delivery vehicles will be an important requirement, as well as the ability to efficiently reach customers promptly after the customer calls for delivery.



3. Equipment, Furniture, Fixtures and Signs. You must furnish your Franchised Business in a manner that we direct. This will include certain required equipment, furniture and fixtures. These costs will vary depending on the size and condition of the Franchise Location. You may include some of these items in a finance or lease package if you finance a portion of your initial investment. Your required equipment will include the necessary pizza ovens, oven hood and ventilation systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the Business. You must also have available prior to the commencement of business a sufficient inventory of materials, supplies and employee uniforms, and must have purchased or leased signs for the premises. Signage must be obtained from our approved supplier.

The estimated initial investment includes costs related to the mandatory purchase of POS System hardware and software as well as security cameras for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Manuals the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time.

4. Insurance. You will be required to procure, maintain and provide evidence of certain insurance policies described in Section 15 of the Franchise Agreement. Your lease for your franchise location may also require a higher limit or additional coverages. Insurance payments estimated above represent the estimated insurance costs for your first year. The high range estimate may in the future increase even higher or, in certain circumstances, the required coverage may be unavailable. Current trends in the insurance industry are escalating the costs of obtaining an umbrella policy when non-company owned vehicles are used for delivery purposes. You should note that you will also be responsible for assuring that each driver who delivers pizza in his or her own vehicle maintains liability insurance meeting or exceeding the minimum statutory requirements under the laws of the state in which your Franchised Business is located. Each specified policy of insurance must meet the following requirements: (a) the policy must name us (and any of our affiliates that we reasonably specify) as an additional insured; (b) the policy must not be subject to cancellation, modification or amendment except after 30 days written notice to us; (c) the insurance must be placed with an approved vendor and an insurance carrier with an AM Best's Rating of not less than A; (d) the policy must provide that failure by you to comply with any term, condition or provision of the insurance contract, or other conduct by you, will not void or otherwise affect the coverage afforded us or our affiliates or area representatives (e.g. we, although named as an insured, will nevertheless be entitled to recover under the policy on any loss occasioned to us or our agents or employees by reason of your negligence or the negligence of your agents or employees); (e) the policy must contain a waiver of subrogation in our favor for casualty losses.
5. Initial Training Costs. These are the estimated travel and living costs and expenses to attend initial training. If you are an existing franchisee and do not need to attend initial training, your costs and expenses will be \$0.
6. Accounting; Legal. You must maintain at all times accurate books and records, kept in accordance with generally accepted accounting principles. The books and records must reflect, individually and on a consolidated basis, if applicable, the operations of each Franchised Business and you must make them available to us for inspection and internal audit. Within 120 days after the end of your fiscal year, you must supply us with your most recent annual financial statements, compiled by an independent certified public accountant acceptable to and approved by us, and state and/or federal income tax returns relating to your

franchised business. You are also responsible for preparing monthly financial reports for your Franchised Business. We cannot accurately estimate the amount of fees which you would be required to pay to an accountant should you need such assistance in the preparation of the financial statements and tax returns for the business. Some franchisees may choose not to engage an accountant or a lawyer during the initial phase of the Franchised Business, in which case their cost would be \$0. You should consult with your own accountant in order to determine the initial and continuing costs of complying with our administration and accounting requirements. You may also seek the advice of an attorney with respect to review of this disclosure document and incorporation of a legal entity to operate your franchise.

7. Lease Deposit and Initial Payments. Our cost estimates are based on the experience of our franchisees. The cost per square foot of leasing commercial space varies considerably from location to location and market to market. Your rent may be subject to escalation clauses based on inflation or other factors as provided in your lease. The estimates in the table include three months' rent (two months pre-payment of rent, and a security deposit equal to one month's rent which you should anticipate having to pay to the landlord at the time you sign the lease). The rent and other expenses could exceed the estimated amounts in other states or major metropolitan markets. Your initial investment will be much greater if you purchase real estate and construct your Franchised Business, and we do not have any estimate of those costs. The table also includes amounts for typical deposits for utilities and business licenses that you may need to obtain for the Store. It is not anticipated that you will purchase the location for the Franchised Business.
8. Additional Funds. Our estimate of your initial investment to develop one Store is described in the table above. These estimates are a range of your initial start-up operating expenses for a period of three months which are not listed above. These expenses include payroll costs, but do not include any draw or salary for you. This estimate also includes amounts incurred for sales taxes, utilities, additional rent, initial advertising and marketing and similar operational expenses. The actual amount of additional funds that you will need depends upon a variety of factors, including your own management skill and business experience, local economic conditions, competition in your area and other factors including adherence to our franchise system and wage rates in your market area. These amounts are generally not refundable. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.
9. Total. We relied on our and our affiliates' own experience and information when preparing these figures. While the "low amount" total represents the sum of the lowest initial investment expenditures for each category in the table, and the "high amount" total represents the sum of the highest estimated initial investment expenditures for each category in the table, we expect that your overall expenditures will fall somewhere between the low amount and the high amount range, as it is not common for each of a franchisee's initial investment expenditures to match the lowest expected for each category, nor the highest expected for each category (for example, while rent costs may be close to the estimated low amount, construction costs may be close to the estimated high amount).

General

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may prescribe in the Manual or otherwise in writing. We will deliver these methods, standards, and specifications to you in the Manual as it may be periodically modified.

At all times during the term of the Franchise Agreement, you must:

- sell or offer for sale only those Products and services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those Products and services, using the equipment and other items, and employing the techniques that we specify in writing;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;
- stop using and offering for use any Products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all Products, equipment, ingredients, supplies, materials, and other products used or offered for sale at the Franchised Business only from suppliers (including manufacturers, distributors, and other sources) that we have approved in writing. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors (which will be made available to you): whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy items from any supplier that we have not yet approved in writing, and you must stop buying items from any supplier who we approve, but later disapprove. We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies. We and our affiliates, AMG and ASC, are currently approved suppliers.

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. We reserve

the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

Although the Franchise Agreement does not require that we notify you of our approval or disapproval of a supplier within a specified time, we estimate that we will usually be able to notify you of approval or disapproval within 60 days after receipt of your written request. This is only an estimate and the actual approval time may be shorter or longer than 60 days. Similarly, we estimate that the charge associated with our approval of a typical proposed supplier will range from \$500 to \$1,000.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

Our officers, Sam Askar and Casey Askar own an interest in us, AMG and ASC, which are each suppliers of certain items to our franchisees; otherwise, none of our officers own an interest in any approved or designated suppliers. We and our marketing fund may receive commissions and fees from some suppliers and manufacturers based on sales of goods to our franchisees. We estimate that the cost of your purchases and leases from designated or approved sources, or those meeting our standards and specifications, will be 90% to 95% of the total cost of establishing a Franchised Business and 50% to 60% of the cost of continued operation of the franchise.

During the last fiscal year ended December 31, 2025, we and our affiliates did not derive revenue from franchisee purchases of products or services.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Sarpino's Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of Sarpino's Stores.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of Products, equipment and other items. We may, in our sole discretion, either retain the credit of any volume discounts, rebates or incentives received as a result of your purchases or contribute all or a portion of them to the Marketing Fund.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

### Computer System

You must buy (or lease) and maintain a computer system. In general terms, you will be required to obtain a computer system that will consist of certain hardware and software items and peripheral

devices (such as printers). Among other things, you will be required to meet our requirements concerning: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Sarpino's Stores, between or among Sarpino's Stores, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS); (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) digital and virtual menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house WiFi and other connectivity service for customers; (j) cloud-based back-end management systems and storage sites; (k) compatibility and synchronization with mobile applications we require; and (k) in-Restaurant music systems.

### Insurance

Under the Franchise Agreement, you must obtain and maintain the following insurance:

- Commercial general liability insurance, including us, and any entity in which we have an interest and any entity affiliated with us and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents as additional insureds protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Franchised Business and protecting against assumed or contractual liability under this Agreement with respect to the Franchised Business and your operations, with such policy to be placed with minimum limits of \$1,000,000 combined single limit per occurrence and \$1,000,000 general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage may be included within umbrella liability coverage required to the extent permitted by your carrier.
- Automobile liability insurance, including coverage of vehicles not owned by you, but used by employees in connection with the Franchised Business, with a combination of primary and excess limits of not less than \$1,000,000.
- Unemployment and statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchised Business is located.
- Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (including, without limitation, comprehensive general liability (including liquor liability) and workers' compensation to not less than \$1,000,000 total limit of liability.
- Property insurance providing coverage for direct physical loss or damage to real and personal property in an amount equal to 100% of the full replacement value of the Franchised Business, its furniture, fixtures, equipment, and stock (real and personal property).
- Data theft and cybersecurity coverage with limits of liability not less than \$50,000 combined single limit.
- Employment practices liability insurance, including third-party liability to cover claims brought by non-employees (such as customers and vendors), with limits of liability not less than \$100,000 combined single limit.
- Any other insurance coverage that is required by federal, state, or municipal law.

Each insurance policy required under the Franchise Agreement must be primary and noncontributory and must be issued by an issuer we approve, who must have a rating of at least “A-” in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Franchised Business is located. All liability and property damage policies must name us as additional named insured parties for all purposes (including vicarious liability), and must also and must provide that each policy cannot be cancelled unless we are given at least 60 days’ prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

Except as specified here, you are not required to purchase any other goods or services in accordance with our specifications or from approved suppliers.

## **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.**

| <b>Obligation</b>                                            | <b>Section in Agreement</b>                                                              | <b>Disclosure Document Item</b> |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------|
| a. Site selection and acquisition/lease                      | §§ 1.2, 5 of Franchise Agreement; Exhibit A of Development Agreement                     | 8 and 11                        |
| b. Pre-opening purchases/ leases                             | §5 of Franchise Agreement                                                                | 5, 7, and 8                     |
| c. Site development and other pre-opening requirements       | §§ 3.2, 5.2, 5.4, 5.5, 5.6 and 5.7 of Franchise Agreement; § 10 of Development Agreement | 8 and 11                        |
| d. Initial and ongoing training                              | §§ 3.1 and 6 of Franchise Agreement                                                      | 11                              |
| e. Opening                                                   | §§ 3.3, 3.7, 5.1, 5.7 and 8.2 of Franchise Agreement                                     | 11                              |
| f. Fees                                                      | §§ 2.2.6, 4 and 16.5.9 of Franchise Agreement; § 4 of Development Agreement              | 5 and 6                         |
| g. Compliance with standards and policies / Operating Manual | §§ 1.5, 3.4, 5, 7, 8.1, 8.4 and 10 of Franchise Agreement                                | 1, 8, 11, and 14                |
| h. Trademarks and proprietary information                    | §§ 1.1, 8.8 and 9 of Franchise Agreement; § 9 of Development Agreement                   | 13 and 14                       |

| <b>Obligation</b>                                      | <b>Section in Agreement</b>                                                                  | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------|
| i. Restrictions on products / services offered         | §§ 1.5 and 7 of Franchise Agreement                                                          | 5, 8, and 16                    |
| j. Warranty and customer service requirements          | § 8.11 of Franchise Agreement                                                                | Not applicable                  |
| k. Territorial development                             | § 1.3 of Franchise Agreement; Exhibit A of Development Agreement.                            | 12                              |
| l. Ongoing product / service purchases                 | § 7 of Franchise Agreement                                                                   | 8                               |
| m. Maintenance, appearance and remodeling requirements | §§ 5 and 8.8 of Franchise Agreement                                                          | 8                               |
| n. Insurance                                           | §15 of Franchise Agreement; § 11.1 of Development Agreement                                  | 7 and 8                         |
| o. Marketing                                           | §§ 3.5, 3.6 and 13 of Franchise Agreement                                                    | 6 and 11                        |
| p. Indemnification                                     | § 21 and Ex. C of Franchise Agreement; §§ 11.7 and 15 of Development Agreement               | Not applicable                  |
| q. Owner's participation / management / staffing       | § 8.10 of Franchise Agreement                                                                | 15                              |
| r. Records/reports                                     | §§ 4.2, 12 and 15.6 of Franchise Agreement                                                   | 6                               |
| s. Inspection / audits                                 | §§ 3.7, 8.11 and 12 of Franchise Agreement                                                   | 6 and 11                        |
| t. Transfer                                            | §§8.10, 16 and 19.5 of Franchise Agreement; §§ 11.2 and 12 of Development Agreement          | 17                              |
| u. Renewal                                             | § 2.2 of Franchise Agreement                                                                 | 17                              |
| v. Post-termination obligations                        | §§ 11.1.1, 12.1.2, 18, 19.3 and 19.5 of Franchise Agreement; § 11.4 of Development Agreement | 17                              |
| w. Non-competition covenants                           | § 19 of Franchise Agreement; § 11.5 of Development Agreement                                 | 17                              |

| Obligation                   | Section in Agreement                                                              | Disclosure Document Item |
|------------------------------|-----------------------------------------------------------------------------------|--------------------------|
| x. Dispute resolution        | § 27 of Franchise Agreement; §§ 11.11 and 13 of Development Agreement             | 17                       |
| y. Taxes/permits             | §§ 5.3.4, 5.5, 8.7 and 20 of Franchise Agreement; § 11.6 of Development Agreement | 1                        |
| z. Other: Personal Guarantee | Ex. B of Franchise Agreement                                                      | 15                       |

## Item 10

## Financing

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

## Item 11

## Franchisor's Assistance, Advertising, Computer Systems, and Training

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

Pre-opening Obligations. We are required by the Franchise Agreement to provide certain assistance and service to you.

Before you open your Franchised Business:

- (1) Before the Franchised Business opens, we will provide to you, and to your Specially Trained Management Personnel (defined below), the training programs that we designate. Our training programs will be conducted in the English language. We will be responsible for the cost of instruction and materials. (*Franchise Agreement, Sections 3.1 and 6.1*)
- (2) We will make available, at no charge to you, a standard layout plan for the construction of a Sarpino's Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We will also provide site selection and lease review assistance. (*Franchise Agreement, Sections 3.2 and 5.7.1*)
- (3) We will evaluate the Franchised Business before it first opens for business. You may not start operation of your Franchised Business until receiving our approval to do so. (*Franchise Agreement, Section 3.7*)
- (4) We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Manual. (*Franchise Agreement, Section 3.3*)
- (5) We will provide you with access to the Manual during the term of the Franchise Agreement. We can provide the Manual to you in any format we choose (which may



include paper, physical media such as a CD, or online). (*Franchise Agreement, Section 3.4*)

- (6) We will assist you in developing and conducting the Grand Opening Marketing Program (which is more fully described in Items 6 and below in this Item 11 of this disclosure document); you will be responsible for the cost of this program. (*Franchise Agreement, Section 3.5*)

#### Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

- (1) We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an operations manager, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations. (*Franchise Agreement, Section 3.8*)
- (2) We will provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper. (*Franchise Agreement, Section 6.4*)

#### Site Selection

When you enter into the Franchise Agreement, if you do not have an Accepted Location for the Franchised Business, you must sign a site selection addendum attached to the Franchise Agreement as Exhibit G (the “**Site Selection Addendum**”). Under the terms of the Site Selection Addendum, you will have 90 days within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines. We do not typically own the premises for the Franchised Business.

Under the Site Selection Addendum, we will grant you an area within which you may search for an Accepted Location (the “**Site Selection Area**”). The Site Selection Area is granted only for the purpose of selecting an Accepted Location for the Franchised Business. We will not establish, nor license another to establish, a Sarpino’s Store operating under the System within the Site Selection Area until we approve of an Accepted Location for the Franchised Business, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also furnish site selection guidelines to you, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform any on-site evaluation as we may deem advisable in response to your requests for site approval.

We will perform one on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

You must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site

for the Accepted Location of the Franchised Business. If we do not approve a proposed site by written notice to you within this 30-day period, the site will be deemed disapproved.

When reviewing a proposed site for a Sarpino's Store, we examine factors such as: general location and neighborhood; demographics; size and ease of access to the proposed site; location of the site in relation to other businesses; availability of utilities; the proposed lease or sublease; ingress and egress; utilities; and zoning issues. We will make our site-selection criteria available to you upon request.

If you fail to acquire or lease a site for the Franchised Business under the Site Selection Addendum within the time required, that will constitute a default under the Franchise Agreement and we will have the right to terminate the Franchise Agreement.

Once authorized, the site for the Franchised Business will be the "Accepted Location." Before the end of the term of the Site Selection Addendum, you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the "Lease Rider," attached to the Franchise Agreement as Exhibit H. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

We estimate that the time period between beginning to find a site for the Accepted Location and the start of operations at the Franchised Business will be approximately 90 to 240 days. You must begin operation of the Franchised Business within 240 days after execution of the Franchise Agreement. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You may have obtained an Accepted Location and a lease for the Accepted Location before entering into the Franchise Agreement; if not, then you must enter into the Site Selection Addendum.

### Training

Before opening the Franchised Business, you (or, if you are an entity, your controlling principal who is also designated to serve as your general manager who we have previously approved to serve in that role (the "**Designated Owner**")) and up to one full-time general manager responsible for the day-to-day operation of the Franchised Business (the "**Store Manager**") must attend and successfully complete, to our satisfaction, the initial training program we offer. The initial training program must be completed before opening the Franchised Business. The Store Manager must have at least three years of experience working in a management capacity in a restaurant or bar/cafe, and the Store Manager may serve as the Designated Owner.

The Designated Owner, the Store Manager, and any other individuals who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business are referred to as "**Specially Trained Management Personnel.**"

You may send up to two individuals (including the Specially Trained Management Personnel) to the initial training program. If you ask to send more than two individuals to the initial training program, and for each replacement training for Specially Trained Management Personnel, you must pay us a training fee in the amount of \$1,500 for each individual to be trained, with payment to be made in full before training starts.

If any of the Specially Trained Management Personnel cease active management or employment at the Franchised Business, or if we revoke the certification of any of the Specially Trained Management

Personnel to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within 30 days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. We will charge a fee in the amount of \$1,500 for each replacement training session.

Your Specially Trained Management Personnel may also be required to attend refresher courses, seminars, and other training programs that we may periodically specify.

We will bear the cost of all training (instruction and required materials) (except for additional and replacement training). You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

The subjects covered in the initial training program are described below.

| <b>Subject</b>                                                                                                                                             | <b>Hours of classroom training</b> | <b>Hours of On-the-Job Training</b> | <b>Location</b>                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|
| Section 1<br>Basic Certification <ul style="list-style-type: none"> <li>• Menu</li> <li>• Order taking</li> <li>• Service</li> <li>• Sanitation</li> </ul> | 0                                  | 20-30                               | Company-owned or franchised store |
| Section 2 <ul style="list-style-type: none"> <li>• Dough making</li> </ul>                                                                                 | 0                                  | 30-40                               | Company-owned or franchised store |
| Section 3<br>Prep and Assembly <ul style="list-style-type: none"> <li>• Product Prep</li> <li>• Salad/Sub/Sides</li> </ul>                                 | 0                                  | 20-30                               | Company-owned or franchised store |
| Section 4<br>Oven tending                                                                                                                                  | 0                                  | 5-10                                | Company-owned or franchised store |
| Section 5<br>Pizza Making                                                                                                                                  | 0                                  | 30-40                               | Company-owned or franchised store |
| Section 6<br>Delivery                                                                                                                                      | 0                                  | 8-10                                | Company-owned or franchised store |
| Section 7<br>Safety and Security                                                                                                                           | 0                                  | 5-10                                | Company-owned or franchised store |
| Section 8<br>Management                                                                                                                                    | 0                                  | 20-30                               | Company-owned or franchised store |
| Section 9<br>New Franchisee Orientation                                                                                                                    | 10                                 | 0                                   | Office                            |
| Section 10<br>Follow-up Training                                                                                                                           | 0                                  | 40-80                               | Your Store                        |

| Subject | Hours of classroom training | Hours of On-the-Job Training | Location |
|---------|-----------------------------|------------------------------|----------|
| Total   | 10                          | 178-280                      |          |

Our training program will be conducted as often as necessary to train new franchisees. Our training materials consist primarily of our Operations Manual and Training and Certification Manual. Michael Matczak, our Director of Business Administration, is responsible for coordination of our training program. Mr. Matczak has over 20 years of experience in the field. He will arrange for training to take place with a company-owned store manager or franchisee with at least two years of experience with our procedures. The training instructors may vary and/or change. Instructors may be selected franchise owners, in which case they will provide training under a contract with us.

The hours and schedules for training may vary due to such factors as class size, understanding of material by the students, and instructor schedules and availability. The “follow up” training (noted as Section 10 above) is provided by us during a period of approximately 1-2 weeks where we arrange for our representative to visit your Franchised Business on a random basis as frequently as we feel it is necessary to assure that you and your employees are exhibiting the skills and knowledge required to operate the Franchised Business in accordance with our standards and specifications. During this time, you may also contact the training instructor via telephone to discuss any operational concerns you may have regarding your Franchised Business. Written evaluations, reports and recommendations may be made by our representative and/or the instructor, at his/her discretion. You will be obligated to make those adjustments, changes and modifications stated in the evaluations and reports to obtain compliance. The on-site instructors may vary and/or change. However, we require that these individuals have significant experience in managing the operation of a Sarpino’s Store.

The instructional materials for our training programs include the Manual, lecture, discussions, and practice.

### Marketing

For each week during the term of the Franchise Agreement, you will be required to contribute or spend 2% up to 5% of the Gross Sales of the Franchised Business to be allocated in the manner described below (the “**Marketing Contribution**”). We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: (a) the Marketing Fund; (b) any Regional Fund established for your area (but we are not required to establish a Regional Fund for your area); and (c) to be spent by you on local marketing and promotion. We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that month.

You must make your Marketing Contribution by electronic funds transfer using the Automated Clearing House (ACH) Network each week in the same manner and time as the royalty fee based on your Gross Sales in the previous week. Each Company-owned Sarpino’s Store may, at its discretion, make contributions to the Marketing Fund at the same rate as our licensed Sarpino’s Stores.

You must also conduct a Grand Opening Marketing Program when your Franchised Business opens, as described below.

