

FRANCHISE DISCLOSURE DOCUMENT

(CALIFORNIA)



Sbarro Franchise Co., LLC
(a Delaware limited liability company)
1328 Dublin Road
Columbus, OH 43215
(614) 769-9911
www.sbarro.com
cagostinelli@sbarro.com

The franchise offered is for the operation of a franchised Sbarro business to operate an Italian style restaurant, featuring Italian foods and related items generally situated inside in-line shopping center/food courts, convenience stores/truck stops, casinos, hospitals and college campuses. On occasion, certain existing company owned Sbarro Restaurants may be offered for sale to a Franchisee, or, possibly, a location that is similarly situated and equipped that is not an existing company owned Sbarro Restaurant (each, a “Conversion Restaurant”).

The total investment necessary to begin operation of a new Sbarro Restaurant franchised business is (i) between \$206,900 and \$871,100 for a Traditional location (e.g., in-line shopping center or food court) which includes \$30,000 that must be paid to the franchisor or its affiliate(s) and (ii) between \$300,150 (plus percentage of gross sales) and \$951,000 for a Non-Traditional location (e.g., convenience store, truck stops, college campus), which includes \$20,000 to \$50,000 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of a Conversion Restaurant franchised business is (i) between \$99,600 and \$394,500 for both a Traditional location which includes \$30,000 that must be paid to the franchisor or its affiliate(s) and (ii) between \$89,900 to \$399,500 for a Non-Traditional location, which includes \$20,000 to \$35,000 that must be paid to the franchisor or its affiliate(