We have not yet established any Regional Funds.

None of the amounts that we collect or hold in connection with the Marketing Fund or a Regional Fund will be used for marketing that is principally a solicitation for the sale of franchises. We do not receive

payment for providing goods or services to the Marketing Fund. An accounting of the Marketing Fund's operations, as shown on our books, will be prepared annually, and that accounting will be made available to you upon request. The Marketing Fund is not audited. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located. As also described below, if amounts are unspent in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year.

### The Marketing Fund

We will have sole discretion over how the Marketing Fund creates, places, and pays for national marketing. We (or our designee, which might be a corporate subsidiary or a marketing agency) will maintain and administer the Marketing Fund, as follows:

- (a) We or our designee will direct all marketing programs, with sole discretion over the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Marketing Fund is intended to maximize general public recognition (building the Sarpino's Pizzeria brand), acceptance, and use of the System. Neither we nor our designee are obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.
- (b) The Marketing Fund, all contributions, and any earnings, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.
- (c) You must make any contributions to the Marketing Fund and to any Regional Fund by electronic funds transfer using the Automated Clearing House (ACH) Network. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for the reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs). The Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.
- (d) The Marketing Fund is not and will not be our asset.
- (e) Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

During the period from January 1, 2025 through December 31, 2025 the Marketing Fund spent 81.5% of its proceeds on advertising and promotion, and 18.5% on general and administrative expenditures.

### Regional Fund

We currently do not have any Regional Funds, however, we will have the right, as we see fit, to establish a Regional Fund for your area. The purpose of a Regional Fund is to conduct marketing campaigns for the Sarpino's Stores located in that area.

If a Regional Fund for your area was established before you began to operate your Franchised Business, then when you open your Franchised Business, you must immediately join that Regional Fund. If a Regional Fund for your area is established after you begin to operate your Franchised Business, then you will have thirty days to join the new Regional Fund. You will not be required to be a member of more than one Regional Fund. The following provisions will apply to each Regional Fund (if and when established):

- (a) Regional Funds will be established, organized, and governed in the form and manner that we have approved in advance. The activities carried on by each Regional Fund shall be decided by a majority vote of its members (unless we specify otherwise in writing). Any Sarpino's Stores that we operate in the region will have the same voting rights as Sarpino's Stores owned by franchisees. The franchisee of each Sarpino's Store participating in a Regional Fund is entitled to cast one vote for each Sarpino's Store owned.
- (b) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing.
- (c) Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written approval, as described below.
- (d) You must contribute to a Regional Fund in the manner we specify.
- (e) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

#### Local Marketing

Certain criteria will apply to the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials). If you email us with your request for approval, along with all needed information, we will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within three business days; but if we do not give our approval within fifteen days, we will have been deemed to disapprove the plans or materials. You are not required to obtain our approval of the prices you intend to charge.

All copyrights in and to marketing, advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem reasonably necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, also apply to any Regional Funds.)

You must spend at least \$10,000 on the Grand Opening Marketing Program. You must start to implement your Grand Opening Marketing Program 60 days before you are scheduled to open the Franchised Business (and you must complete the program no later than 60 days after you open your Franchised Business). All materials used in the Grand Opening Marketing Program will be subject to our prior written approval, as described above. The Grand Opening Marketing Program is considered "local marketing" and is therefore subject to the restrictions described below. We will work with you to tailor your Grand Opening Marketing Program to your market.

We will periodically make available to you, for purchase, certain marketing materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term “**local marketing**” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing in your local market or area. Local marketing and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. “Marketing” does not, however, include any of the following: (a) salaries, incentives or discounts offered to your employees, and your employees expenses; (b) charitable, political, or other contributions or donations (except for Community Events); and (c) the value of discounts given to consumers.

Online Sites (as defined below) are considered “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used.

#### Electronic Point-Of-Sale and Computer Systems

We require our franchisees to purchase a computer system. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Sarpino’s Stores, between or among Sarpino’s Stores, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS); (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) digital and virtual menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house WiFi and other connectivity service for customers; (j) cloud-based back-end management systems and storage sites; (k) compatibility and synchronization with mobile applications we require; and (k) in-Restaurant music systems (collectively, all of the above are referred to as the “**Computer System**”).

The Sarpino’s Pizzeria Point of Sale (POS) system consists of a PC-based hardware platform (including PC processor and peripheral hardware devices such as touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) combined with POS software. You must be able to maintain a continuous cabled (not wireless) connection to the internet to send and receive POS data to us. You may not connect your POS system to the internet by a wireless connection. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing the Computer System and Required Software will typically range from \$5,000 to \$10,000.

The estimated annual cost of Computer System maintenance, support, and upgrades is up to \$10,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must participate in and do such things as we periodically deem necessary to implement any computer or mobile device application or similar initiatives to connect with customers of the System.

You may also be charged fees by technology vendors (which may be us or our affiliates) that provide technology products and/or services to you, and you agree to pay those charges in the ordinary course of business.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

#### Online Sites

Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (for example, Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc. However, if we approve a separate Online Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Online Site without our prior written approval; (2) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Online Site without our prior written approval; (4) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manuals or otherwise in writing; (5) if we require, you must establish hyperlinks to our Online Site and other Online Sites; and (6) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

#### Manuals

The table of contents (approximately 1,686 total pages) of the Manual is attached as Exhibit H.



Franchise Agreement

During the term of the Franchise Agreement, and except as provided otherwise in that agreement, we will not establish or license anyone else to establish, another Sarpino's Store at any location within the "**Territory**" that is designated in your Franchise Agreement. The Territory will typically be a 2.5 mile radius from the front door of the Accepted Location. If you purchase a franchise for a Captive Market Location, your Territory will typically be all or a portion of the property boundaries of the particular building or establishment in which the Franchised Business is located (e.g. a stadium or an airport). Your actual Territory may be defined differently, depending on your desired location's characteristics. There is no minimum area you will receive as a Territory.

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

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Manuals; and (b) to customers and clients of the Franchised Business.

You may not offer or sell services or products through any means other than through the Franchised Business at the Approved Location; and therefore, for example, you may not offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, special locations or non-traditional venues, carts or kiosks, by use of catalogs, the Internet, through alternate channels of distribution, or through any other electronic or print media.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Territory or elsewhere.

As noted in Item 1, our affiliates franchise and operate, Papa's Pizza To-Go Stores, Breadeaux Stores, Papa Romano's Stores and Blackjack Pizza Stores under their respective marks (the "**Other Brands**"). The Other Brands offer products similar to those offered in our Sarpino's Stores. You will have no rights regarding Other Brand locations or any other business that we (or our affiliates) operate or franchise. We (and our affiliates) will have the right to operate and license others to operate businesses under the Other Brands at any location whatsoever, even though those businesses may be near the Accepted Location or within the Territory under your Franchise Agreement, and even though those businesses may appear to (or actually) have an impact on sales at your Franchised Business.

Delivery and Catering

Sarpino's Stores are primarily carry-out restaurants, and we have the right to approve or disapprove any activity(ies) proposed to take place outside of a Sarpino's Store. However, you must provide delivery and/or catering activities in accordance with the procedures that we specify in the Manuals. In addition:

- We have established a delivery program that may include online and telephone ordering features, on our own or in conjunction with one or more outside vendors (the "**Delivery Program**"). You must participate in, and to pay the fees and costs associated with, the Delivery Program.
- We have the right to require that you execute delivery through your Franchised Business staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such delivery services, including the

arrangements that you propose to make with any third-party delivery vendor in connection with the Delivery Program.

- You may provide delivery service to customers located in your Territory without restriction. You may provide delivery service to customers located outside of your Territory (and that may be within the protected area of another franchisee under the System), but only if: (i) you did not solicit the customer except in accordance with our rules; (ii) the deliveries can be made within a reasonable period of time; (iii) you maintain the quality of the product delivered as specified by us, and (iv) in our reasonable business judgment we determine it is in the best interest of the customer and System to allow you to do so. Captive Market Locations are not authorized to solicit or provide delivery services.

### Development Agreement

If you are a Developer and you comply with your obligations under the Development Agreement, we will not establish or license anyone other than you to establish a Sarpino's Store under the System in your Development Area, until the end of the period of time specified in the Development Schedule to your Development Agreement, except that we will reserve all of the rights described below. As a result, 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. You will not receive the right to acquire additional franchises in your area.

Except for the requirement that you be in compliance with your obligations under the Development Agreement (including for example the Development Schedule), continuation of your rights under the Development Agreement, as described above, is not subject to achieving any particular sales volume, market penetration, quota, or other benchmark. We may not modify your territorial rights. We will approve sites for Sarpino's Stores under a Development Agreement using the then-current site criteria we use at the time(s) requested.

### Our Reservation of Rights -- Franchise Agreement and Development Agreement

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following (references to Territory below apply equally to a Development Area):

- to establish, and license others to establish, Sarpino's Stores anywhere outside the Territory;
- to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
- to establish, and license others to establish, Sarpino's Stores at Non-Traditional Facilities or Captive Market Locations (as defined below) inside or outside the Territory;
- to ourselves or through designees or licensees establish and conduct delivery and catering service anywhere, including within the Territory;

- to provide, or designate others to provide, products and services to a Large Account (defined below) located inside or outside the Territory;
- to acquire (or be acquired) and then operate any business of any kind, anywhere (but not as a Sarpino's Store inside the Territory);
- to market and sell our Products and Services in grocery stores and other retailers, and anywhere else, but not from another Sarpino's Store operating in the Territory; and
- to sell Products and Services using the Proprietary Marks or otherwise, through any method other than that is not a Sarpino's Store (including alternative distribution channels such as e-commerce), anywhere.

The term "**Captive Market Location**" includes non-foodservice businesses of any sort within which a Sarpino's Store or a branded facility is established and operated (including, for example, hotels and resorts).

The term "**Non-Traditional Facility**" includes college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

We will not compensate you for making any sales within your Territory pursuant to the rights we reserve above.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you wish to relocate, then you must sign our then current form of franchise agreement, which will supersede your Franchise Agreement in all respects. You must also pay a relocation fee. We may exercise our sole discretion in determining whether or not to grant such request.

#### **Minimum Sales Requirement**

As noted above in Item 6, you must meet the Minimum Sales Requirement beginning in the first full calendar year after you have operated the Franchised Business for at least three months. If you fail to achieve the Minimum Sales Requirement during a calendar year, we may notify you of the failure. If you are notified of a failure to meet the Minimum Sales Requirement, you will be on probation for the following calendar year. If you again fail to achieve the Minimum Sales Requirement applicable to such following year, then we may, by written notice to you, elect to terminate the Franchise Agreement, or terminate your protected rights in the Protected Area.

Except as noted above, you do not need to meet any particular sales volume, market penetration or other contingencies to continue your rights in your Territory, and your Territory will not be altered because of population increases, decreases or other circumstances.

#### **Large Accounts**

We will have the right to negotiate the terms and conditions of all products and services to be provided to Large Account customers. The term "**Large Account**" means a single customer that: (a) conducts its operations for its own account or through agents, affiliates, dealerships, independent contractors or franchisees, in the Territory and/or the territory of other System franchisees; and (b) who has a contract with us, our affiliates or other System franchisees for our (or our designee's) provision of Products and/or services to its locations. If a Large Account has a location in your Territory, we may

contact you to provide you with an opportunity to provide the products to the Large Account on the terms and conditions agreed to by us and the Large Account. You must notify us in writing within 10 days whether you accept or reject the opportunity upon the terms and conditions we have negotiated. If you do not elect to provide such contracted for products and services to the Large Account location in your Territory, we our affiliates, or designees, including any other System franchisees, will have the right to provide such contracted for products and services at such location. We may restrict your provision of the Franchised Business products and services to Large Accounts located within the Protected Area with or without reason or notice.

### Item 13

### Trademarks

You will be licensed by the Franchise Agreement to use our Proprietary Marks, including the principal marks described below:

| Mark                                                                               | Reg. No. | Reg. Date      |
|------------------------------------------------------------------------------------|----------|----------------|
| Sarpino's                                                                          | 2828230  | March 30, 2004 |
| Sarpino's Pizzeria & design                                                        | 2821275  | March 9, 2004  |
| Sarpino's Pizzeria & design                                                        | 2861689  | July 6, 2004   |
|  | 7060876  | May 23, 2023   |

The marks listed above are registered on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"). We intend to file when due affidavits of use and affidavits of incontestability, as well as a renewal application, for the marks listed above.

We own the rights to the registrations listed above.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks

arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things as may, in our counsel's opinion, be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

## **Item 14** **Patents, Copyrights, and Proprietary Information**

### Copyrights

We own common law copyrights in the Manuals, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

### Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you one set of our Manual, which we have the right to provide in any format we choose (including paper, digitally, or online), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always maintain the security of the Manual.

We may periodically revise the contents of the Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, the version of the Manual (that we maintain) will be controlling.

### Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you are not permitted to disclose any confidential information concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Franchised Business. You may divulge confidential information only to those of your employees who must have access to it. All information that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show

came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require your principals and your Specially Trained Management Personnel to sign confidentiality covenants. We also require that persons who will attend training sign a confidentiality agreement. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached as Exhibit F to the Franchise Agreement). Once signed, you must provide us a copy of each executed confidentiality agreement.

### Patents

We do not own any patents that are material to the franchise being offered.

## **Item 15                      Obligation to Participate in the Actual Operation of the Franchise Business**

The Franchise Agreement requires that you (or your Designated Owner or one of your designated Specially Trained Management Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your Location must be managed at all times by you (or your Designated Owner or Certified Manager) or by a manager who has completed our initial training program to our satisfaction. The Designated Owner must own at least 10% of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Designated Owner to hold a smaller interest. You must obtain personal covenants from your Specially Trained Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition.

The Franchise Agreement does not require you to participate personally in the direct operation of the Franchised Business, although we encourage and recommend active participation by you. If you are a corporation, partnership, or other entity, we require all of your owners to sign a guarantee (in the form attached to the Franchise Agreement as Exhibit B) of the performance of your obligations under the Franchise Agreement. We may require your spouse to sign a guarantee.

Your Location must be managed at all times by you (or your Designated Owner) or by a manager who has completed our initial training program to our satisfaction. Your officers, directors and Designated Owner must sign nondisclosure agreements to prevent unauthorized disclosure of any of our confidential information.

You and your staff must, at all times, cooperate with us and with our representatives.

## **Item 16                      Restrictions on What the Franchisee May Sell**

You may sell and provide only Products and services that conform to our standards and specifications. You also will have certain obligations to offer for sale particular items. We have the right, without limit,

to change the types of authorized Products and services. You may only offer and sell Products and services to customers at the Franchised Business' premises.

The Approved Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written approval. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a Franchised Business for a new franchisee.

## **Item 17** **Renewal, Termination, Transfer, and Dispute Resolution**

### **THE FRANCHISE RELATIONSHIP**

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

| <b>Franchise Agreement</b>                 |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Provision</b>                           | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| a. Length of the franchise term            | § 2.1                                 | 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| b. Renewal or extension of the term        | § 2.2                                 | One additional 10-year term, subject to certain contractual requirements described in "c" below.                                                                                                                                                                                                                                                                                                                                                                                                       |
| c. Requirements for you to renew or extend | §§ 2.2.1 - 2.2.10                     | Written notice, renovate/modernize Franchised Business premise, upgrades to computer hardware and software to conform with then-current standards, satisfaction of monetary obligations, not be in default of the Agreement, sign release, pay fee, comply with then current qualification and training requirements, compliance with Franchise Agreement, sign our then-current form of Franchise Agreement (which may contain materially different terms and conditions than the original contract). |
| d. Termination by you                      | Not applicable                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| e. Termination by us without cause         | Not applicable                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| f. Termination by us with cause            | § 17                                  | Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                |
| g. "Cause" defined – curable defaults      | § 17.3                                | All other defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Franchise Agreement                                           |                                     |                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision                                                     | Section in Franchise Agreement      | Summary                                                                                                                                                                                                                                                                                                                                                                                              |
| h. "Cause" defined - non-curable defaults                     | §§ 17.1 and 17.2                    | Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                |
| i. Your obligations on termination/nonrenewal                 | § 18                                | Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 - 18.12.                                                                                                                                                                                                                                                                                                        |
| j. Assignment of contract by us                               | § 16.1                              | There are no limits on our right to assign the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                  |
| k. "Transfer" by you - definition                             | §§ 16.4.1 - 16.4.4                  | Includes transfer of any interest.                                                                                                                                                                                                                                                                                                                                                                   |
| l. Our approval of transfer by you                            | § 16.4                              | We must approve transfers.                                                                                                                                                                                                                                                                                                                                                                           |
| m. Conditions for our approval of transfer                    | § 16.5                              | Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10.                                                                                                                                                                                                                                                                                         |
| n. Our right of first refusal to acquire your business        | § 16.6                              | We can match any offer.                                                                                                                                                                                                                                                                                                                                                                              |
| o. Our option to purchase your business                       | §§ 18.4 and 18.5                    | Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at cost or fair market value.                                                                                                                                                       |
| p. Your death or disability                                   | § 16.7                              | Your estate must transfer your interest in the Franchised Business to a third party we have approved.                                                                                                                                                                                                                                                                                                |
| q. Non-competition covenants during the term of the franchise | §§ 19.2, 19.3, 19.4, 19.5, and 19.6 | Includes prohibition on engaging in a " <b>Competitive Business</b> " (which is a foodservice business operating, or granting franchises or licenses to others to operate, a business that offers pizza, pizza delivery services, sandwiches and salads, or is a restaurant or other food service provider deriving more than 25% of its gross sales from the sale of pizza.) (see §§ 19.2 to 19.6). |



| Franchise Agreement                                                       |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision                                                                 | Section in Franchise Agreement      | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| r. Non-competition covenants after the franchise is terminated or expires | §§ 19.2, 19.3, 19.4, 19.5, and 19.6 | Includes a two-year prohibition similar to “q” (above), within the Territory, and within 3 miles of the Territory and any other Sarpino’s Store then-operating under the System.                                                                                                                                                                                                                                                                                                                                                                                                              |
| s. Modification of the agreement                                          | § 25                                | Must be in writing signed by both parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| t. Integration/ merger clause                                             | § 25                                | Only the final written terms of the Franchise Agreement are binding, subject to state law. Any representation or promises outside of the disclosure document and Franchise Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                                                                                  |
| u. Dispute resolution by arbitration or mediation                         | § 27.3                              | Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law. |
| v. Choice of forum                                                        | § 27.2                              | If we ever litigate, we must do so in the state and judicial district where we have our principal place of business (currently, Commerce Township, Michigan). (Subject to applicable state law.)                                                                                                                                                                                                                                                                                                                                                                                              |
| w. Choice of law                                                          | § 27.1                              | Michigan law applies to the Franchise Agreement. (Subject to applicable state law.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Development Agreement               |                                  |                                                                                                                                      |
|-------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Provision                           | Section in Development Agreement | Summary                                                                                                                              |
| a. Term of the franchise            | § 2                              | The term of the Development Schedule will be discussed and agreed upon by the parties before entering into the Development Agreement |
| b. Renewal or extension of the term | Not Applicable                   |                                                                                                                                      |

| Development Agreement                               |                                  |                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision                                           | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                    |
| c. Requirements for you to renew or extend          | Not Applicable                   |                                                                                                                                                                                                                                                                                                                                                                                                                            |
| d. Termination by you                               | Not Applicable                   | You may terminate under any grounds permitted by law.                                                                                                                                                                                                                                                                                                                                                                      |
| e. Termination by us without cause                  | Not Applicable                   |                                                                                                                                                                                                                                                                                                                                                                                                                            |
| f. Termination by us with cause                     | §§ 11 and 13                     | Failure to meet the Development Schedule, default or termination under the Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 17 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements. |
| g. "Cause" defined - defaults which can be cured    | § 11                             | All other defaults not specified in § 13 of the Development Agreement and §§ 17.1 and 17.2 of the Franchise Agreement                                                                                                                                                                                                                                                                                                      |
| h. "Cause" defined - defaults which cannot be cured | § 11                             | Bankruptcy, abandonment, conviction of felony, termination of a Franchise Agreement, and others; see § 13 of the Development Agreement and § 17.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)                                                                                                                   |
| i. Your obligations on termination/ nonrenewal      | § 11                             | Stop developing Locations, pay amounts due, pay lost future royalties, and others; see §§ 18.1 - 18.11 of the Franchise Agreement.                                                                                                                                                                                                                                                                                         |
| j. Assignment of contract by us                     | §§ 11 and 12                     | There are no limits on our right to assign the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                        |
| k. "Transfer" by you - definition                   | § 11                             | Includes transfer of any interest in you or the Development Agreement.                                                                                                                                                                                                                                                                                                                                                     |
| l. Our approval of transfer by you                  | § 11                             | We have the right to approve transfers.                                                                                                                                                                                                                                                                                                                                                                                    |
| m. Conditions for our approval of transfer          | §§ 11 and 12                     | Your compliance with the agreement, a release, the buyer's signature of a new Franchise Agreement, the payment of transfer fee, and others; see §§ 16.5.1 - 16.5.10 of the Franchise Agreement. We may also withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement            |

| Development Agreement                                                     |                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Provision                                                                 | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| n. Our right of first refusal to acquire your business                    | § 11                             | We can match any offer, or the cash equivalent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| o. Our option to purchase your business                                   | § 11                             | We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| p. Your death or disability                                               | § 11                             | Interest in Development Agreement must be transferred to a third-party we have approved within six months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| q. Non-competition covenants during the term of the franchise             | § 11                             | Includes prohibition on engaging in a “ <b>Competitive Business</b> ” (which is a foodservice business operating, or granting franchises or licenses to others to operate, a business that offers pizza, pizza delivery services, sandwiches and salads, or is a restaurant or other food service provider deriving more than 25% of its gross sales from the sale of pizza.).                                                                                                                                                                                                                |
| r. Non-competition covenants after the franchise is terminated or expires | § 11                             | Includes a two-year prohibition similar to “q” (above), within the Development Area, and within 3 miles of the Development Area and any other Sarpino’s Store then-operating under the System.                                                                                                                                                                                                                                                                                                                                                                                                |
| s. Modification of the agreement                                          | § 14                             | Must be in writing executed by both parties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| t. Integration/merger clause                                              | § 13                             | Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable.                                                                                                                                                                                                                                                                                                                                          |
| u. Dispute resolution by arbitration or mediation                         | § 11                             | Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law. |

| <b>Development Agreement</b> |                                         |                                                                                                                                                                                                  |
|------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Provision</b>             | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                   |
| v. Choice of forum           | § 11                                    | If we ever litigate, we must do so in the state and judicial district where we have our principal place of business (currently, Commerce Township, Michigan). (Subject to applicable state law.) |
| w. Choice of law             | § 11                                    | Michigan law applies to the Franchise Agreement. (Subject to applicable state law.)                                                                                                              |

## **Item 18**

## **Public Figures**

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

## **Item 19**

## **Financial Performance Representations**

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

### **Annual Gross Sales by Quartile**

| <b>Quartile</b>         | <b>Number of Units</b> | <b>Average Gross Sales</b> | <b>Median Gross Sales</b> | <b>High</b>        | <b>Low</b>       | <b>Number (%) that met or exceeded the average</b> |
|-------------------------|------------------------|----------------------------|---------------------------|--------------------|------------------|----------------------------------------------------|
| Top 25%                 | 10                     | \$1,236,266                | \$1,197,802               | \$1,634,245        | \$1,085,590      | 4 (40%)                                            |
| 2nd 25%                 | 10                     | \$1,004,821                | \$1,023,252               | \$1,066,963        | \$931,702        | 6 (60%)                                            |
| 3rd 25%                 | 10                     | \$813,865                  | \$814,681                 | \$884,781          | \$738,065        | 5 (50%)                                            |
| Bottom 25%              | 10                     | \$597,018                  | \$626,546                 | \$690,111          | \$445,505        | 6 (60%)                                            |
| <b>All Units (100%)</b> | <b>42</b>              | <b>\$912,486</b>           | <b>\$908,241</b>          | <b>\$1,634,245</b> | <b>\$445,505</b> | <b>21 (50%)</b>                                    |

Notes:

The information in the chart is for the period from January 1, 2025 to December 31, 2025. The table includes only the results of franchised Stores that operated for that full calendar year. Stores that did not operate for a full year were not included in the results. In 2025, three franchised stores that operated for part of the year and were not included in the results. In addition, two units, with sales of \$1,068,175.00 and \$736,544.00 during 2025, respectively, were not included in the results as one Store falls between the first and second quartiles, while the other Store falls between the third and fourth quartiles.

The term "Gross Sales" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Among other things, and for the sake of clarity, the term "Gross Sales": (a) includes all such revenue in connection with the Franchised Business whether or not applied to defray expenses (such as salaries, third parties delivery services, or otherwise); and (b) excludes: (i) any legitimate and reasonable discounts and/or refunds that you provide to customers; and (ii) sales taxes or other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.

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

The figures used in this statement are annual gross sales only. We do not supply or provide cost information at this time. Written substantiation for the financial performance representation above will be made available to a prospective franchisee upon reasonable request.

Net income will vary from Store to Store depending upon factors such as rental or real estate costs, costs of goods sold, labor costs and other costs relating to the operation of the Store. The sales revenues shown in this chart reflect the historic experience of our franchisees; they should not be considered as the actual or potential sales that you will realize.

Results for a new franchisee may differ from the results stated in this financial performance representation.

We strongly urge you to consult with your financial advisor or personal accountant concerning the financial analysis that you should make in determining whether or not to purchase a franchise from us. Among other things, we recommend that you contact the current and former franchisees listed in this Disclosure Document and that you also consult with a qualified attorney, accountant, and other professional advisors before entering into a Franchise Agreement. We suggest that you develop and review with your own professional advisors a pro forma cash flow statement, balance sheet and statement of operations, and that you make your own financial projections regarding sales, costs, customer base, and business development for your own "Sarpino's Pizzeria" business.

The information presented above is from our franchisees, and has not been audited.

You should also be aware that the financial performance of any particular Store might be affected by a number of factors that may vary due to the individual characteristics of the site. These factors include, but are not limited to: competition from other businesses; location of your site; your experience; your ability to operate the business; the quality and effectiveness of your managerial skills; and your decisions with respect to location, additional advertising programs, personnel and cost

controls; geographic and socioeconomic conditions in your locality; business cycles; and the performance of the local, national and world economy.

Other than as set forth above with respect to annual gross sales of franchised Stores during the 2024 calendar year, 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 the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting its Chief Executive Officer at 8101 Richardson Road, Suite 101, Commerce Township, Michigan 48390, Phone: (248) 363-4580, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20

## Outlets and Franchisee Information

**Table 1:**  
System wide Outlet Summary for years 2023 – 2025<sup>(1)</sup>

| Outlet Type                  | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|------------------------------|------|----------------------------------|--------------------------------|------------|
| Licensed                     | 2023 | 43                               | 43                             | 0          |
|                              | 2024 | 43                               | 43                             | 0          |
|                              | 2025 | 43                               | 45                             | +2         |
| Company-Owned <sup>(2)</sup> | 2023 | 0                                | 0                              | 0          |
|                              | 2024 | 0                                | 0                              | 0          |
|                              | 2025 | 0                                | 0                              | 0          |
| Total Outlets                | 2023 | 43                               | 43                             | 0          |
|                              | 2024 | 43                               | 43                             | 0          |
|                              | 2025 | 43                               | 45                             | +2         |

Notes to tables 1-5 in this Item 20:

- (1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.
- (2) Affiliate owned stores include those owned by an entity where a person listed in Item 2 is a shareholder or member of that entity. These stores are not otherwise associated with us.
- (3) States that are not listed had no activity.

**Table 2:**  
Transfers of Outlets from Licensees to New Owners  
(other than the Franchisor) for years 2023 to 2025

| State     | Year | Number of Transfers |
|-----------|------|---------------------|
| Illinois  | 2023 | 0                   |
|           | 2024 | 1                   |
|           | 2025 | 0                   |
| Kansas    | 2023 | 0                   |
|           | 2024 | 1                   |
|           | 2025 | 1                   |
| Minnesota | 2023 | 1                   |
|           | 2024 | 0                   |
|           | 2025 | 0                   |
| Texas     | 2023 | 0                   |
|           | 2024 | 0                   |
|           | 2025 | 1                   |
| Total     | 2023 | 1                   |
|           | 2024 | 2                   |
|           | 2025 | 2                   |

**Table 3:**  
Status of Licensed Outlets for years 2023 to 2025

| State    | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations -Other Reasons | Outlets at End of the Year |
|----------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|----------------------------|
| Colorado | 2023 | 0                        | 1              | 0            | 0            | 0                        | 0                                | 1                          |
|          | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|          | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
| Florida  | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3                          |
|          | 2024 | 3                        | 2              | 0            | 0            | 0                        | 0                                | 5                          |
|          | 2025 | 5                        | 1              | 0            | 0            | 0                        | 0                                | 6                          |
| Georgia  | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|          | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |

| State     | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations -Other Reasons | Outlets at End of the Year |
|-----------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|----------------------------|
|           | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
| Illinois  | 2023 | 18                       | 0              | 0            | 0            | 0                        | 0                                | 18                         |
|           | 2024 | 18                       | 0              | 0            | 0            | 0                        | 2                                | 16                         |
|           | 2025 | 16                       | 0              | 0            | 0            | 0                        | 0                                | 16                         |
| Iowa      | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|           | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|           | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
| Kansas    | 2023 | 6                        | 0              | 0            | 0            | 0                        | 1                                | 5                          |
|           | 2024 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5                          |
|           | 2025 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5                          |
| Minnesota | 2023 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                          |
|           | 2024 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                          |
|           | 2025 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9                          |
| Missouri  | 2023 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4                          |
|           | 2024 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4                          |
|           | 2025 | 4                        | 1              | 0            | 0            | 0                        | 0                                | 5                          |
| Texas     | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|           | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
|           | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                          |
| TOTALS    | 2023 | 43                       | 1              | 0            | 0            | 0                        | 1                                | 43                         |
|           | 2024 | 43                       | 2              | 0            | 0            | 0                        | 2                                | 43                         |
|           | 2025 | 43                       | 2              | 0            | 0            | 0                        | 0                                | 45                         |



**Table 4:**  
Status of Company-Owned Outlets  
for years 2023 – 2025

| State     | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|-----------|------|------------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| Any State | 2023 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|           | 2024 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|           | 2025 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
| TOTALS    | 2023 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|           | 2024 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|           | 2025 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |

**Table 5:**  
Projected Openings for 2026

| State (Note 1) | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlet In The Next Fiscal Year | Projected New Company-Owned Outlet In The Next Year |
|----------------|---------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|
| Florida        | 2                                                 | 5                                                       | 0                                                   |
| Missouri       | 0                                                 | 3                                                       | 0                                                   |
| <b>Total</b>   | <b>2</b>                                          | <b>8</b>                                                | <b>0</b>                                            |

The names, addresses, and telephone numbers of our franchisees and developers as of our fiscal year ending December 31, 2025 are listed in Exhibit E.

The name and last known home address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during one-year period ending December 31, 2025, or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit E.

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

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with our company.

As of the date of this franchise disclosure document, there are no Sarpino's Pizzeria franchisee associations in existence regardless of whether they use our trademark or not.

**Item 21****Financial Statements**

Our audited financial statements for the fiscal years ended December 31, 2025, 2024 and 2023 are attached as Exhibit G. Also attached as Exhibit G are our unaudited financial statements for the period ended March 31, 2026. Our fiscal years end on December 31 each year.

**Item 22****Contracts**

|           |                                                                                                                                                                                                                                                                          |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit A | The Franchise Agreement with its exhibits:<br>A. Data Addendum<br>B. Guarantee, Indemnification, and Acknowledgment<br>C. List of Principals<br>D. ACH Authorization Agreement<br>E. ADA Certification<br>F. Sample Form of Non-Disclosure and Non-Competition Agreement |
| Exhibit B | Development Agreement                                                                                                                                                                                                                                                    |
| Exhibit L | Form of General Release                                                                                                                                                                                                                                                  |

**Item 23****Receipts**

The last two pages of this disclosure document (Exhibit M) are two identical receipt pages to acknowledge that you received this entire document (including the exhibits). Please keep one copy along with this disclosure document, and please sign and date the other copy and send that signed and dated receipt to us.





**Sarpino's USA, Inc.**

**Franchise Agreement**

**Sarpino's USA, Inc.  
Franchise Agreement**

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**Exhibits**

|   |                                                                        |   |                                                                                                     |
|---|------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------|
| A | Data Addendum                                                          | E | ADA Certification                                                                                   |
| B | Guarantee, Indemnification, and Acknowledgement                        | F | Sample Form of Non-Disclosure and Non-Competition Agreement for managerial and non-managerial staff |
| C | List of Principals                                                     | G | Site Selection Addendum                                                                             |
| D | ACH - Authorization Agreement for Prearranged Payments (Direct Debits) | H | Lease Rider                                                                                         |
|   |                                                                        | I | Assignment of Telephone Numbers                                                                     |

**Sarpino's USA, Inc.  
Franchise Agreement**

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- Sarpino's USA, Inc., an Illinois corporation with its principal place of business at 8101 Richardson Road, Ste. 101, Commerce Township, MI 48390 ("**we**," "**us**," "**our**", or "**Franchisor**"); and
- \_\_\_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] the State of \_\_\_\_\_ and having offices at \_\_\_\_\_ ("**you**" or the "**Franchisee**").

Introduction

*We own a format and system relating to the establishment and operation of "Sarpino's Pizzeria" retail foodservice business, serving carry-out and delivery customers, and providing a distinctive menu of pizza and other related products (each a "**Restaurant**" or a "**Sarpino's Restaurant**").*

*Among the distinguishing characteristics of a Sarpino's Restaurant are that it operates under our "Sarpino's Pizzeria" System. Our System includes (among other things): pizza and related products ("**Products**"); trade names, Proprietary Marks, proprietary food preparation techniques, trade dress elements of the business, including color schemes, the uniforms worn by staff and certain materials used in the operation of Sarpino's Restaurants, supplier and distribution arrangements, formulas and specifications for food products, training, operational procedures, promotional techniques and materials, signs, paper products, equipment, methods of inventory and operation, and manuals covering business practices and policies (together, the "**System**"), all of which we may periodically revise and update.*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "SARPINO'S PIZZERIA" and logo), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service.*

*We are in the business of developing programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Sarpino's Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Sarpino's Restaurants under the System. We will not operate your Sarpino's Restaurant for you, although we have (and will continue) to set standards for Sarpino's Restaurants that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your Sarpino's Restaurant to our brand standards.*

*You have asked to enter into the business of operating a Sarpino's Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our high standards of quality, cleanliness, appearance, and service and the necessity*

*of operating the business franchised under this Agreement in conformity with our standards and specifications.*

*In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this contract, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:*

## **1 GRANT**

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Sarpino's Restaurant under the System (the **Franchised Business**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location.* The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the **"Accepted Location."**

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the **"Site Selection Addendum,"** attached as Exhibit G to this Agreement) at the same time as you sign this Agreement;

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum; and

1.2.1.3 you agree to use a third party location data service that we designate (which may be one that we have contracted for and pre-paid, in which case you will pay a proportional share of the base fee that we prepaid).

1.2.2 We have the right to grant or withhold approval of the Accepted Location under this Section 1.2. You understand, acknowledge, and agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under

our then-current standards for site selection, and we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Sarpino's Restaurant to their establishment. If you wish to relocate, then you must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which, in our discretion, will not supersede Section 2 below). You must also pay us a relocation fee of Seven Thousand Five Hundred Dollars (\$7,500), which shall be used to defray some of our administrative costs and expenses related to your relocation request. We may exercise our sole discretion in determining whether or not to grant such request.

1.3 *Protected Area.*

1.3.1 During the term of this Agreement, we will not establish and operate, nor will we grant to any other party the right to establish and operate, a physical Sarpino's Restaurant within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), subject to the limitations in Sections 1.4 through 1.7 below.

1.3.2 You acknowledge and agree that territorial overlapping may occur between your Protected Area and the territory of one or more other company owned, affiliate owned or licensed Sarpino's Restaurants. This may result in the solicitation of the same customers by more than one Sarpino's Restaurant and that potential or actual customers within your Protected Area may be solicited by us, our affiliates, or any other franchisees of ours ("**Other Licensees**"), due to overlapping of solicitation and advertising zones. Advertising activities by Other Licensees may include your Franchised Business in the same media (e.g. coupons sent out in the course of mass mailing) and may include the telephone number and address of more than one store location of yours or of Other Licensees. In the event advertising or marketing by you will be circulated or received in the protected area of an Other Licensee(s) due to such territory overlapping, you agree to list the business address location and telephone number of the Other Licensee(s) in your media advertising.

1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):

1.4.1 We have the right to establish, and franchise others to establish, Sarpino's Restaurants anywhere outside the Protected Area;

1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;

1.4.3 We have the right to establish, and license others to establish, Sarpino's Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below) inside or outside the Protected Area;



- 1.4.4 We and our designees and licensees (which may include other franchisees under the System), have the right to establish and conduct delivery and catering service anywhere, including within the Protected Area, as noted in Section 1.6.3 below;
- 1.4.5 Provide, and license others to provide, products and services to a Large Account (defined below) located inside or outside the Protected Area;
- 1.4.6 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not as a Sarpino's Restaurant inside the Protected Area);
- 1.4.7 We have the right to market and sell our Products and Services in grocery stores and other retailers, and anywhere else, but not from another Sarpino's Restaurant operating in the Protected Area; and
- 1.4.8 We have the right to sell Products and Services using the Proprietary Marks or otherwise, through any method other than that is not a Sarpino's Restaurant (including alternative distribution channels such as e-commerce), anywhere.
- 1.4.9 Definitions.
  - 1.4.9.1 The term "**Captive Market Location**" is agreed to include, among other things, non-foodservice businesses of any sort within which a Sarpino's Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).
  - 1.4.9.2 The term "**Non-Traditional Facility**" is agreed to include, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate.*

- 1.5.1 You may offer and sell Products and services only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Operations Manual (defined below); and **(b)** to customers of the Franchised Business.
- 1.5.2 You agree not to offer or sell any products or services through any means other than through the Franchised Business at and from the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).
- 1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:
  - 1.5.3.1 Face to face, for consumption on the Restaurant premises;
  - 1.5.3.2 Face to face, for personal carry-out consumption; and/or
  - 1.5.3.3 For delivery service yourself or through the use of an approved local third-party provider of delivery services, and for catering service provided at

customers' homes, offices, and other locations, but only as provided in Section 1.6 below.

- 1.6 ***Delivery and Catering.*** You acknowledge and agree that Restaurants are primarily carry-out restaurants, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant. However, you must provide delivery and/or catering activities in accordance with the procedures that we specify in the Operations Manual (defined below) or otherwise in writing. In addition:
- 1.6.1 We have established a delivery program that may include online and telephone ordering features, on our own or in conjunction with one or more outside vendors (the "**Delivery Program**"). You agree to participate in, and to pay the fees and costs associated with, the Delivery Program.
  - 1.6.2 We have the right to require that you execute delivery through Restaurant staff and/or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such delivery services, including the arrangements that you propose to make with any third-party delivery vendor in connection with the Delivery Program.
  - 1.6.3 You may provide delivery service to customers located in your Protected Area without restriction. You may provide delivery service to customers located outside of your Protected Area (and that may be within the protected area of Other Licensees), but only if: (i) you did not solicit the customer except in accordance with our rules; (ii) the deliveries can be made within a reasonable period of time; (iii) you maintain the quality of the product delivered as specified by us, and (iv) in our reasonable business judgment we determine it is in the best interest of the customer and System to allow you to do so. Captive Market Locations are not authorized to solicit or provide delivery services.
  - 1.6.4 All delivery and catering sales will be considered as part of the Gross Sales (see Section 4.2.2 below) of your Franchised Business.
- 1.7 ***Large Accounts.*** The term "**Large Account**" means a single customer that: (a) conducts its operations for its own account or through agents, affiliates, dealerships, independent contractors or franchisees, in the Protected Area and/or the territory of Other Licensees; and (b) who has a contract with us, our affiliates or Other Licensees for our (or our designee's) provision of Products and/or services to its locations. We will have the right to negotiate the terms and conditions of all products and services to be provided to Large Account customers. If a Large Account has a location in your Protected Area, we may contact you to provide you with an opportunity to provide the products to the Large Account on the terms and conditions agreed to by us and the Large Account. You must notify us in writing within ten (10) days whether you accept or reject the opportunity upon the terms and conditions we have negotiated. If you do not elect to provide such contracted for products and services to the Large Account location in your Protected Area, we our affiliates, or designees, including any Other Licensee, will have the right to provide such contracted for products and services at such location. Notwithstanding any statements to the contrary herein, we reserve the right to restrict your provision of the Franchised Business products and services to Large Accounts located within the Protected Area with or without reason or notice.
- 1.8 ***Other Brands.*** You understand that we may operate (or be affiliated with other companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, and as a franchisee) in addition to the "Sarpino's Pizzeria" brand, and also that

we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands and that the restrictions we have agreed to in Section 1.3 above do not apply to any Other Brands.

## **2 TERM AND RENEWAL**

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire ten (10) years from the Effective Date.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for one (1) additional successor term of ten (10) years, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.10 before renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least six (6) months before the end of the term of this Agreement (but not more than one (1) year before the term expires).
- 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Sarpino's Restaurants (as well as the provisions of Section 8.8 below).
- 2.2.3 At the time of renewal: (a) you must be in material compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates); and (b) in our reasonable judgment, you must have been in material compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors, throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).
- 2.2.5 During the then-expiring term of this Agreement (and/or a renewal agreement), you must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you acknowledge and agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage royalty fee and marketing contribution). If you are an entity, then your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, limited liability company, partnership, and a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee equal to the greater of: (a) Ten Thousand Dollars (\$10,000), or (b) twenty-five percent (25%) of our then-current initial franchise fee for a new Franchised Business.

- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release, in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. If you are an entity, then your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.
- 2.2.10 You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

### **3 OUR DUTIES**

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Standard Layout and Equipping of a Sarpino's Restaurant.* We will make available, at no charge to you, our standard layout, design and image specifications for a Sarpino's Restaurant, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.
- 3.3 *Opening and Additional Assistance.* We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Operations Manual.
- 3.4 *Operations Manual.* We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential operations manuals and other written instructions relating to the operation of a Sarpino's Restaurant (the "**Operations Manual**"), in the manner and as described in Section 10 below.
- 3.5 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.6 *Marketing Fund.* We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.7 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so.
- 3.8 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as an

operations manager, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.

- 3.9 *Services Performed.* You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an “area developer”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.10 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: (a) to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; (b) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; (c) to test market various items in some or all parts of the System; (d) to introduce new proprietary items and non-proprietary items or operational equipment; and/or (e) to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.
- 3.11 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the “**Confirmation of Performance**”), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before your open your Restaurant.

#### **4 FEES; SALES REPORTING**

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Forty Thousand Dollars (\$40,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable in consideration of administrative and other expenses that we incur in granting this franchise and for our lost or deferred opportunity to grant a franchise to other parties.
- 4.2 *Royalty Fee and Sales Reports.* For each Week during the term of this Agreement, you agree to (a) pay us a continuing royalty fee in the amount equal to six percent (6%) of the Gross Sales (as defined below) of the Franchised Business (“**Royalty Fees**”) (subject to Section 4.2.2 below); and (b) report to us, in the form and manner that we specify, your Gross Sales (a “**Sales Report**”) at the time specified in Section 4.3 below. As used in this Agreement:
- 4.2.1 the term “**Week**” means a calendar week starting as soon as you open for business each Monday and ending at the close of business on Sunday (which may be on

Monday after midnight when the business day started earlier on Sunday comes to a close) (except as indicated in the Manual); and

- 4.2.2 the term “**Gross Sales**” means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Among other things, and for the sake of clarity, the term “Gross Sales”: (a) includes all such revenue in connection with the Franchised Business whether or not applied to defray expenses (such as salaries, third parties delivery services, or otherwise); and (b) excludes: (i) any legitimate and reasonable discounts and/or refunds that you provide to customers; and (ii) sales taxes or other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.
- 4.3 *Due Date.* All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) (and, to the extent not made by ACH, you must pay and submit those funds so that they are received by us, in our offices) between the eighth (8<sup>th</sup>) and eleventh (11<sup>th</sup>) day after the end of each Week, based on the Gross Sales of that Week. In addition, you agree to all of the following:
- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You agree to also deliver the Sales Report to us at the same time as your Royalty payments are due.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: (a) comply with the payment and reporting procedures that we may specify in the Operations Manual or otherwise in writing; and (b) maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: (a) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and (b) if you do not do so, then you agree to reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose.
- 4.3.3 You acknowledge and agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due when you are open and in operation.
- 4.3.4 You agree that you will not, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, affiliates, suppliers, or others.

- 4.3.5 You agree that if you do not provide us, as requested, with access to your computer system to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the royalties on that amount (whether by check or by our deduction of that amount from your direct debit account).
- 4.3.6 You agree that you will not, whether on grounds of alleged non-performance by us or others, withhold payment of any fee, including, without limitation, Royalty Fees or Marketing Contributions, nor withhold or delay submission of any reports due under this Agreement.
- 4.4 *Minimum Sales Requirement.* Beginning in the first full calendar year after you have operated the Franchised Business for at least three (3) months, you must, on an annual calendar-year basis, achieve total Gross Sales of at least fifty percent (50%) of the average annual total Gross Sales of the other franchisees under the System not in default for the full calendar year in question (the "**Minimum Sales Requirement**"). If you fail to achieve the Minimum Sales Requirement during a calendar year, we may notify you of the failure. If you are notified of a failure to meet the Minimum Sales Requirement, you will be on probation for the following calendar year. If you again fail to achieve the Minimum Sales Requirement applicable to such following year, then we may, by written notice to you, elect to: (a) terminate this Agreement; or (b) terminate your protected territorial rights under Section 1.3 of this Agreement.
- 4.5 *No Subordination.* You agree: (a) not to subordinate to any other obligation your obligation to pay us the royalty fee and/or any other amount payable to us, whether under this Agreement or otherwise; and (b) that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.6 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is overdue, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.
- 4.7 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.8 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.8, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

## **5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION**

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within two hundred and forty (240) days after the Effective Date of this Agreement. **Time is of the essence.**
- 5.2 *Site for the Restaurant.* As provided in Section 1.2 above, if you do have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only. In addition:
- 5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Restaurant is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, or sublease, or purchase agreement.
- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, or purchase agreement for the site are beneficial and acceptable to you. Additionally, no matter to what extent (if any) that we participate in any lease or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease or purchase agreement.
- 5.3.3 You agree that: (a) any standard layout and equipment plans that we provide to you, as well as any review and comments that provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); (b) our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; (c) you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and (d) our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Sarpino's Restaurants).
- 5.3.4 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you acknowledge and agree that compliance with such laws is and will be your sole responsibility.



- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree to provide us with a copy of the fully signed lease, including a signed lease rider, before you begin construction or renovations as the Accepted Location.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
  - 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Operations Manual or otherwise);
  - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
  - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
  - 5.5.5 purchase an opening inventory of Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Operations Manual (depending on whether your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved

those final plans, you cannot later change or modify the plans without our prior written consent.

- 5.6.2 You agree to comply with all Operating Codes, including, without limitation, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Operations Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

## **6 DESIGNATED OWNER, PERSONNEL, AND TRAINING**

### **6.1 *Designated Owner and Management.***

- 6.1.1 If you are an entity, you must have an individual owner who will serve as your **"Designated Owner."** The Designated Owner must supervise the operation of the Franchised Business and must own at least ten percent (10%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Designated Owner to hold a smaller interest. The Designated Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 You must inform us in writing whether the Designated Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If

not, then you must employ a full-time Store Manager (a “**Store Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

- 6.1.3 The Franchised Business must at all times be under the active full-time management of either Designated Owner or Store Manager (who must have successfully completed our initial training program to our satisfaction).
- 6.1.4 The term “**Specially Trained Management Personnel**” is agreed to mean the Designated Owner and the Store Manager, and any other individuals who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

## 6.2 *Initial Training.*

- 6.2.1 The Store Manager must attend and successfully complete, to our satisfaction, the initial training program that we offer at our headquarters or another location that we specify. (Your Store Manager will train your subsequently hired general managers and assistant managers.)
- 6.2.2 The training program will be conducted for up to two persons (Designated Owner and Store Manager), without charge to you. If you request, we may, in our discretion, allow additional persons to attend the initial training program, but may, in that case, charge a fee for the training.

## 6.3 *Additional Obligations and Terms Regarding Training.*

- 6.3.1 If for any reason your Designated Owner and/or Store Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Designated Owner or your Store Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. We will charge a fee in the amount of One Thousand Five Hundred Dollars (\$1,500) for each replacement training session.
- 6.3.2 We may require that you and your Specially Trained Management Employees attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.
- 6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that each will assist in providing to customers of the Restaurant.
- 6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.
- 6.3.5 Training Costs and Expenses.

- 6.3.5.1 We will bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.3.1 and 6.4 of this Agreement.
- 6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees.
- 6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.
- 6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

## **7 PURCHASING AND SUPPLY OF PRODUCTS**

7.1 *Products.* You agree to buy all Products, ingredients, equipment, furniture, supplies, paper products, apparel and merchandise), materials (such as packaging), and other products and services used (or offered for sale) at the Restaurant only from suppliers as to whom we have given you our prior written approval (and whom we have not subsequently disapproved). In this regard, the parties further agree:

- 7.1.1 In determining whether we will approve any particular supplier, we will consider various factors, including: (a) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (b) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (c) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or (d) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
- 7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You acknowledge and agree that we have the right to appoint only one supplier for any particular Product or item (which may be us or one of our affiliates).
- 7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Service or a Product.

- 7.1.4 If you want to buy any Products or any item from an unapproved supplier (except for proprietary items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Sarpino's Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Sarpino's Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Sarpino's Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Products to you. Any of our affiliates that sell products to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell products to you, or to withhold certain discounts which might otherwise be available to you.
- 7.1.6 You acknowledge and agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Products and other goods and services. These Allowances include those based on purchases of Products, other products, paper goods, ink, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You acknowledge and agree that: (a) we have the right to require that certain items that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such

items are our proprietary products; and (b) we have the right to require that you purchase and offer branded non-proprietary private-label products at your Restaurant. In order to maintain the high standards of quality and uniformity associated with proprietary items, and other Products and packaging bearing the Proprietary Marks, you agree to purchase those proprietary items and Products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers, and not to offer or sell any other such products at or from the Franchised Business. We have the right to determine whether any particular item will be a "Proprietary Item."

7.3 *Use of the Marks.* You must require all marketing materials, signs, decorations, paper goods (including, without limitation, and all forms and stationery used in the Franchised Business), and other items which we may designate to bear the Proprietary Marks in the form, color, location, and manner we prescribe (and subject to our prior written approval, for example as provided in Section 13.9 below).

7.4 *Manufacturing.* You agree that you will not produce or otherwise manufacture any items in the Franchised Business, except for products that we have otherwise authorized and approved for production in the Manual or otherwise in writing.

## **8 YOUR DUTIES**

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other "Sarpino's Pizzeria" franchisees and licensees in order to develop and maintain high operating standards, to provide superior customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening.* In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards, including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

- 8.2.4 You agree not to open the Franchised Business until the Specially Trained Management Employees have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.
- 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3 *Staffing.*
- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Operations Manuals.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand, you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.
- 8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "uniform") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Operations Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you and your employees comply with personal appearance standards (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).
- 8.3.4 You agree to develop, cultivate, and at all times maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.
- 8.4 *Operate According to Our Standards.* To insure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Operations Manual or otherwise in writing. In this regard, you agree to do all of the following:
- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: (a) to sell or offer for sale only those Products, items, and services using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; (b) to sell or offer for sale all Products, items, and services using the standards and techniques that we specify in writing; (c) not to deviate from our standards and specifications; (d) to stop using and offering for use

any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and (e) that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.

- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you acknowledge and agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.* You may only use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Operations Manual or as we may otherwise approve in writing.
- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, "**Operating Codes**" means applicable federal, state, and local laws, codes, ordinances, and/or regulations that apply to the Products, services, construction and design of the Restaurant and other aspects of operating the Franchised Business, including the ADA.



- 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Products you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.
- 8.8 *Your Franchised Business:*
- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any printing or related equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, technology, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. We may also require you to complete a Minor Refurbishment but not more than once every three (3) years. (The term “**Minor Refurbishment**” includes replacement, upgrading, and installation of new menu boards and related technology hardware, software, and firmware.)
- 8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, equipment, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Sarpino’s Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, “**Major Remodeling**”). In this regard, the parties agree that:

- 8.8.2.1 You will not have to conduct a Major Remodeling more than once every five (5) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and
  - 8.8.2.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling.
- 8.9 *Use of the Marks.* You agree that you will abide by all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).
- 8.10 *If You Are an Entity:*
  - 8.10.1 *Corporation.* If you are a corporation, then you agree to: (a) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; (c) not issue any additional shares (whether voting securities or securities convertible into voting securities); and (d) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.
  - 8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: (a) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all of your general and limited partners; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
  - 8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: (a) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and (d) maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.
  - 8.10.4 *Guarantees.* You agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: (a) shareholder of a corporate Franchisee; (b) member of a limited liability company

Franchisee; (c) partner of a partnership Franchisee; and/or (d) partner of a limited liability partnership Franchisee.

- 8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “customer survey,” and/or similar quality-control and evaluation programs with respect to Sarpino’s Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: (a) immediately implement any remedial actions we require; and (b) reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices.* You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): (a) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (b) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Environmental Matters.* We are committed to working to attain optimal performance of Sarpino’s Restaurants with respect to environmental, sustainability, and energy performance. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors’ actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Operations Manual, and you agree to abide by those standards.
- 8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Sarpino’s Restaurants. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without making payment to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.15 *Suspending Operation.* You agree to immediately suspend operation of (and close) the Franchised Business and promptly notify us in writing if: (a) any equipment used, or products or services sold, at the Franchised Business deviate from our standards; (b) any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or (c) you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify

us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises, and we have determined that you have corrected the condition and that all equipment used, or products or services sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

## **9 PROPRIETARY MARKS**

9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.

9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, You agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name "*Sarpino's Pizzeria*" without prefix or suffix.

9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business or any Vehicle as we may designate in writing.

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks: (a) as part of your corporate or other legal name; (b) as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or (c) in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: (a) comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and (b) execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 Defense and Costs:

(a) *If Marks Were Used in Accordance with this Agreement:* If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(b) *If Marks Were Used But Not in Accordance with this Agreement:* If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements.* You expressly understand and acknowledge that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

- 9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.
- 9.3.3 Neither You nor any of Your owners, principals, or other persons acting on Your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will You, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given You our express prior written consent to do so).
- 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
- 9.3.5 Any and all goodwill arising from Your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with Your use of our System or of our Proprietary Marks.
- 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
  - 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;
  - 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and
  - 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Proprietary Marks will be beneficial to the System. In such circumstances, your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

## **10 CONFIDENTIAL OPERATIONS MANUALS**

- 10.1 *You Agree to Abide by the Operations Manual.* In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Operations Manual. We will lend to you (or permit you to have access to) one (1) copy of our Operations Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Operations Manual.* We will have the right to provide the Operations Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Operations Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Operations Manual from time to time. If at any time we choose to provide some or all the

Operations Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Operations Manual that we have previously provided to you.

- 10.3 *We Own the Operations Manual.* The Operations Manual will at all times remain our sole property and you agree to promptly return the Operations Manual when this Agreement expires or if it is terminated.

- 10.4 *Confidentiality and Use of the Operations Manual.*

10.4.1 The Operations Manual contains our proprietary information and you agree to keep the Operations Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Operations Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Operations Manual is not in use by authorized personnel, you agree to maintain secure access to the Operations Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Operations Manual) with access to the security protocols for the Operations Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication the Operations Manual in whole or in part.

- 10.5 *You Agree to Treat Operations Manual as Confidential.* You agree that at all times, you will treat the Operations Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

- 10.6 *Which Copy of the Operations Manual Controls.* You agree to keep your copy of the Operations Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Operations Manual are kept current and up to date. You also agree that if there is any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual that we maintain in our home office will be controlling. Access to any electronic version of the Operations Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

- 10.7 *Revisions to the Operations Manual.* We have the right to revise the contents of the Operations Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Operations Manual and to comply with each new or changed standard.

- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at the time when you and we signed this Agreement; provided the financial burden placed upon you is not substantial). You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

## 11 CONFIDENTIAL INFORMATION

### 11.1 *Confidentiality.*

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, vendor information, results of operations and quality control information, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Operations Manuals, customer profiles, preferences, or statistics, itemized costs, franchisee composition, territories, and development plans, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach.* You acknowledge and agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, without limitation, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.



## **12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS**

### **12.1 *Accounting Records and Sales Reports.***

- 12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.
- 12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Operations Manual or otherwise in writing, including: (a) daily cash reports; (b) cash receipts journal and general ledger; (c) cash disbursements and weekly payroll journal and schedule; (d) monthly bank statements, daily deposit slips and cancelled checks; (e) all tax returns; (f) supplier's invoices (paid and unpaid); (g) dated daily and weekly cash register journals and POS reports in accordance with our standards; (h) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; (i) operational schedules and weekly inventory records; (j) records of promotion and coupon redemption; and (k) such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.
- 12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Additionally, if you fail to comply with the accounting standards and requirements under this Agreement, we may require that you use an approved independent bookkeeper and/or independent accounting firm and/or services and programs.
- 12.1.4 Each Week, you agree to submit to us, in the form we specify and/or utilizing our Required Software, as that term is defined in Section 14.1.2 below), a sales report for the immediately preceding Week. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if do not submit those reports to us in a timely manner, we will have the right to charge you for the costs that we incur in auditing your records.

### **12.2 *Financial Statements.***

- 12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be

prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

- 12.2.2 In addition, each month during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): (a) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Franchised Business; (b) reports of those income and expense items of the Franchised Business that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); and (c) copies of all state sales tax returns for the Franchised Business. You agree to provide to us the materials required by Section 12.2.2(a) and 12.2.2(b) above by the tenth (10th) day of each month for the preceding month, and the materials required by Section 12.2.2(c) within ten (10) days after you have filed those returns with the appropriate taxing authorities.
- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2.
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your computer system in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.
- 12.3 *Additional Information.* You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Operations Manual or otherwise in writing, including: (a) information in electronic format; (b) restated in accordance with our financial reporting periods; (c) consistent with our then-current financial reporting periods and accounting practices and standards; and/or (d) as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.
- 12.4 *PCI Compliance and Credit Cards.* With respect to your acceptance and processing of customer payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services

for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”).

- 12.4.2 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
  - 12.4.3 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
  - 12.4.4 You agree to comply with all of our policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer’s use of a credit card (we may set these requirements in the Operations Manual).
  - 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
  - 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
  - 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Operations Manuals or otherwise. You must also pay such monthly and per-swipe transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but not more than the maximum rate permitted by law, if any such maximum rate applies). If we conduct an inspection because you did not timely provide sales

reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your royalties), by three percent (3%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

- 12.7 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Operations Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

## 13 MARKETING

### 13.1 *Marketing Contribution.*

- 13.1.1 For each Week during the term of this Agreement, you agree to contribute or spend an amount of two percent (2%) up to five percent (5%) of your Franchised Business' Gross Sales during the preceding Week (the "**Marketing Contribution**"), allocated, as provided in Section 13.1.2 below, between a contribution to the Marketing Fund or to be spent by you on local marketing and promotion. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum of Ten Thousand Dollars (\$10,000) to conduct the Grand Opening Marketing Program described in Section 13.5 below.
- 13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** our System-wide marketing and promotional fund (the "**Marketing Fund**"), if established as noted below; **(b)** any Regional Fund established for your area, as provided in Section 13.3 below (but we are not required to establish a Regional Fund for your area); and **(c)** to be spent by you on local marketing and promotion.
- 13.1.3 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that month.
- 13.1.4 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. If we establish a Marketing Fund, then the following provisions will apply to that Marketing Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree and acknowledge that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, mobile applications, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Sarpino's Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; technology initiatives to enhance the efficiencies and image of the System, and providing promotional and other marketing materials and services to the Sarpino's Restaurants operated under the System).

13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner specified in Section 4.3 above. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

- 13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.
- 13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- 13.3 *Regional Fund.* We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:
- 13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.
- 13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
- 13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.
- 13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Marketing Fund contributions and reports directly to us for distribution to the Regional Marketing Fund.
- 13.3.5 Voting will be on the basis of one vote per Sarpino's Restaurant, and any Sarpino's Restaurants that we (or our affiliates) operate in the region will have the same voting rights as those owned by our franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).
- 13.3.6 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- 13.4 *Local Marketing and Promotion.* You must spend such amounts on local marketing and promotion as we specify in Sections 13.1.3 and 13.1.4 above on a continuous basis (weekly if not otherwise as agreed with us in writing). As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing

marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

- 13.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);
  - 13.4.2 Charitable, political, or other contributions or donations (except Community Events as noted below); and/or
  - 13.4.3 The value of discounts provided to consumers.
- 13.5 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend a minimum of Ten Thousand Dollars (\$10,000) for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below. For the purpose of this Agreement, the Grand Opening Marketing Program will be considered local marketing and promotion, as provided under Section 13.4 above (but the expenditure will be in addition to local marketing and promotion). You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with the food give-aways).
- 13.6 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 13.7 *Standards.* All of your local marketing and promotion must: (a) be in the media, and of the type and format, that we may approve; (b) be conducted in a dignified manner; and (c) conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.8 below.
- 13.8 *Our Review and Right to Approve All Proposed Marketing.* For all proposed advertising, marketing, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You acknowledge and agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such

documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.

- 13.9 *Rebates.* You acknowledge and agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.10 *Considerations as to Charitable Efforts.* You acknowledge and agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.11 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

## 14 TECHNOLOGY

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Sarpino's Restaurants, and in accordance with our standards, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Sarpino's Restaurants, between or among Sarpino's Restaurants, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS) (defined in Section 14.6 below); (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (e.g., form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience; (h) digital and virtual menu boards and related technology, hardware, software, and firmware; (i) front-of-the-house WiFi and other connectivity service for customers; (j) cloud-based back-end management systems and storage sites; (k) compatibility and synchronization with mobile applications we require; and (k) in-Restaurant music systems under Section 8.4.7 above (collectively, all of the above are referred to as the "**Computer System**").
- 14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (including applications,



technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; (c) the media upon which you must record data; and (d) the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that is required under Section 12.5 above.

- 14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You must participate in and do such things as we periodically deem necessary to implement any computer or mobile device application or similar initiatives to connect with customers of the System. You may also be charged fees by technology vendors (which may be us or our affiliates) that provide technology products and/or services to you, and you agree to pay those charges in the ordinary course of business.
- 14.1.7 Each month you agree to pay us a technology fee in our then current amount, which we have the right to periodically change, as circumstances warrant, by giving you one month's prior written notice of that change.
- 14.1.8 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

#### 14.2 *Data.*

- 14.2.1 You agree that all data that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.
- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business.

You acknowledge and agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, any transfer of an interest in you, and/or a transfer of the Franchised Business.
- 14.3 *Data Requirements and Usage.* We may periodically specify in the Operations Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:
- 14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").
- 14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: (a) comply with the requirements of Privacy Laws; (b) immediately give us written notice of such conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
- 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
- 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Operations Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). If we establish an Extranet, then you agree to comply with our requirements (as set forth in the Operations Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Franchised Business. The Extranet may include, without limitation, the Operations Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.
- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner

whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
  - 14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.9 above.
  - 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, without limitation, proposed screen shots, links, and other content), and non-visible content (including, without limitation, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
  - 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
  - 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Operations Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
  - 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
  - 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to our Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
  - 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 **POS Systems.** You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Operations Manual or otherwise in writing (“**POS Systems**”), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such

equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.

- 14.7 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: (a) the content of such electronic advertisements or solicitations; and (b) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the “CAN-SPAM Act of 2003”) and the Federal Telephone Consumer Protection Act. (As used in this Agreement, the term “**electronic communication**” includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)
- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor’s entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor’s agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.
- 14.9 *Telephone Service.* You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business. You must execute the assignment of telephone numbers attached to this Agreement as Exhibit I.
- 14.10 *Changes.* You acknowledge and agree that changes to technology are dynamic and likely during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors’ charges for those new items and services.
- 14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You acknowledge and agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business

contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: (a) Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; (b) you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.jones@Sarpino'sPizza.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

## **15 INSURANCE**

15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees periodically in the Operations Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under

this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and One Million Dollars (\$1,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

- 15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.
- 15.1.3 Unemployment and statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.
- 15.1.4 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in an amount equal to 100% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property).
- 15.1.5 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Fifty Thousand Dollars (\$50,000) combined single limit.
- 15.1.6 Employment practices liability insurance (subject to Section 15.2 below), including third-party liability to cover claims brought by non-employees (such as customers and vendors), with limits of liability not less than One Hundred Thousand Dollars (\$100,000) combined single limit.
- 15.1.7 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than One Million Dollars (\$1,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.8 Any other insurance coverage that we deem necessary or that is required by federal, state, or municipal law (subject to Section 15.2 below).
- 15.1.9 All coverages must be written with no coinsurance penalty.
- 15.2 ***Additional Terms Applicable to All Policies.*** In addition to the other provisions of this Section 15 (above and those below), you agree that:
  - 15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Operations Manual.
  - 15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

- 15.2.3 All public liability and property damage policies must: (a) list as additional insureds, us (Sarpino's USA, Inc.) and any entity in which we have an interest and any entity affiliated with us, and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint-venturers, employees, servants, and agents, and their successors and assigns; and (b) contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.
- 15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, material change, or non-renewal of any policy, in the manner provided in Section 24 below.
- 15.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Operations Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Sarpino's Restaurants that you (and/or your affiliates) operate under the System.
- 15.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy, you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.6 *Proof of Coverage.* In addition to your obligations under Section 15.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date, you agree to provide us with proof of insurance evidencing the proper coverage with limits not less than those required under this Agreement, in such form as we may reasonably require.
- 15.7 *Required Coverages are Minimums.* You acknowledge and agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

- 15.8 *Changes.* We will have the right, periodically, to make such changes in minimum policy limits and endorsements as we may determine are necessary or appropriate.
- 15.9 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

## **16 TRANSFER OF INTEREST**

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* If you are an entity, then each party that directly or indirectly holds any interest whatsoever in you (each, a **"Principal"**), and the interest that each Principal directly or indirectly holds in you, is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, or their respective interests in you, to change without complying with this Agreement.
- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.
- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 16.4.1.1 As used in this Agreement, the term **"transfer"** is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: (a) this Agreement; (b) you; (c) any or all of your rights and/or obligations under this Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
- 16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 If you are an entity (other than a partnership or a limited liability partnership), then you agree that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such.



- 16.4.3 If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.4 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a “transfer” under this Agreement.
- 16.4.5 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you (or the transferee) execute, for a term ending on the expiration date of this Agreement (or, in our discretion, for a full new term), the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and marketing fee.

- 16.5.5 If we request, then you (or the transferee) must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Sarpino's Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Designated Owner, and those of the transferee's Specially Trained Management Employees as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be in an amount equal to Five Thousand Dollars (\$5,000). If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer.
- 16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4 and 19.5 below.
- 16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:
- 16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.
- 16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement,

including all of the requirements of this Section 16, with respect to a proposed transfer.

- 16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination, which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.
- 16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.
- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Designated Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (a) for a period of thirty (30) or more consecutive days; or (b) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: (a) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (b) our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (c) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

## 17 DEFAULT AND TERMINATION

- 17.1 *Automatic.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: (a) if you will become insolvent or makes a general assignment for the benefit of creditors; (b) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (c) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (d) if proceedings for a composition with creditors under any state or federal law is instituted by or against you; (e) if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); (f) if you are dissolved; or if execution is levied against your business or property; (g) if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or (h) if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2 *With Notice.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
- 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
- 17.2.2 If at any time: (a) you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); (b) you lose the right to possession of the premises; (c) forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);
- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;
- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Operations Manual or other confidential information that we provide to you;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;
- 17.2.9 If you knowingly maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;
- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Products from an unapproved supplier, or sell any products or services from the Restaurant that are not Products or Services, as prohibited under Sections 7.1 and 8.4 above;
- 17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.13 If, after receiving notice of your failure to achieve the Minimum Sales Requirement during a calendar year, you again in the next calendar year fail to meet or exceed the Minimum Sales Requirement, as provided in Section 4.4 above.
- 17.2.14 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure.*

- 17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: (a) immediately initiating a remedy to cure such default; (b) curing the default to our satisfaction; and (c) promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).
- 17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

- 17.4 **Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to this Section 17, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee; and (b) all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement.
- 17.5 **Our Rights Instead of Termination.** If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement, including terminating, modifying, or eliminating completely, the Protected Area described in Section 1.3 above.
- 17.6 **Reservation of Rights under Section 17.5.** If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 17.7 **Damages.** You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

## **18 OBLIGATIONS UPON TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect:

- 18.1 **Cease Operation.** You agree to: (a) immediately and permanently stop operating the Franchised Business; and (b) never directly or indirectly represent to the public that you are a present or former franchisee of ours.
- 18.2 **Stop Using Marks and Intellectual Property.** You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the mark "Sarpino's Pizzeria" and any and all other Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark “Sarpino’s Pizzeria” and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.
- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Sarpino’s Restaurants, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.
- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that “cost” will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment’s original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.



- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Operations Manual, the Program Materials, and all other manuals, records, and instructions containing confidential information (including, without limitation, any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Lost Future Royalties.* If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, in addition to all other amounts due to us under this Agreement, you agree to pay to us within ninety (90) days after termination, as liquidated damages, the estimated current value of future Royalty Fees payable to us under this Agreement, calculated by multiplying your average weekly Royalty Fees paid over the previous year multiplied by the number of Weeks remaining in the term of this Agreement if no termination had occurred (but not more than thirty-six (36) months).
- 18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.13 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

## **19 COVENANTS**

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Designated Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You acknowledge and agree that: (a) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; (b) the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and

money; (d) we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our system if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (e) restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

- 19.2.2 As used in this Section 19, the term “**Competitive Business**” is agreed to mean any foodservice business operating, or granting franchises or licenses to others to operate, a business that offers pizza, pizza delivery services, sandwiches and salads, or is a restaurant or other food service provider deriving more than twenty five percent (25%) of its gross sales from the sale of pizza.
- 19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:
- 19.3.1 Divert or attempt to divert any actual or potential business or customer of any Sarpino’s Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
- 19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only within the Protected Area, within three (3) miles of the Protected Area, and also within three (3) miles of any then-existing or planned Sarpino’s Restaurant business operated elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after (a) the expiration of this Agreement, (b) the termination of this Agreement, and/or (c) a transfer as contemplated in Section 16 above:
- 19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

- 19.6 *Periods of Non-Compliance.* Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Specially Trained Management Employees and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business (“**Owners**”) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are “blocked” under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You acknowledge and agree that your violation of the terms of this Section 19 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

## **20 TAXES, PERMITS, AND INDEBTEDNESS**

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required

under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all federal, state, and local laws, rules, and regulations, and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any such laws are in conflict with the terms of this Agreement, the Operations Manual, or our other instructions, you agree to: (a) comply with said laws; (b) immediately provide us with written notice describing the nature of the conflict; and (c) cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within five (5) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

## **21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

- 21.1 *Independent Contractor Relationship.* The parties acknowledge and agree that:
- 21.1.1 this Agreement does not create a fiduciary relationship between them;
- 21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;
- 21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and
- 21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa

- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out to the public as an independent contractor operating the business pursuant to a franchise from us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Accepted Location, the content of which we reserve the right to specify.
- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.
- 21.4 *Indemnification.*
- 21.4.1 You agree to indemnify and hold each of the Indemnified Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: (a) survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Indemnified Party may maintain; and (b) exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by an Indemnified Party's gross negligence and/or willful misconduct.
- 21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Indemnified Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Indemnified Parties. We shall have the right: (i) to participate in any defense that you undertake with counsel of our own choosing, at our expense; and (ii) to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Indemnified Party.
- 21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:
- 21.4.3.1 **"Claim"** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, or otherwise), or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses).
- 21.4.3.2 **"Expenses"** includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and

proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 “**Indemnified Parties**” means us and our affiliates, and their respective officers, directors, members, managers, agents, and employees.

## **22 FORCE MAJEURE**

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of nature; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

## **23 APPROVALS AND WAIVERS**

23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees.* You acknowledge and agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

## **24 NOTICES**

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means which affords the sender evidence of delivery, of rejected delivery, or attempted delivery to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a

means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

- 24.2 The Operations Manual, any changes that we make to the Operations Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

## **25 ENTIRE AGREEMENT AND AMENDMENT**

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: (a) they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and (b) they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement is intended (nor may it be interpreted) as a disclaimer by us of any representation made in our Franchise Disclosure Document (“**FDD**”) (including the exhibits and any amendments to the FDD).
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## **26 SEVERABILITY AND CONSTRUCTION**

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading “Introduction,” are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don’t Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.

- 26.5 *Including.* The parties agree that when used in this Agreement, the terms “includes” and “including” shall be understood to mean “*including but not limited to*”.
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.7 *How We Exercise Our Rights.* Although we may exercise any of our rights, carry out any of our obligations, or otherwise discharge any of our duties under this Agreement directly, through the use of employees, independent contractors, professional advisors (for example, a CPA), or otherwise, we will still remain responsible for the proper performance of our obligations to you under this Agreement. You agree that in any instance in which we have a right as set out in this Agreement, we may exercise that right (unless otherwise provided) once and/or at any additional times that we deem it appropriate to do so.
- 26.8 *Expenses.* Each party will bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.9 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

## **27 APPLICABLE LAW AND DISPUTE RESOLUTION**

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Michigan, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Michigan choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Michigan law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Michigan (or any other state) that would not otherwise apply without this Section 27.1.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within such state and in the judicial district in which we then-maintain our principal place of business. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.



- 27.3 **Mediation.** Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location nearest to our then-current principal place of business.
- 27.4 **Parties Rights Are Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 27.5 **Injunctions.** Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED. THIS SECTION 27.7 DOES NOT APPLY TO CLAIMS FOR INDEMNIFICATION UNDER THIS AGREEMENT.**
- 27.8 **WAIVER OF PUNITIVE DAMAGES. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).**
- 27.9 **Payment of Legal Fees.** You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

## 28 ACKNOWLEDGMENTS

- 28.1 **Your Investigation of the Restaurant Possibilities.** You acknowledge and agree that you conducted an independent investigation of the business franchised under this Agreement, recognize that this business venture involves business risks, and that your success will be largely dependent upon your ability (or, if you are an entity, your owners as independent businesspersons).

- 28.2 *No Warranties or Guarantees.* We expressly disclaim the making of (and you acknowledge and agree that you did not receive) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement.
- 28.4 *You Have Read the Agreement.* You acknowledge and agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.
- 28.5 *Your Advisors.* You acknowledge that we recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you had sufficient time and opportunity to consult with those advisors.
- 28.6 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.
- 28.7 *Your Responsibility for the Choice of the Accepted Location.* You acknowledge and agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service, approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.9 *Different Franchise Offerings to Others.* You acknowledge and agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You acknowledge and agree that our advice is only that; that our advice is not demand or any a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.11 *Your Independence.* You acknowledge and agree that:
- 28.11.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
- 28.11.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions

regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.11.5 you have made (and will remain always be responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.12 *Success Depends on You.* You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.13 *Two or More Signatories.* If two or more persons are signing this Agreement as the "Franchisee" (each, a "**Signatory**"), the parties agree that:

28.13.1 Each Signatory will have the power to individually bind "Franchisee" with respect to us and third parties;

28.13.2 We have the right to treat each Signatory as having the full authority to bind all other Signatories in any and all matters;

28.13.3 We have the right to treat each Signatory as if s/he represents and can act on behalf of all the other Signatory(ies) in all matters;

28.13.4 Even though there may be more than one Signatory, all of the Signatories' rights will be one and none of the Signatories will have the right to exercise any right independent of (and/or apart from) one another;

28.13.5 We have the right to communicate with or provide notice to any Signatory, and such communication or notice will be deemed as having been given to all Signatories; and

28.13.6 If there is a conflict among the Signatories (including us receiving conflicting information from or requests between the Signatories), we have the right to select from among any conflicting or inconsistent requests by, or information from, any of the Signatories, and our selection in such case will be final and dispositive with respect to any such conflict.

- 28.14 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, “Releasors”) freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “Releasees”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “claims”), which any Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Sarpino’s Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor”). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

\*\*\*\*\*

**IN WITNESS WHEREOF**, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

**Sarpino's USA, Inc.**

Franchisor

\_\_\_\_\_  
Franchisee Entity

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Address for Notices:

Address for Notices:

8101 Richardson Road, Ste. 101

Commerce Township, MI 48390

Attn: \_\_\_\_\_

E-mail: \_\_\_\_\_

\_\_\_\_\_  
Attn: \_\_\_\_\_

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT A  
DATA ADDENDUM

| ¶ | Section<br>Cross-<br>Reference | Item                                                                                                                                                                                                |
|---|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 1.2                            | <p>The Accepted Location under this Agreement will be:</p> <p>_____</p> <p>_____.</p>                                                                                                               |
| 2 | 1.3                            | <p>The Protected Area under this Agreement will be: _____</p> <p>_____</p> <p>[or ... a circle with a radius of _____ miles (not diameter) and its center at the front door of the Restaurant.]</p> |

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT B  
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Sarpino's USA, Inc. ("**Franchisor**") to sign the Sarpino's Franchise Agreement between Franchisor and \_\_\_\_\_ ("**Franchisee**"), dated \_\_\_\_\_, 20\_\_\_\_ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or (d) give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: (a) this Guarantee does not grant them any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Sarpino's Pizzeria" marks) and/or the system licensed to Franchisee under the Agreement; (b) that they have read, in full, and understand, all of the provisions of the Agreement that are referred to above in this paragraph, and that they intend to fully comply with those provisions of the Agreement as if they were printed here; and (c) that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Michigan, and that in the event of any conflict of law, Michigan law will prevail (without applying Michigan conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name:\_\_\_\_\_

Date:\_\_\_\_\_

Home Address:

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

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name:\_\_\_\_\_

Date:\_\_\_\_\_

Home Address:

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

\_\_\_\_\_  
(signed in his/her personal capacity)

Printed  
Name:\_\_\_\_\_

Date:\_\_\_\_\_

Home Address:

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



SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT C  
LIST OF PRINCIPALS

| Name of Principal | Home Address | Percentage Interest Held in Franchisee |
|-------------------|--------------|----------------------------------------|
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |
|                   |              |                                        |

Initials

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisor

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS  
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

\_\_\_\_\_ (Name of Person or Legal Entity)

\_\_\_\_\_ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Sarpino's USA, Inc. ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

\_\_\_\_\_  
Depository/Bank Name

\_\_\_\_\_  
Branch Name

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name  
of Depositor:

\_\_\_\_\_

Signed By:

\_\_\_\_\_

Printed Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

Date:

\_\_\_\_\_

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT E  
ADA CERTIFICATION

Sarpino's USA, Inc. ("**Franchisor**" or "**us**") and \_\_\_\_\_ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "**Franchise Agreement**") for the operation of a Franchised Business at \_\_\_\_\_ (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

\_\_\_\_\_  
Franchisee:

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

Printed Name:\_\_\_\_\_

Title:\_\_\_\_\_

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT F-1

SAMPLE FORM OF  
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT  
*(to be signed by franchisee with its  
executive/management staff)*

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT** ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (the "**Franchisee**"), and \_\_\_\_\_, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. Sarpino's USA, Inc. ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Sarpino's Pizzeria" businesses operating in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Sarpino's Pizzeria" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Sarpino's Pizzeria") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Sarpino's Pizzeria" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of your operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, 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 Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" will include, but not be limited to, any foodservice business operating, or granting franchises or licenses to others to operate, a business that offers pizza, pizza delivery services, sandwiches and salads, or is a restaurant or other food service provider deriving more than twenty five percent (25%) of its gross sales from the sale of pizza.

(e) As used in this Agreement, the term "Post-Term Period" means a continuous uninterrupted period of two (2) years from the date of: (i) a transfer as contemplated under Section 16 of the Franchise Agreement; (ii) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (iii) termination of Member's employment with Franchisee; and/or (iv) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or

Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

\_\_\_\_\_

\_\_\_\_\_

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT F-2

SAMPLE FORM OF  
NON-DISCLOSURE AGREEMENT  
*(to be signed by franchisee with its  
non-executive/management staff)*

**THIS NON-DISCLOSURE AGREEMENT** ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (the "**Franchisee**"), and \_\_\_\_\_, who is an employee of Franchisee (the "**Employee**").

Background:

A. Sarpino's USA, Inc. ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Sarpino's Pizzeria" businesses in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Sarpino's Pizzeria" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Sarpino's Pizzeria") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Sarpino's Pizzeria" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Employee agrees that Employee will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Employee or of which Employee may be apprised by virtue of your operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention before disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

EMPLOYEE

\_\_\_\_\_

\_\_\_\_\_

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT G

**SITE SELECTION ADDENDUM**

Sarpino's USA, Inc. ("**Franchisor**" or "**us**" or "**we**") and \_\_\_\_\_ ("**Franchisee**" or "**you**") have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ entered into a Sarpino's Franchise Agreement ("**Franchise Agreement**") and wish to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties agree as follows:

**AGREEMENT**

1. **Time to Locate Site:** Within ninety (90) days after the date of this Addendum, you agree to acquire or lease/sublease, at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the "**Franchised Business**") at a site that we will have approved in writing as provided below.

a. Such location must be within the following area: \_\_\_\_\_

(the "**Site Selection Area**").

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a "Sarpino's Pizzeria" business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term "**Search Period**" means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than ninety (90) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You

acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the Lease, we are not responsible for review of the Lease for any terms other than those contained in the lease rider.

5. **Accepted Location:** After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement. The Protected Area, as defined under Section 1.3 of the Franchise Agreement, will be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and will become a part of the Franchise Agreement.

a. You Franchisee hereby acknowledge and agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You acknowledge and agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction:** This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

**Sarpino's USA, Inc.**

Franchisor

\_\_\_\_\_  
Franchisee

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

SARPINO'S USA, INC.  
FRANCHISE AGREEMENT  
EXHIBIT H  
LEASE RIDER

**THIS ADDENDUM** (the "**Addendum**") has been executed as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("**Franchisee**") and \_\_\_\_\_ ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of \_\_\_\_\_, 20\_\_\_\_ for the premises located at \_\_\_\_\_, in the State of \_\_\_\_\_ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Sarpino's USA, Inc. ("**Franchisor**") for the development and operation of a "Sarpino's Pizzeria" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

**NOW THEREFORE**, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees to deliver to Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Landlord and Franchisor.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor has notified the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Landlord acknowledge and agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a "Sarpino's Pizzeria" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a "Sarpino's Pizzeria" business (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Landlord is an affiliate or an Owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "Sarpino's Pizzeria" business is located.
8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Landlord agrees that: (a) Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and (b) Franchisor has not granted any rights or privileges to use the Marks to Landlord.
10. Landlord and Franchisee agree that the premises will be used solely for the operation of a "Sarpino's Pizzeria" business.
11. Landlord and Franchisee agree that any default under the lease will also constitute a default under the Franchise Agreement, and any default under the Franchise Agreement will also constitute a default under the lease.
12. Landlord and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.
13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.
14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at

\_\_\_\_\_ (attention \_\_\_\_\_), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:

Franchisor\*

Franchisee:

\_\_\_\_\_

Date:

\_\_\_\_\_

Date:

\_\_\_\_\_

Date:

\_\_\_\_\_

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_

Subscribed and sworn to  
before me this \_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Notary Public

My Commission expires:  
\_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

\* The Franchisor has signed  
this lease rider only to  
acknowledge its terms and  
not to accept any obligations  
under the lease.

## EXHIBIT I

### ASSIGNMENT OF TELEPHONE NUMBERS

#### **Assignment of Telephone, Fax Numbers & Electronic Identifiers**

\_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”), assigns to Sarpino’s USA, Inc., an Illinois corporation (“Franchisor”), its rights, duties, and obligation under any and all existing contracts with its service provider listed below for the telephone and fax numbers, email addresses, website addresses, domain names and other comparable electronic identifiers that have been used in the Franchise Franchised Business operated by Franchisee, including but not limited to the following: \_\_\_\_\_.

#### **Third-Party Notice Requirements**

In order to ensure that the intent of the parties hereto is given full effect, upon execution of this assignment agreement, Franchisee shall, immediately, provide its service provider with written notice of the existence of this assignment agreement. Said written notice to its service provider must include, but need not be limited to, (a) an express statement that Franchisee has assigned all of its rights, duties and obligations under the contract with its service provider to Franchisor; (b) a request that its service provider confirm, in writing, (i) receipt of said notice from Franchisee; and (ii) acknowledgment of the assignment between the parties hereto; and (c) an executed copy of this assignment agreement for reference.

Franchisee agrees to indemnify Franchisor for any expenses and/or liabilities incurred by Franchisor in enforcing its rights under this assignment agreement as a result of Franchisee’s failure to comply with the third-party notice requirements in this Agreement.

#### **Limited Power of Attorney**

Franchisee also hereby appoints the Chief Executive Officer or Authorized Representative of Franchisor as Franchisee’s attorney-in-fact to act on its behalf for the purpose of transferring such telephone and fax numbers, email addresses, website addresses, domain names and other comparable electronic identifiers to Franchisor and to sign, on behalf of Franchisee, all documents necessary to effectuate the transfer. The parties agree that each applicable service provider may act in reliance on a copy of this assignment and power of attorney without the necessity of any further action.

[Franchisee Business Name]

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

[Print Name]

Service Provider

Title: \_\_\_\_\_

Account Number

\_\_\_\_\_  
[Franchisee Name, individual]

\_\_\_\_\_  
Pin Number/Codes

**Acceptance of Assignment of Telephone Numbers**

Sarpino's USA, Inc., an Illinois corporation ("**Franchisor**"), in consideration of the assignment by Franchisee of the telephone and fax numbers, email addresses, website addresses, domain names and other comparable electronic identifiers that have been used in the Franchised Business operated by Franchisee, including but not limited to the following:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_; assumes, as of this date, all existing and future rights, duties and obligations of Franchisee relating to the telephone and fax numbers, email addresses, website addresses, domain names and other comparable electronic identifiers that have been used in the Franchised Business, including the payment of all unpaid charges for service and written and online directory listings already contracted for, and all applicable charges for the remainder of the term of any written and online directory listings. Franchisor's assumption of rights, duties and obligations in connection with the acceptance of this assignment will not release Franchisee from any such rights, duties and obligations arising before the effective date of the assignment and Franchisee must indemnify Franchisor for any such obligations paid by Franchisor.

FRANCHISOR:

SARPINO'S USA, INC.

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

Its: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_





[on Sarpino's USA, Inc. letterhead stationery]

\_\_\_\_\_, 20\_\_\_\_

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

Re: Development Letter Agreement

Dear \_\_\_\_\_:

We are pleased to be entering into this Development Letter Agreement (the "**Agreement**") with you today. As used in this Agreement, the term "**you**" means the "developer party" that is identified in the signature block of this Agreement, and the terms "**we**" and "**SUI**" mean Sarpino's USA, Inc.

1. Development. This letter agreement relates to the terms under which you will develop "Sarpino's Pizzeria" restaurants ("**Restaurants**") within the "**Development Area**" that is specified on the Data Sheet (Exhibit A) attached to this Agreement. Each Restaurant will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") that will specify, among other things, the approved location of each such Restaurant.

2. Development Schedule. You agree to establish each of the Restaurants according to the development schedule that is specified on the Data Sheet (Exhibit A) attached to this Agreement. That schedule is referred to as the "**Development Schedule**" in this Agreement.

3. Term. The term of this Agreement starts only when both parties have signed below, and ends on the last date specified in the Development Schedule, unless this Agreement is sooner terminated (the "**Term**").

4. Development Fee. In consideration of the development rights granted herein, you agree to pay SUI a development fee in the amount of Twenty Thousand Dollars (\$20,000) for the second (2<sup>nd</sup>) and each additional Restaurant to be developed under this Agreement, in the total amount as described in Exhibit A, attached hereto (the "**Development Fee**"), which shall be paid to us upon signing this Agreement. For the first (1<sup>st</sup>) Restaurant to be developed under this Agreement, you must enter into the Franchise Agreement for that Restaurant simultaneously with this Agreement and pay us the initial franchise fee under that Franchise Agreement in full.

4.1 By way of illustration only, if you are to develop four (4) Restaurants under the Development Schedule, you would pay to us at the time of execution of this Agreement the initial franchise fee of Forty Thousand Dollars (\$40,000) for the first Restaurant to be developed, and a Development Fee in the amount of \$60,000 (\$20,000 x 3) for the second, third and fourth Restaurants to be developed in connection with this Agreement.

4.2 If you are in compliance with your obligations under this Agreement, then as and when you enter into Franchise Agreements for Restaurants to be developed under this Agreement after the first (1<sup>st</sup>) Restaurant, we will credit to you the portion of the Development Fee paid to us for that Restaurant towards the initial franchise fee due under the applicable Franchise Agreement for that Restaurant (provided, that the total amount of the credits that we grant to you under this Section 4 will not exceed the total Development Fee that you have actually paid to SUI).

4.3 The Development Fee shall be fully earned when we receive it from you and shall be non-refundable in consideration of administrative and other expenses we incur and for the development opportunities lost or deferred as a result of the rights we have granted to you under this Agreement.

5. Development Rights. If you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (and your affiliates) and SUI (and our affiliates), then we will not establish, nor license anyone other than you to establish, a Restaurant in the Development Area until the end of the Term, except as otherwise provided under Sections 6 and 7 below.

6. Reservation of Rights. Except as otherwise specifically provided under Section 5 above, we retain all other rights, and therefore we shall have the right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to:

6.1 use, and to license others to use, the System and the Proprietary Marks (defined below) for the operation of Restaurants at any location outside the Development Area;

6.2 sell, and to license others to sell, products and services that are also authorized for sale at Restaurants through other channels of distribution (including digital sales (for example, via mobile apps), physical catalogs, mail order, telephone ordering, and other forms of electronic commerce now in use or later developed) (but not from a "Sarpino's Pizzeria" Restaurant located in the Development Area);

6.3 provide, and license others to provide, products and services to a Large Account (defined below) located inside or outside the Development Area;

6.4 acquire and operate businesses of any kind and to grant or franchise the right to others to operate other businesses of any kind, no matter where located (but we will not change these to "Sarpino's Pizzeria" Restaurants located in the Development Area); and/or

6.5 use and license the use of the Proprietary Marks and other marks in connection with the operation of businesses that may offer services that are the same as, similar to, or different from those offered at your Restaurant (but not from a "Sarpino's Pizzeria" Restaurant located in the Development Area).

7. Large Accounts. As referenced in Section 6.3 above, the term "**Large Account**" means a single customer that: (a) conducts its operations for its own account or through agents, affiliates, dealerships, independent contractors or franchisees, in the Development Area and/or the territory of other Sarpino's Pizzeria franchisees; and (b) who has a contract with us, our affiliates or other Sarpino's Pizzeria franchisees for SUI's (or SUI's designee's) provision of products and/or services to its locations. SUI will have the right to negotiate the terms and conditions of all products and services to be provided to Large Account customers.

8. District Manager. If you (and/or in combination with any of your affiliates) own or operate three (3) or more Restaurants, SUI shall have the right to require you (and/or your affiliate) to employ one (1) or more district managers (each a "**District Manager**") to supervise the day-to-day operations of such Restaurants, so that all Restaurants operate in accordance with the System and present a consistent brand image and customer experience in accordance with System standards. Each District Manager shall be required to attend and successfully complete (to SUI's reasonable satisfaction) such training courses as SUI may reasonably require. At SUI's option, the Franchisor may permit a "Designated Owner" (as defined in the Franchise Agreement) of yours to serve as the District Manager, provided that you (or your affiliate(s)) satisfy the additional training requirements that are applicable to District Managers.

9. No License to use the Marks. This Agreement does not confer upon you any license to use, in any manner whatsoever, our proprietary marks and trade names (for example, the mark "SARPINO'S PIZZERIA"), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection

with our system (the “**Proprietary Marks**”) or system. To the extent that we are licensing those rights to you, that license is set out under the Franchise Agreements.

10. Signing of Franchise Agreements. You must sign a Franchise Agreement for each Restaurant. Each Restaurant shall be located at a site that we must have approved, within the Development Area, in the manner set out in the Franchise Agreement (the “**Approved Site**”). The Franchise Agreement for the first Restaurant developed under this Agreement, and that is to be signed simultaneously with this Agreement, shall be in the form of the Franchise Agreement that is attached as Exhibit B. The Franchise Agreement for each additional Restaurant that you develop shall be the form of Franchise Agreement that we are then generally offering to new Sarpino’s Pizzeria franchisees at the time each such Franchise Agreement is signed. You must sign the Franchise Agreement for each Restaurant according to the development schedule that is specified on the Data Sheet (Exhibit A) attached to this Agreement.

11. Provisions of the Franchise Agreement Incorporated By Reference. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Agreement as if they were printed in this Agreement, and that the provisions noted above also apply to this Agreement (except that reference to the “Franchisee” in those provisions shall refer to you under this Agreement and reference to the Franchisor in those provisions shall refer to SUI under this Agreement):

- 11.1 Section 15 - Insurance
- 11.2 Section 16 - Transfer of Interest (but also see Section 12 below)
- 11.3 Section 17 - Default and Termination (but also see Section 13 below)
- 11.4 Section 18 - Obligations Upon Termination or Expiration
- 11.5 Section 19 - Covenants
- 11.6 Section 20 - Taxes, Permits, and Indebtedness
- 11.7 Section 21 - Independent Contractor and Indemnification
- 11.8 Section 23 – Approvals and Waivers
- 11.9 Section 24 - Notices
- 11.10 Section 26 - Severability and Construction
- 11.11 Section 27 - Applicable Law and Dispute Resolution (*You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you are waiving trial by jury, that you are waiving the right to seek or collect punitive damages, that the venue for any action you may file against SUI will be in the courts for the location at which SUI has its principal place of business at the time the action is commenced (currently, Commerce Township, Michigan), that you are waiving participation in a common or class action against SUI, and that all legal actions you bring must be brought within one year from the date you knew or should have known of the facts creating the claim – all as described in Section 27 of the Franchise Agreement.*)
- 11.12 Section 28 - Acknowledgments

12. Transfers. In addition to the provisions of Section 11.2 above, you understand and agree that we have entered into this Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for SUI to withhold its consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Agreement (if this Agreement has not at the time of a proposed transfer either expired or terminated).

13. **Defaults.** In addition to the provisions of Section 11.3 above, you will be in default under this Agreement if you do not meet your obligations under the Development Schedule or if any other agreement between you (and/or your affiliates) and SUI is terminated. If you are in default of this Agreement under this Section 13, we will have the right to terminate this Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law).

14. **Entire Agreement and Amendment.** This Agreement, together with the provisions that are incorporated by reference pursuant to Section 11 above and the Data Sheet that is attached to this Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced you to execute this Agreement. The parties acknowledge and agree that they relied only on the words printed in this Agreement (and the Data Sheet, and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Agreement. Except for those permitted to be made unilaterally by SUI hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the express representations made in our franchise disclosure document.

15. **Indemnity.** You agree to defend, indemnify and hold SUI, SUI's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by you to perform any obligation under the Agreement.

16. **Confirmation that You Read the Franchise Agreement.** You acknowledge that you have read the Franchise Agreement attached to this Agreement as Exhibit B (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Agreement).

17. **Captions.** The headings and captions in this Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any effect upon the meaning of the Agreement.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

**Sarpino's USA, Inc.**

\_\_\_\_\_  
Developer Party

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

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

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Address for Notices:

Address for Notices:

Sarpino's USA, Inc.  
8101 Richardson Road, Ste. 101  
Commerce Township, MI 48390  
Fax: (\_\_\_\_) \_\_\_\_\_  
Attn: President

\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Attn: \_\_\_\_\_

Exhibits (2): **A** – Data Sheet; **B** – Franchise Agreement

Exhibit A - Data Sheet

***The Development Area under this Agreement shall be:***

|  |
|--|
|  |
|  |
|  |
|  |

Initialed

\_\_\_\_\_  
SUI

\_\_\_\_\_  
Developer Party

***The Development Schedule under this Agreement shall be:***

| By This Date                            | Number of Franchise Agreements to be Signed | Cumulative Total Number of Franchise Agreements To Have Been Signed |
|-----------------------------------------|---------------------------------------------|---------------------------------------------------------------------|
| Signed concurrently with this Agreement | 1                                           |                                                                     |
|                                         |                                             |                                                                     |
|                                         |                                             |                                                                     |
|                                         |                                             |                                                                     |
|                                         |                                             |                                                                     |
|                                         |                                             |                                                                     |
|                                         |                                             |                                                                     |

Initialed

\_\_\_\_\_  
SUI

\_\_\_\_\_  
Developer  
Party

***The Development Fee is:***

|                           |
|---------------------------|
| _____ Dollars (\$ _____ ) |
|---------------------------|

Initialed

\_\_\_\_\_  
SUI

\_\_\_\_\_  
Developer Party

Exhibit B - The Franchise Agreement

**Exhibit C:****List of State Franchise Administrators**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

|                                                                                                                                                                                                                                                                |                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free: (866) 275-2677        | <b>NEW YORK</b><br>New York State Department of Law<br>Investor Protection Bureau<br>28 Liberty Street, 21 <sup>st</sup> Floor<br>New York, New York 10005<br>(212) 416-8285                                 |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 205<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fifth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                |
| <b>ILLINOIS</b><br>Illinois Office of the Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                     | <b>RHODE ISLAND</b><br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                  | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                      |
| <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                             | <b>VIRGINIA</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                           |
| <b>MICHIGAN</b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                          | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division – 3 <sup>rd</sup> Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                       |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                              |



**Exhibit D:****Agents for Service of Process**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

|                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free: (866) 275-2677        | <b>NEW YORK</b><br>New York Secretary of State<br>New York Department of State<br>One Commerce Plaza,<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, New York 12231-0001<br>(518) 473-2492                                                         |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 205<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b>NORTH DAKOTA</b><br>North Dakota Securities Commissioner<br>State Capitol<br>600 East Boulevard Avenue, Fifth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                                                                                 |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                       | <b>RHODE ISLAND</b><br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                  | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Director of the Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                       |
| <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                  | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                                                                    |
| <b>MICHIGAN</b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                          | <b>WASHINGTON</b><br>Director of Department of Financial Institutions<br>Securities Division – 3 <sup>rd</sup> Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                                                            |
| <b>MINNESOTA</b><br>Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                    | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                                               |

**Exhibit E:****Franchisees and Former Franchisees  
(as of the date of this Disclosure Document)****Sarpino's Store Franchisees**

<sup>2</sup> This franchisee is also a Developer under a Multi-Unit Development Agreement.

<sup>3</sup> This franchise is owned by entities that are owned in their entirety or in part by one of our Area Franchisors.

**COLORADO**

Said Demirovski and Samar Sawaged (2)  
7243 N. Federal Blvd.  
Westminster, CO 80030  
(303)472-3432

**FLORIDA**

Sanzhar Ismailov  
100 E. Broward Blvd., Ste A-103  
Ft. Lauderdale, FL  
(754)707-1557

Sanzhar Ismailov (3)  
814 N Federal Hwy,  
Pompano Beach, FL  
(754)707-1557

Victor Osorio and Carolina Villarraga Trujillo  
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Coral Springs, FL 33071  
(754)308-9909

Oleksii Shvedchykov  
12136 Miramar Pkwy.  
Miramar, FL 33025  
(954)707-3941

Martin Guzman<sup>2</sup>  
Choice Brands, Inc.  
1825 Ponce de Leon Blvd.  
Suite 256  
Coral Gables, FL 33134  
(305)898-6088

Norflett Harris, Evangeline Banks & Leronnie Harris  
13631 Biscayne Blvd.  
North Miami, FL 33181  
(786)288-6361

Martin Guzman (2)  
Choice Brands, Inc.  
1825 Ponce de Leon Blvd.  
Suite 256  
Coral Gables, FL 33134  
(305)898-6088

Oleksii Shvedchykov and Vasili Bykau (3)  
Approved Location TBD  
Hollywood, FL 33062  
(954)937-5172

**GEORGIA**

Ihar Dziatko  
1000 Northside Dr. NW #700  
Atlanta, GA 30318  
(404)745-4555

**ILLINOIS**

Marko Habib and Marin Habib  
Shoppes of Riverwoods Plaza  
2017 Milwaukee Ave.  
Riverwoods, IL 60015  
(515) 770 – 7141

Vladislav Lazari & Tatia Krivinashvili  
Northwest Plaza  
577 E. Dundee Rod.  
Palatine, IL 60074  
(224) 434-7611

Julius Jokimas  
627 W. Lake Street  
Chicago, IL 60661  
(312) 375-3595

Ivan Marinov  
2428 Main Street  
Evanston, IL 60202  
(847)207-5174

Ivan Marinov  
5110 N. Harlem Avenue  
Harwood Heights, IL 60706  
(847) 207-5174

Girmantas Urbonas  
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Downers Grove, IL 60515  
(847) 682-4198

Georgi Bozhkov  
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Chicago, IL 60614  
(773) 710-7910

Salimbhai & Anish Vahora  
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Chicago, IL 60613  
(708) 916-8903

Pranav Parikh  
1567 N. Aurora Avenue  
Naperville, IL 60563  
(630) 362-6940

Linus Macwan  
4830 N. Pulaski  
Chicago, IL 60630  
(773) 744 – 4926

Georgi Bozhkov  
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Chicago, IL 60647  
(773) 710-7910

Ivan Marinov  
322-140 W. Army Trail Road  
Bloomington, IL 60108  
(847) 207-5174

Velislav Antonov & Kristian Antonov  
623 W. North Avenue  
Elmhurst, IL 60126  
(847) 907-0657

Vadym Moshenets  
1384 Meadow Road  
Northbrook, IL 60062  
(773)954-4805

Ivan Marinov  
5321 South La Grange Road  
Countryside, IL 60525  
(847)207-5174

Velislav Antonov & Kristian Antonov  
922 Roosevelt Road  
Glen Ellyn, IL 60137  
(847)207-5174

## IOWA

Rob Sherwood  
5700 Hickman Road, Suite C  
Clive, IA 50325  
(515) 868-3074

## KANSAS

Ben Everblue (Harris)  
12520 Quivira Rd.  
Overland Park, KS 66213  
(660) 349-0149

Ben Everblue (Harris)  
3804 W. 95th Street  
Leawood, KS 66206  
(660) 349-0149

Jay Patel, Piyush Patel, Tushar Patel  
3624 W. 135th St.  
Leawood, KS 66224  
(361) 207-3638

Steve and Cathy Darpel  
6232 Nieman Road  
Shawnee, KS 66203  
(913) 908-1973

Jaswinder & Manjinder Singh  
1235 W. Harold St.  
Olathe, KS  
(816)651-1827

## MINNESOTA

Alex Ope  
9175 Quaday Ave., Suite 108  
Elk River, MN 55330  
(612) 867-0925

Simeon Dimitrov and Avram Popov (3)  
6 Signal Hills Center  
West St. Paul, MN 55118  
(651)452-0088

Tai Reyes  
1565 Cliff Road  
Eagan, MN 55122  
(651) 621-9451

Pavel Homko  
816 Walnut St  
Chaska, MN 55318  
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Simeon Dimitrov, Avram Popov, Jason Koehn,  
Eric Ashton, Travis Gunn (3)  
1803 Geneva Ave, N  
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(651) 379-9399

Violina Berova  
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New Hope, MN 55427  
(763) 746-7990

Jivko Sabev  
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Simeon Dimitrov and Avram Popov (3)  
7630 Lyndale Avenue South  
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## MISSOURI

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Andrew Porter  
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Kansas City, MO  
(816) 216-4441

Douglas Stoehr  
17020 E. US Hwy. 40  
Independence, MO 64055  
(816) 581-2000

Daniel Hertenstein, David Bauer & Joshua  
Shiney  
6654 Clayton Road  
St. Louise, MO 63117  
(913) 709-9770

## TEXAS

Jorge Robortella  
2473 South Braeswood, Ste B  
Houston, TX 77030  
(832) 888-1129

## Former Franchisees

Ben Everblue  
3624 W. 135th St.  
Leawood, KS 66224  
(660) 349-0149

Askat Baiganchuk  
2473 South Braeswood, Ste B  
Houston, TX 77030  
(713) 550-7000

**Exhibit F:**

**Affiliate-Owned Businesses  
(as of the date of this Disclosure Document)**

---

**Affiliate-Owned Sarpino's Stores**

None

**Exhibit G:** Sarpino's USA, Inc. Financial Statements



# SARPINO'S USA, INC.

FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS

DECEMBER 31, 2025 AND 2024





# SARPINO’S USA, INC.

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| Statements of stockholder’s equity ..... | 7           |
| Statements of cash flows .....           | 8           |
| Notes to the financial statements .....  | 9           |



## **Independent Auditors' Report**

To the Stockholder  
Sarpino's USA, Inc.  
Commerce Township, Michigan

### **Opinion**

We have audited the accompanying financial statements of Sarpino's USA, Inc., ("the Company") which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sarpino's USA, Inc. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

Kezar & Dunlavy

St. George, Utah  
April 23, 2026

**SARPINO'S USA, INC.**  
**BALANCE SHEETS**  
As of December 31, 2025 and 2024

|                                                                                       | <u>2025</u>       | <u>2024</u>       |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                                                                         |                   |                   |
| Current assets                                                                        |                   |                   |
| Cash and cash equivalents                                                             | \$ 54,510         | \$ 99,723         |
| Accounts receivable                                                                   | 276,596           | 247,896           |
| Prepaid expenses                                                                      | 6,771             | 10,600            |
| Total current assets                                                                  | <u>337,877</u>    | <u>358,219</u>    |
| Total assets                                                                          | <u>\$ 337,877</u> | <u>\$ 358,219</u> |
| <b>Liabilities and Stockholder's Equity</b>                                           |                   |                   |
| Current liabilities                                                                   |                   |                   |
| Accounts payable                                                                      | \$ 73,644         | \$ 86,700         |
| Deferred revenue, current                                                             | 12,170            | 12,170            |
| Total current liabilities                                                             | <u>85,814</u>     | <u>98,870</u>     |
| Non-current liabilities                                                               |                   |                   |
| Deferred revenue, non-current                                                         | 91,251            | 103,421           |
| Total non-current liabilities                                                         | <u>91,251</u>     | <u>103,421</u>    |
| Total liabilities                                                                     | <u>177,065</u>    | <u>202,291</u>    |
| Stockholder's equity                                                                  |                   |                   |
| Class A common stock, 7,500 shares authorized,<br>600 shares issued and outstanding   | 600               | 600               |
| Class B common stock, 2,500 shares authorized,<br>1,775 shares issued and outstanding | 1,775             | 1,775             |
| Treasury stock                                                                        | (961,789)         | (961,789)         |
| Additional paid-in capital                                                            | 33,761            | 33,761            |
| Retained earnings                                                                     | 1,086,465         | 1,081,581         |
| Total stockholder's equity                                                            | <u>160,812</u>    | <u>155,928</u>    |
| Total liabilities and stockholder's equity                                            | <u>\$ 337,877</u> | <u>\$ 358,219</u> |

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**STATEMENTS OF OPERATIONS**  
For the Year Ended December 31, 2025 and 2024

|                                       | <u>2025</u>                | <u>2024</u>             |
|---------------------------------------|----------------------------|-------------------------|
| Operating revenue                     |                            |                         |
| Royalty fees                          | \$ 1,556,251               | \$ 1,647,941            |
| Marketing fees                        | 806,370                    | 194,008                 |
| Franchise, transfer, and renewal fees | 12,170                     | 6,109                   |
| Other operating revenue               | -                          | 7,773                   |
| Total operating revenue               | <u>2,374,791</u>           | <u>1,855,831</u>        |
| Operating expenses                    |                            |                         |
| General and administrative            | 576,312                    | 1,328,621               |
| Advertising and marketing             | 659,522                    | 264,440                 |
| Legal and professional                | 10,348                     | 171,823                 |
| Total operating expenses              | <u>1,246,182</u>           | <u>1,764,884</u>        |
| Income from operations                | <u>1,128,609</u>           | <u>90,947</u>           |
| Other income (expense)                |                            |                         |
| Other income                          | 8,275                      | 3,250                   |
| Interest income                       | -                          | 7,940                   |
| Loss on disposal of assets            | -                          | (91,800)                |
| Total other income (expense)          | <u>8,275</u>               | <u>(80,610)</u>         |
| Net income                            | <u><u>\$ 1,136,884</u></u> | <u><u>\$ 10,337</u></u> |

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**STATEMENTS OF STOCKHOLDER'S EQUITY**  
For the Year Ended December 31, 2025 and 2024

|                                  | <b>Class A<br/>Common<br/>Stock</b> | <b>Class B<br/>Common<br/>Stock</b> | <b>Treasury<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Total</b>      |
|----------------------------------|-------------------------------------|-------------------------------------|---------------------------|-------------------------------------------|------------------------------|-------------------|
| Balances as of January 1, 2024   | \$ 600                              | 1,775                               | (961,789)                 | -                                         | 1,747,153                    | \$ 787,739        |
| Additional paid-in capital       | -                                   | -                                   | -                         | 33,761                                    | -                            | 33,761            |
| Stockholder distributions        | -                                   | -                                   | -                         | -                                         | (675,909)                    | (675,909)         |
| Net income                       | -                                   | -                                   | -                         | -                                         | 10,337                       | 10,337            |
| Balances as of December 31, 2024 | 600                                 | 1,775                               | (961,789)                 | 33,761                                    | 1,081,581                    | 155,928           |
| Stockholder distributions        | -                                   | -                                   | -                         | -                                         | (1,132,000)                  | (1,132,000)       |
| Net income                       | -                                   | -                                   | -                         | -                                         | 1,136,884                    | 1,136,884         |
| Balances as of December 31, 2025 | <u>\$ 600</u>                       | <u>\$ 1,775</u>                     | <u>\$ (961,789)</u>       | <u>\$ 33,761</u>                          | <u>\$ 1,086,465</u>          | <u>\$ 160,812</u> |

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Year Ended December 31, 2025 and 2024

|                                                                                   | <u>2025</u>        | <u>2024</u>      |
|-----------------------------------------------------------------------------------|--------------------|------------------|
| Cash flows used in operating activities:                                          |                    |                  |
| Net income                                                                        | \$ 1,136,884       | \$ 10,337        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                  |
| Loss on disposal of assets                                                        | -                  | 91,800           |
| Change in operating assets and liabilities:                                       |                    |                  |
| Accounts receivable                                                               | (28,700)           | 18,117           |
| Prepaid expenses                                                                  | 3,829              | 242,668          |
| Deferred revenue                                                                  | (12,170)           | 115,591          |
| Accounts payable                                                                  | (13,056)           | 74,093           |
| Net cash provided by operating activities                                         | <u>1,086,787</u>   | <u>552,606</u>   |
| Cash flows from financing activities:                                             |                    |                  |
| Shareholder dividends                                                             | (1,132,000)        | (675,909)        |
| Additional paid-in capital                                                        | -                  | 33,761           |
| Net cash used in financing activities                                             | <u>(1,132,000)</u> | <u>(642,148)</u> |
| Net change in cash and cash equivalents                                           | (45,213)           | (89,542)         |
| Cash and cash equivalents at beginning of period                                  | 99,723             | 189,265          |
| Cash and cash equivalents at end of period                                        | <u>\$ 54,510</u>   | <u>\$ 99,723</u> |
| Supplemental disclosures of cash flow                                             |                    |                  |
| Cash paid for interest and taxes                                                  | \$ -               | \$ -             |

The accompanying notes are an integral part of these financial statements

**SARPINO’S USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

Sarpino’s USA, Inc. (the Company) was incorporated under the state of Illinois on October 25, 2002 for the purpose of franchising the Sarpino’s Pizzeria concept in the United States of America. The Company awards new restaurants to franchisees and collects royalty and advertising fees for all existing Sarpino’s restaurants. During the year ended December 31, 2024, all of the Company’s common stock was acquired by Sarpino’s Franchising Inc. (the “Parent”).

The Company had 44 franchised restaurants as of December 31, 2025.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and upon provision/shipment and invoicing of services or materials from the Company’s offices. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. When determining the allowance for doubtful receivable, the Company has adopted ASC 326, Financial Instruments—Credit Losses. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The Company concluded that no allowance for doubtful accounts was required as of December 31, 2025 and 2024.



**SARPINO'S USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

*(f) Long Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset.

*(g) Revenue Recognition*

The Company has adopted ASC 606, Revenue from Contracts with Customers. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of initial franchise fees, royalties and marketing fees based on a percentage of gross revenues, and promotion revenue from vendors.

*Royalty and marketing fee revenue*

Upon evaluation of the five-step process, the Company has determined that royalty and marketing fees are to be recognized in the same period as the underlying sales, in accordance with the sales-based royalty exception.

*Initial franchise, transfer, and renewal fees*

Initial franchise fees, transfer fees, and renewal fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 10 years.

*(h) Income Taxes*

The Company has made an election to be treated as an "S Corporation" under section 1362(a) of the Internal Revenue Code (Subchapter S of Chapter 1), whereby federal and (most) state income taxes on earnings of the Company are passed on to the shareholder of the Company and are therefore not reflected in these financial statements.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the stockholder rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2025, the 2024, 2023, and 2022 tax years are subject to examination.

**SARPINO'S USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2025 and 2024

*(i) Deferred Revenue*

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalties and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Sarpino's system for a period of 10 years. Under the Company's revenue recognition policy, the Company defers initial fees and recognizes revenue over the life of the contract. In addition, the Company defers related contract costs such as broker commissions and records the expense over the same period. As of December 31, 2025 and 2024, the Company has deferred no contract costs.

The following table represents the activity of the Company's deferred revenue for the years ended December 31, 2025 and 2024:

|                                                                | 2025       | 2024       |
|----------------------------------------------------------------|------------|------------|
| Beginning deferred revenue                                     | \$ 115,591 | \$ -       |
| Additions                                                      | -          | 121,700    |
| Revenue recognized from beginning deferred revenue             | (12,170)   | -          |
| Revenue recognized from contracts executed in the current year | -          | (6,109)    |
| Ending deferred revenue                                        | \$ 103,421 | \$ 115,591 |
| Deferred revenue, current                                      | \$ 12,170  | \$ 12,170  |
| Deferred revenue, non-current                                  | 91,251     | 103,421    |
|                                                                | \$ 103,421 | \$ 115,591 |

*(j) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2025 and 2024 were \$659,522 and \$264,440, respectively.

*(k) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

*(l) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Common Stock**

As of December 31, 2025, the Company's authorized common stock consists of:

- Class A Voting Common Stock – 7,500 shares authorized, 600 shares issued and outstanding, \$1.00 par value per share. Each share is entitled to one vote.
- Class B Voting Common Stock – 2,500 shares authorized, 1,775 shares issued and outstanding, \$1.00 par value per share. These shares have no voting rights.

**SARPINO’S USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

**(3) Commitments and Contingencies**

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

**(4) Subsequent Events**

Management has reviewed and evaluated subsequent events through April 23, 2026, the date on which the financial statements were available to be issued.

**SARPINO'S USA, INC.**

**ANNUAL FINANCIAL REPORT  
TWELVE MONTHS ENDED  
DECEMBER 31, 2023 and 2022**

**Elena Y. Olshansky  
Certified Public Accountant  
Skokie, IL 60077**

**SARPINO'S USA, INC.**

**ANNUAL FINANCIAL REPORT**

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**ELENA Y. OLSHANSKY, CPA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholders  
of SARPINO'S USA, INC.  
Lincolnshire, IL

**Opinion**

We have audited the financial statements of SARPINO'S USA, INC., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SARPINO'S USA, INC. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SARPINO'S USA, INC.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

(continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Skokie, IL  
May 10, 2024

**SARPINO'S USA, INC.**  
**BALANCE SHEET**

|                                                   | <b>DECEMBER 31,</b> |                     |
|---------------------------------------------------|---------------------|---------------------|
|                                                   | <b>2023</b>         | <b>2022</b>         |
| <b>ASSETS</b>                                     |                     |                     |
| <b>CURRENT ASSETS</b>                             |                     |                     |
| Cash and cash equivalents                         | \$ 189,265          | \$ 1,352,569        |
| Accounts and Notes receivable short term          | 266,013             | 269,814             |
| Prepaid income tax state                          | 65,296              | -                   |
| Prepaid Income tax federal                        | 177,972             | -                   |
| Loans receivable internal                         | 240,000             | -                   |
| Right-of-use assets ST                            | 54,856              | 61,488              |
| Prepaid expenses                                  | -                   | 292                 |
| Total current assets                              | 993,402             | 1,684,163           |
| <b>PROPERTY AND EQUIPMENT, NET</b>                | 91,800              | 103,826             |
| <b>OTHER ASSETS</b>                               |                     |                     |
| Security deposit                                  | 10,000              | 10,000              |
| Right-of-use assets LT                            | 318,702             | -                   |
| Intangible assets, net                            | -                   | -                   |
| Total other assets                                | 328,702             | 10,000              |
| <b>TOTAL ASSETS</b>                               | <b>\$ 1,413,904</b> | <b>\$ 1,797,989</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b>             |                     |                     |
| <b>CURRENT LIABILITIES</b>                        |                     |                     |
| Accounts payable and accrued expenses             | \$ 103,215          | \$ 226,531          |
| Lease liabilities ST                              | 54,856              | 61,488              |
| Income taxes payable                              | 11,342              | 256,965             |
| Credit cards payable                              | 17,109              | 15,294              |
| Total current liabilities                         | 186,522             | 560,278             |
| <b>LONG TERM LIABILITIES</b>                      |                     |                     |
| Lease liabilitiesLT                               | 318,702             | -                   |
| Deferred income taxes                             | 120,941             | 120,997             |
| Total long term liabilities                       | 439,643             | 120,997             |
| <b>TOTAL LIABILITIES</b>                          | <b>626,165</b>      | <b>681,275</b>      |
| <b>SHAREHOLDERS' EQUITY</b>                       |                     |                     |
| Common stock                                      | 2,375               | 2,375               |
| Treasury stock                                    | (961,789)           | (711,789)           |
| Additional paid-in-capital                        | -                   | -                   |
| Retained earnings                                 | 1,747,153           | 1,826,128           |
| Total shareholders' equity                        | 787,739             | 1,116,714           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 1,413,904</b> | <b>\$ 1,797,989</b> |

The accompanying notes are an integral part of these financial statements



**SARPINO'S USA, INC.****STATEMENT OF INCOME AND RETAINED EARNINGS**

|                                                   | <b>Years ended December 31,</b> |              |
|---------------------------------------------------|---------------------------------|--------------|
|                                                   | <b>2023</b>                     | <b>2022</b>  |
| <b>REVENUE</b>                                    |                                 |              |
| Sales                                             | \$ 1,833,264                    | \$ 2,302,106 |
| Total revenue                                     | 1,833,264                       | 2,302,106    |
| <b>OPERATING EXPENSES</b>                         |                                 |              |
| Bank service charge                               | 2,935                           | 1,069        |
| Corporate salary                                  | 132,449                         | 127,274      |
| Depreciation                                      | 19,044                          | 18,336       |
| Franchisor duties                                 | 23,943                          | 120,863      |
| Insurance expense                                 | 35,140                          | 33,648       |
| Legal and professional                            | 198,263                         | 120,441      |
| Licenses and permits                              | -                               | 400          |
| Meals and entertainment                           | 4,430                           | 5,146        |
| Office expense, including repairs and maintenance | 3,033                           | 8,494        |
| Postage and delivery                              | 5,660                           | 484          |
| Project management fees                           | 157,950                         | 168,448      |
| Rent                                              | 129,822                         | 122,973      |
| Supplies                                          | 11,046                          | 15,205       |
| Employee benefit program                          | 33,534                          | 37,601       |
| Support expense                                   | 477,875                         | 483,927      |
| Travel                                            | 52,709                          | 40,010       |
| Telephone                                         | 3,366                           | 3,648        |
| Utilities                                         | 826                             | 736          |
| CRP Training center                               | 104,643                         | 79,940       |
| Total operating expenses                          | 1,396,668                       | 1,388,643    |
| Net Income from operations                        | 436,596                         | 913,463      |
| <b>OTHER INCOME (EXPENSE)</b>                     |                                 |              |
| Other income                                      | 1,263                           | -            |
| Interest income                                   | 8,228                           | 2,193        |
| Penalties                                         | (14,354)                        | (5,680)      |
| Total other income (expense)                      | (4,863)                         | (3,487)      |
| <b>NET INCOME BEFORE INCOME TAXES</b>             | 431,733                         | 909,976      |
| <b>PROVISION FOR INCOME TAXES</b>                 | 10,708                          | 269,237      |
| <b>NET INCOME</b>                                 | 421,025                         | 640,739      |
| <b>RETAINED EARNINGS, at January 1</b>            | 1,826,128                       | 1,985,389    |
| Less dividends                                    | (500,000)                       | (800,000)    |
| <b>RETAINED EARNINGS, at December 31</b>          | \$ 1,747,153                    | \$ 1,826,128 |

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**STATEMENT OF CASH FLOWS**

|                                                                                      | <b>Years ended December 31,</b> |                     |
|--------------------------------------------------------------------------------------|---------------------------------|---------------------|
|                                                                                      | <b>2023</b>                     | <b>2022</b>         |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                           |                                 |                     |
| Net Income                                                                           | \$ 421,025                      | \$ 640,739          |
| Adjustments to reconcile Net income<br>to net cash provided by operating activities: |                                 |                     |
| (Decrease) in Accounts and Notes receivable short term                               | 3,800                           | 58,401              |
| (Decrease) Increase in Prepaid expenses                                              | 292                             | (292)               |
| Depreciation and amortization                                                        | 19,044                          | (7,044)             |
| (Decrease) in Accounts payable and accrued expenses                                  | (123,317)                       | (34,016)            |
| (Decrease) Increase in Income taxes payable                                          | (245,623)                       | 22,743              |
| (Decrease) Increase in Deferred income tax liabilities                               | (56)                            | 12,273              |
| Increase in Prepaid income tax state                                                 | (65,296)                        | -                   |
| Increase in Prepaid income tax federal                                               | (177,972)                       | -                   |
| Increase (Decrease) in Credit cards payable                                          | 1,817                           | (602)               |
| Net cash provided by operating activities                                            | (166,286)                       | 692,202             |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                           |                                 |                     |
| Retirement of assets                                                                 | (7,018)                         | 25,309              |
| Net cash used by investing activities                                                | (7,018)                         | 25,309              |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                           |                                 |                     |
| Dividends                                                                            | (500,000)                       | (800,000)           |
| Right-of-use assets ST                                                               | (54,856)                        | 61,488              |
| Right-of-use assets LT                                                               | (318,702)                       | -                   |
| Lease liabilities ST                                                                 | 54,856                          | (61,488)            |
| Lease liabilities LT                                                                 | 318,702                         | -                   |
| Increase in Loan receivable internal                                                 | (240,000)                       | -                   |
| Increase in Treasury stock                                                           | (250,000)                       | -                   |
| Net cash (used) provided by financing activities                                     | (990,000)                       | (800,000)           |
| (Decrease) Increase in cash                                                          | (1,163,304)                     | (82,489)            |
| <b>CASH, at January 1</b>                                                            | 1,352,569                       | 1,435,058           |
| <b>CASH, at December 31</b>                                                          | <u>\$ 189,265</u>               | <u>\$ 1,352,569</u> |
| <b>Supplemental disclosure of Cash flow information</b>                              |                                 |                     |
| Cash paid during the year for                                                        |                                 |                     |
| Interest                                                                             | <u>\$ -</u>                     | <u>\$ -</u>         |
| Income taxes                                                                         | <u>\$ 243,268</u>               | <u>\$ 234,222</u>   |

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2023 and 2022**

**Note 1- Summary of Significant Accounting Policies**

*Nature of business*

SARPINO'S USA, INC. (the Company) formerly KDD Sarpino's of Illinois, Inc., is a for profit corporation organized under the State of Illinois Business Corporation Act on October 25<sup>th</sup>, 2002. SARPINO'S USA, INC. is a franchiser of Sarpino's Pizzeria Concept for the territory of the US. The company awards new restaurants and area franchises and collects royalty and advertising fees for all existing Sarpino's restaurants.

*Basis of Accounting*

The Company prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

*Revenue Recognition*

SARPINO'S USA, INC. recognizes a receivable upon the completion of requirements.

*Accounts Receivable and allowance for doubtful accounts*

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The Company's estimate is based on historical collections experience and a review of the current status of accounts receivable. The accounts receivable are considered to be fully collectable therefore no provision has been made for uncollectible accounts.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Concentration of Credit Risk*

The Company does not hold neither substantial Long Term obligations nor substantial Accounts Receivable. The Company's credit balances are paid monthly in full. It appears the company currently has zero balance credit risk.

*Fair Value of Financial Instruments*

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrual expenses, approximates the varying values principally because of the short maturity of those items.

*Income Taxes*

The company with the consent of its shareholders has elected to be treated as a Small Business Corporation (S corporation) under Internal Revenue Code section 1362 as of January 01, 2023. This election provides that, in lieu of corporate income taxes, the taxable items and credits pass directly to the stockholders. Therefore, these financial statements do not include federal income taxes which would otherwise be applicable. Management does not believe that any material uncertain tax position exists to subject the company to the examination by Federal or state tax authorities for a period of three years from the date they have filed corporate income taxes.

## Note 2 - Assets

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments, including operating and AD Fund bank accounts at PNC bank. At the end of the year 2023 \$250,000 of the above funds in each bank has been insured by the individual banks through FDIC.

### *Fixed Assets*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets, principal using the straight-line method, for financial reporting. The estimated useful lives range from 5 to 7 years for the fixed assets, and 15 years for leasehold improvements.

In the year 2022 company's fully depreciated old vehicle was retired: purchased price was \$25,309, accumulated depreciation was \$25,309.

Property and equipment, net consist of the following:

| December 31                   | 2023             | 2022             |
|-------------------------------|------------------|------------------|
| Furniture and fixtures        | \$81,268         | \$81,268         |
| Equipment                     | 123,091          | 116,073          |
| Lease hold improvement        | <u>273,526</u>   | <u>273,526</u>   |
| Subtotal, assets              | 477,885          | 470,867          |
| Less accumulated depreciation | <u>(386,085)</u> | <u>(367,041)</u> |
| Total, net assets             | <u>\$91,800</u>  | <u>\$103,826</u> |
| Depreciation expense          | <u>\$ 19,044</u> | <u>\$ 18,336</u> |

### *Other Assets*

*Intangible Assets* consist of the franchisee license for the state of IL that was purchased by the company in the Year 2003 from Sarpino's International at the time the company signed original area franchise agreement. Trademarks and franchisee agreements were purchased in 2005 from Sarpino's international when the company bought out its complete Sarpino's operations in the US. Organizational costs mostly included legal fees and travel.

Amortization of intangible assets is provided over the estimated useful life using the straight-line method:

Organization cost is amortized over the estimated useful life is of 5years

Trademarks, Franchise License and agreement are amortized over the estimated useful life of 15years

Intangible assets consist of the following:

| December 31                   | 2023             | 2022             |
|-------------------------------|------------------|------------------|
| Franchise agreements          | \$140,000        | \$140,000        |
| Trademarks                    | 50,000           | 50,000           |
| Franchise license             | 225,000          | 225,000          |
| Organization cost             | <u>20,068</u>    | <u>20,068</u>    |
|                               | 435,068          | 435,068          |
| Less accumulated amortization | <u>(435,068)</u> | <u>(435,068)</u> |
|                               | <u>\$ 0</u>      | <u>\$ 0</u>      |
| Accumulated Amortization      | <u>\$ 0</u>      | <u>\$ 0</u>      |

### Note 3 –Liabilities

The current liabilities comprise of the Accounts payable and accrued expenses, including outstanding balance of national advertising fund, payroll and other taxes accrued, but not yet paid, as well as Lease liabilities ST of \$54,856. Long term liability consists of Deferred tax liability amounted to \$120,941 and Lease liabilities LT of \$318,702. Both lease liabilities ST and LT recorded in connection with the changes in Accounting Standard Codification® (ASC) Topic 842, *Leases*, which requires lessees to record right-of-use assets and lease liabilities on the balance sheet for almost every lease adopted for the years after December 15, 2021.

### Note 4 - Capital stock

Authorized: 7500 shares of series “A” (voting) and 2500 shares of series “B” (non-voting) without nominal or par value.

Issued: 2,375 shares.

Treasury Stock: 738 shares:

338 shares in Treasury stock due to the company’s buy-out of the shares from previous shareholder in the previous years. 400 shares bought-out in the Years 2016-2019 in accordance with the following: In the year 2016 the agreement was signed between the Company and one of the owner’s 100% owned trust to buy out substantially all but 200 of his shares in connection with the owner being terminally ill who subsequently passed away. In the year 2019 final of the four payments has been made in lieu of the treasury stock.

### Note 5 - Income Taxes and Deferred tax liability

As a result of a timing difference between tax and book methods of depreciation, the company incurred Deferred tax liability in the amount of \$120,941. Since the company has elected to be taxed as an S corporation as of January 01, 2023 as per Note 1, there would be no Provision for US Federal Income tax going forward.

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Provision for US Federal Income tax                                 | \$0                 |
| Fed Income tax liability                                            | (0)                 |
| Deferred portion (asset) Fed Income tax Year 2023                   | (0)                 |
| Beginning balance at January 01, 2023                               | <u>(92,402)</u>     |
| Ending balance at December 31, 2023                                 | <u>\$(92,402)</u>   |
| Provision for state Income tax                                      | \$11,287            |
| State Income tax liability, net of penalties                        | <u>(11,342)</u>     |
| Deferred portion State Income tax Year 2023                         | 55                  |
| Beginning balance at January 01, 2023                               | <u>(28,594)</u>     |
| Ending balance at December 31, 2023                                 | <u>\$(28,539)</u>   |
| Provision for income state tax less penalties, refund of \$579, net | \$10,708            |
| Deferred income tax Fed and state                                   | <u>\$(120,941)</u>  |
| Income tax liability state                                          | <u>\$ ( 11,342)</u> |

### **Note 6 – Lease Commitments**

the Company has an operating lease with IHP TRI-STATE ASSETS, LLC (not related party). The term of the lease agreement was re-negotiated in October 2023 and covers periods 12/01/2023-02/28/2029. The rent per month was on average \$11,802, including base rent of \$6,695, RE tax and maintenance, totaling \$129,822 for 11 months: as per renewed rent agreement, December 2023 was credited with 0 balance.

In accordance with ASC 842 standard issued by the FASB re the new lease accounting in effect since the calendar year 2022, the company recorded: ST and LT Right-of-use assets and corresponding ST and LT Lease Liability for the office.

Office ST Right-of-use assets and corresponding Lease Liability was \$54,859

Office LT Right-of-use assets and corresponding Lease Liability was \$318,702

### **Note 7 – Related Party Transactions**

There was no Related Party Transactions

### **Note 8 - Future commitments required of Franchisor**

Presently the company does not have any of the financial future commitments except lease.

The franchisee agreements are to be renewed either every 5 years (older version) or 10 years (newer version), but they do not assume any financial obligations on the company's part. Franchisor does need to provide franchisee support, providing that all royalties (franchisor revenue) are paid on time and in full.

### **Note 9 - Subsequent events**

The management of the company have reviewed the results of operations and evaluated subsequent events from the period at time from its year end December 31, 2023 through May 10, 2024 the date the comparative Financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



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For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 151907



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## **UNAUDITED FINANCIAL STATEMENTS**

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.



**Sarpino's USA, Inc.**  
**Combined Balance Sheet**  
**As of March 31, 2026**

|                                        | Sarpino's USA, Inc. | Sarpino's USA, Inc. - Advertising Fund | TOTAL             |
|----------------------------------------|---------------------|----------------------------------------|-------------------|
| <b>ASSETS</b>                          |                     |                                        |                   |
| Current Assets                         |                     |                                        |                   |
| Checking/Savings                       |                     |                                        |                   |
| 1150 · Superior National Bank Checking | 11,413.66           | 52,044.36                              | 63,458.02         |
| Total Checking/Savings                 | 11,413.66           | 52,044.36                              | 63,458.02         |
| Accounts Receivable                    |                     |                                        |                   |
| 1210 · Accounts Receivable             | 143,182.03          | 65,289.69                              | 208,471.72        |
| Total Accounts Receivable              | 143,182.03          | 65,289.69                              | 208,471.72        |
| Other Current Assets                   |                     |                                        |                   |
| 1410 · Prepaid Expense                 | 6,771.00            | 0.00                                   | 6,771.00          |
| 1930 · Due From Sarpinos Advertising   | 10,000.00           | 0.00                                   | 10,000.00         |
| 1940 · Due from Sarpinos               | 0.00                | -10,000.00                             | -10,000.00        |
| Total Other Current Assets             | 16,771.00           | -10,000.00                             | 6,771.00          |
| Total Current Assets                   | 171,366.69          | 107,334.05                             | 278,700.74        |
| Other Assets                           |                     |                                        |                   |
| 1801 · N/R Shaikh / Auaaz              | -600.00             | 0.00                                   | -600.00           |
| 1905 · Due to (From) AMG               | 14,333.34           | 0.00                                   | 14,333.34         |
| Total Other Assets                     | 13,733.34           | 0.00                                   | 13,733.34         |
| <b>TOTAL ASSETS</b>                    | <b>185,100.03</b>   | <b>107,334.05</b>                      | <b>292,434.08</b> |
| <b>LIABILITIES &amp; EQUITY</b>        |                     |                                        |                   |
| Liabilities                            |                     |                                        |                   |
| Current Liabilities                    |                     |                                        |                   |
| Accounts Payable                       |                     |                                        |                   |
| 2010 · Accounts Payable                | 37,701.09           | 65,942.80                              | 103,643.89        |
| Total Accounts Payable                 | 37,701.09           | 65,942.80                              | 103,643.89        |
| Credit Cards                           |                     |                                        |                   |
| 2030 · American Express                | 0.00                | -2,437.22                              | -2,437.22         |
| Total Credit Cards                     | 0.00                | -2,437.22                              | -2,437.22         |
| Other Current Liabilities              |                     |                                        |                   |
| 2190 · Accrued Payroll                 | 10,180.00           | 0.00                                   | 10,180.00         |
| 2220 · Accrued Payroll Taxes           | 751.88              | 0.00                                   | 751.88            |
| 2400 · Deferred Revenues- Advertising  | 0.00                | -65,482.04                             | -65,482.04        |
| Total Other Current Liabilities        | 10,931.88           | -65,482.04                             | -54,550.16        |
| Total Current Liabilities              | 48,632.97           | -1,976.46                              | 46,656.51         |
| Long Term Liabilities                  |                     |                                        |                   |
| 2400 · Deferred Revenue                | 103,421.00          | 0.00                                   | 103,421.00        |
| Total Long Term Liabilities            | 103,421.00          | 0.00                                   | 103,421.00        |
| Total Liabilities                      | 152,053.97          | -1,976.46                              | 150,077.51        |
| Equity                                 |                     |                                        |                   |
| 2910 · Capital Stock                   | 2,375.00            | 0.00                                   | 2,375.00          |
| 2915 · Treasury Stock                  | -961,789.37         | 0.00                                   | -961,789.37       |
| 2950 · Shareholder Distributions       | -1,418,000.00       | 0.00                                   | -1,418,000.00     |
| 2970 · Retained Earnings               | 2,109,154.82        | 109,310.51                             | 2,218,465.33      |
| 3210 · Paid In Capital                 | 33,760.93           | 0.00                                   | 33,760.93         |
| Net Income                             | 267,544.68          | 0.00                                   | 267,544.68        |
| Total Equity                           | 33,046.06           | 109,310.51                             | 142,356.57        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>  | <b>185,100.03</b>   | <b>107,334.05</b>                      | <b>292,434.08</b> |

**Sarpino's USA, Inc.**  
**Combined Profit And Loss**  
January through March 2026

|                                                  | Sarpino's USA, Inc. | Sarpino's USA, Inc. - Advertising Fund | TOTAL             |
|--------------------------------------------------|---------------------|----------------------------------------|-------------------|
| <b>Ordinary Income/Expense</b>                   |                     |                                        |                   |
| <b>Income</b>                                    |                     |                                        |                   |
| 3000 · Income                                    |                     |                                        |                   |
| 3110 · Franchise Fee - Royalty                   | 366,192.24          | 0.00                                   | 366,192.24        |
| 3560 · Training Fee Income                       | 7,500.00            | 0.00                                   | 7,500.00          |
| <b>Total 3000 · Income</b>                       | <b>373,692.24</b>   | <b>0.00</b>                            | <b>373,692.24</b> |
| 3000 · Advertising Income                        |                     |                                        |                   |
| 3010 · Advertising Fee Income                    | 0.00                | 187,832.51                             | 187,832.51        |
| 3220 · Advertising -Adjustment                   | 0.00                | 26,200.69                              | 26,200.69         |
| <b>Total 3000 · Advertising Income</b>           | <b>0.00</b>         | <b>214,033.20</b>                      | <b>214,033.20</b> |
| <b>Total Income</b>                              | <b>373,692.24</b>   | <b>214,033.20</b>                      | <b>587,725.44</b> |
| <b>Expense</b>                                   |                     |                                        |                   |
| 7500 · EMPLOYEE EXPENSE                          |                     |                                        |                   |
| 7520 · Salaries/ Wages - Admin                   | 60,900.00           | 0.00                                   | 60,900.00         |
| 7540 · Payroll Tax Expense                       | 4,825.23            | 0.00                                   | 4,825.23          |
| 7559 · Cell Phone / IT Allowance                 | 180.00              | 0.00                                   | 180.00            |
| 7560 · Insurance - Health                        | 1,927.95            | 0.00                                   | 1,927.95          |
| 7562 · Insurance - Life                          | -0.03               | 0.00                                   | -0.03             |
| 7563 · Insurance - Disability                    | 286.65              | 0.00                                   | 286.65            |
| 7565 · Insurance - Workers Comp                  | 1,012.00            | 0.00                                   | 1,012.00          |
| <b>Total 7500 · EMPLOYEE EXPENSE</b>             | <b>69,131.80</b>    | <b>0.00</b>                            | <b>69,131.80</b>  |
| 7700 · TRAVEL EXPENSE                            |                     |                                        |                   |
| 7730 · Parking                                   | 334.33              | 0.00                                   | 334.33            |
| 7731 · Airfare                                   | 3,727.09            | 0.00                                   | 3,727.09          |
| 7732 · Car Rental                                | 2,078.57            | 0.00                                   | 2,078.57          |
| 7733 · Food/Meals                                | 630.72              | 0.00                                   | 630.72            |
| 7734 · Auto Gas                                  | 500.79              | 0.00                                   | 500.79            |
| 7735 · Hotel                                     | 3,504.82            | 0.00                                   | 3,504.82          |
| <b>Total 7700 · TRAVEL EXPENSE</b>               | <b>10,776.32</b>    | <b>0.00</b>                            | <b>10,776.32</b>  |
| 7800 · General & Administrative                  |                     |                                        |                   |
| 7810 · Computer Expense                          | 366.00              | 0.00                                   | 366.00            |
| 7821 · Collection Commision                      | 150.00              | 0.00                                   | 150.00            |
| 7841 · Licenses & Fees                           | 25.00               | 0.00                                   | 25.00             |
| 7845 · Management Fees                           | 15,000.00           | 30,000.00                              | 45,000.00         |
| 7846 · Payroll Service Fee                       | 373.15              | 0.00                                   | 373.15            |
| 7869 · Publications / Subscriptions              | 4,455.00            | 0.00                                   | 4,455.00          |
| 7875 · Research & Development                    | 1,521.50            | 0.00                                   | 1,521.50          |
| 7889 · Office Supplies                           | 416.09              | 0.00                                   | 416.09            |
| 7893 · Training                                  | 719.70              | 0.00                                   | 719.70            |
| 7895 · Insurance                                 | 2,360.00            | 0.00                                   | 2,360.00          |
| 7898 · Insurance - Umbrella                      | 853.00              | 0.00                                   | 853.00            |
| <b>Total 7800 · General &amp; Administrative</b> | <b>26,239.44</b>    | <b>30,000.00</b>                       | <b>56,239.44</b>  |
| 6800 · ADVERTISING & PROMOTION                   |                     |                                        |                   |
| 6810 · Promotional Expense                       | 0.00                | 95,356.28                              | 95,356.28         |
| 6870 · Website Expense                           | 0.00                | 21,686.82                              | 21,686.82         |
| 6875 · Social Media                              | 0.00                | 68,633.66                              | 68,633.66         |
| <b>Total 6800 · ADVERTISING &amp; PROMOTION</b>  | <b>0.00</b>         | <b>185,676.76</b>                      | <b>185,676.76</b> |
| 6812 · Over the Top -Digital                     | 0.00                | -1,650.00                              | -1,650.00         |
| 7733 · Meals- Travel                             | 0.00                | 6.44                                   | 6.44              |
| <b>Total Expense</b>                             | <b>106,147.56</b>   | <b>214,033.20</b>                      | <b>320,180.76</b> |
| <b>Net Ordinary Income</b>                       | <b>267,544.68</b>   | <b>0.00</b>                            | <b>267,544.68</b> |
| <b>Net Income</b>                                | <b>267,544.68</b>   | <b>0.00</b>                            | <b>267,544.68</b> |

**TABLE OF CONTENTS OF OPERATING MANUALS****BEST PRACTICES OPERATING MANUAL****TABLE OF CONTENTS**

(Total of 1306 pages)

- **Preface**
- **Section A: Introduction**
  - Mission Statement
  - Sarpino's Pizzeria Values
  - Sarpino's Vision For Each Restaurant
  - Sarpino's Philosophy
  - Welcome Letter
  - History of Sarpino's Pizzeria
  - Assistance provided to Sarpino's franchisees
  - Responsibilities of Sarpino's franchisees
  - Key Success Areas
  - Visits from Performance Improvement Consultant
  - Additional Legal Requirements
- **Section B: Personnel**
  - Personnel & the Sarpino's Mission, Value & Vision
  - EEOC guidelines
  - Laws regarding harassment
  - Immigration reform / Control Act
  - Wage and Labor Laws
  - Organization Chart
  - Employee Profile
  - Job descriptions
  - Developing Personnel Policies
  - Recruitment
  - Interview Process
  - Hiring on a Trial Basis
  - Employee Orientation
  - Confidentiality
  - Training

- Continuous Human Resource Plan
- Leadership
- Motivating Employees
- Performance Evaluations
- Scheduling
- Time Tracking
- Uniform and Dress Code
- Progressive Discipline
- Termination/Separation
- **Section C: Customer Relations**
- Customer Relations Procedures
- Customer Relations & the Sarpino's Mission, Values & Vision
- Customer Profile
- Deliver Total Customer Experience
- Customer Service Procedures
- Customer Service Rules
- Customer Transaction Procedures
- Complaint Resolution
- Dispatch Procedures
- Delivery Procedures
- **Section D: Management**
- Managing A Sarpino's Pizzeria
- Sarpino's Pizzeria Management Philosophy
- Manager Procedures
- Managing the Customer Experience Through Managing Personnel
- Managing the Rush
- Inventory Management
- Cost Control Procedures
- Operational and Financial Reporting
- Loss Prevention Techniques
- Managing Large Orders (Catering)
- **Section E: Daily Operating Procedures**
- Daily Operating Procedures
- Daily Duties
- Food Preparation Procedures
- Food Safety and Sanitation
- Food-Borne Illness

- Cash Handling Procedures
- Daily Closeout Procedures
- Making Bank Deposits
- Required Cleaning and Maintenance
- Safety and Security
- **Appendices**
- Laminated Sheets
- Middleby Marshall Appendices
- Forms

## **MARKETING MANUAL**

### **TABLE OF CONTENTS**

(Total of 161 pages)

- Introduction
- Mission Statement
- Values
- Sarpino's Vision for each Restaurant
- Marketing
- Marketing Plan
- Residential Customer Segment
- Business Customer Segment
- Hotels Customer Segment
- Sarpino's Marketing Appendices

## **PRE-OPENING MANUAL**

### **TABLE OF CONTENTS**

(Total of 219 pages)

- **Section A: Introduction**
- Manual Purpose & Limitations – Page 1
- Proper Use of this Manual – Page 2
- Franchisor Communication Channels – Page 3
- **Section B: General Timeline**
- Use of the Timeline – Page 1
- Breakdown of Responsibilities – Page 12

- **Section C: Business Planning**
- Establishment of Business Form and Accounting System – Page 1
- Setting Personal goals – Page 9
- Setting Business Goals/Plan – Page 12
- **Section D: Financing**
- Banking and Loan Options – Page 1
- **Section E: Site Selection Process**
- Site Selection Process – Page 1
- **Section F: Build-out Process**
- Overview of the Build-out Process – Page 1
- Logo and Signage Specifications – Page 20
- **Section G: Recruiting and Training Staff**
- Recruiting and Training Timeline – Page 1
- Recruiting Your Initial Staff – Page 4
- Initial Interview Process – Page 6
- Initial Training – Page 30
- **Section H: Setting Up The Shop**
- Contracting with Required Utilities and Services – Page 1
- Competitive Analysis – Page 6
- Delivery Area – Page 12
- Setting up Bank Accounts – Page 15
- Getting Insurance – Page 17
- Meeting your Tax Obligations – Page 19
- Required Equipment – Page 21
- Initial Inventory – Page 27
- Organizing the Office – Page 32
- **Section I: Marketing**
- New Store opening Marketing Timeline – Page 1
- Marketing – Page 14
- Developing a Marketing Plan – Page 16
- Conducting a Grand Opening – Page 25
- **Appendices**
- Business Plan Template
- Equipment
- Financing
- Forms
- Insurance

- Lease Negotiation
- List of Food Suppliers
- Logo & Signage
- Marketing Plan
- Sample Layouts
- Training Resources

**Illinois**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



**Illinois Franchise Agreement Amendment**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

For info about obtaining a liquor license in Illinois, see: <https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see: <https://www.tips-certified.com/tips-state-pages/illinois/>

See: the Liquor Control Act of 1934, 235 ILCS 5/ (West 2018) for Illinois Dram Shop laws.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**Sarpino's USA, Inc.**

Franchisor

Franchisee

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**NOTE: NOT FOR USE IN THE STATES OF ILLINOIS OR MINNESOTA.**

As you know, you and Sarpino's USA, Inc. (the "**Franchisor**" or "**we**" or "**our**" (as the case may be)) are preparing to enter into a Franchise Agreement for the establishment and operation of a "Sarpino's Pizzeria" franchised business. The purpose of this Confirmation is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

- |    |                                |                                                                                                                                                                 |
|----|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | _____, 202__<br>Initials _____ | The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a "Sarpino's Pizzeria" franchised business.       |
| b. | _____, 202__<br>Initials _____ | The date on which I received the Franchisor's Franchise Disclosure Document (" <b>FDD</b> ").                                                                   |
| c. | _____, 202__<br>Initials _____ | The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed. |
| d. | _____, 202__<br>Initials _____ | The date on which I signed the Franchise Agreement.                                                                                                             |

2. Did you receive and personally review the Franchise Agreement each Addendum and related agreement attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

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4. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did you receive and personally review the FDD that we gave to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

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8. Did you discuss the benefits and risks of establishing and operating a “Sarpino’s Pizzeria” franchised business with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Do you understand that the success or failure of your “Sarpino’s Pizzeria” franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has anyone speaking on our behalf made any statement or promise to you concerning the revenues, profits or operating costs of a "Sarpino's Pizzeria" franchised business operated by us or by our franchisees that is different from the information contained in the FDD?
- Yes \_\_\_\_\_ No \_\_\_\_\_
11. Has anyone speaking on our behalf made any statement or promise to you about how much amount of money you may earn in operating the franchised business that is different from the information contained in the FDD?
- Yes \_\_\_\_\_ No \_\_\_\_\_
12. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your "Sarpino's Pizzeria" franchised business will generate that is different from the information contained in the FDD?
- Yes \_\_\_\_\_ No \_\_\_\_\_
13. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your "Sarpino's Pizzeria" franchised business that is different from the information contained in the FDD?
- Yes \_\_\_\_\_ No \_\_\_\_\_
14. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a "Sarpino's Pizzeria" franchised business?
- Yes \_\_\_\_\_ No \_\_\_\_\_
15. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance we will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?
- Yes \_\_\_\_\_ No \_\_\_\_\_
16. Before today, did you enter into any binding agreement with us concerning the purchase of this franchise?
- Yes \_\_\_\_\_ No \_\_\_\_\_
17. Before today, have you paid us any money concerning the purchase of this franchise prior to today?
- Yes \_\_\_\_\_ No \_\_\_\_\_
18. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.)

19. If you have answered “no” to each of questions 10-17, please leave the following lines blank.

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20. Do you understand that all disputes and claims you may have against us under the Franchise Agreement and the personal guarantee must be heard in the courts of Michigan (if the parties cannot resolve the matter informally or by mediation)?

Yes \_\_\_\_\_ No \_\_\_\_\_

21. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes \_\_\_\_\_ No \_\_\_\_\_

22. Do you understand that the Franchise Agreement and the personal guarantee each include a waiver of jury trials?

Yes \_\_\_\_\_ No \_\_\_\_\_

23. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes \_\_\_\_\_ No \_\_\_\_\_

24. I spoke with the following persons from the Franchisor, its affiliates, and independent brokers about buying a “Sarpino’s Pizzeria” franchise:

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25. I signed the Franchise Agreement and Addenda (if any) on \_\_\_\_\_, 202\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

These questions are asked to confirm our understanding of certain facts. Please understand that your responses to these questions are important to us and that we will rely on them. Your answers

are not a waiver of any law. Nor are our questions and your answers a disclaimer by us of any information that we have provided in our disclosure document.

By signing this Confirmation, you are representing that you have responded truthfully to the above questions.

**Franchise Applicant**

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date Signed

*The following is our current general release language, which we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal agreement or in connection with an approved transfer. We have the right to periodically modify the form of this release.*

[Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor”). No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

### **STATE EFFECTIVE DATES**

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

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

| <b>STATES</b> | <b>EFFECTIVE DATE</b> |
|---------------|-----------------------|
| Illinois      | Pending               |
| Minnesota     | Pending               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**Exhibit M****Item 23 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 Sarpino's USA, Inc. ("**SUI**") offers you a franchise, it must provide this Disclosure Document to you:

- (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us (or an affiliate of ours) in connection with the proposed franchise sale; or
- (b) In New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or
- (c) In Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or
- (d) In Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If SUI does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed in Exhibit C. SUI authorizes the agents listed in Exhibit D to receive service of process.

The franchise seller is Sam Askar at SUI's offices, 8101 Richardson Road, Suite 101, Commerce Township, Michigan 48390, telephone (248) 363-4580. Any additional individual franchise sellers involved in offering the franchise are: \_\_\_\_\_.

The issuance date of this Franchise Disclosure Document is April 30, 2026.

I received a Franchise Disclosure Document dated April 30, 2026, and with effective dates of state registration as listed on the State Effective Dates Page, which included the following exhibits:

- |   |                                                      |   |                                     |
|---|------------------------------------------------------|---|-------------------------------------|
| A | Franchise Agreement and Related Exhibits             | G | Financial Statements                |
| B | Development Agreement                                | H | Table of Contents for Manual        |
| C | State Franchise Administrators                       | I | State-specific Disclosures          |
| D | State Agents for Service of Process                  | J | State-specific Agreement Amendments |
| E | List of Current and Former Franchisees and Licensees | K | Franchise Compliance confirmation   |
| F | List of Affiliate-Owned Sarpino's Stores             | L | General Release                     |
|   |                                                      | M | Receipts (2 copies)                 |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Home Address

*Please keep this copy of the receipt for your records.*

**Exhibit M****Item 23 Receipt**

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- (b) In New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or
- (c) In Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or
- (d) In Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If SUI does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed in Exhibit C. SUI authorizes the agents listed in Exhibit D to receive service of process.

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|                                                        | M Receipts (2 copies)                 |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Home Address

*Please sign and date this copy of the receipt and return it to us.*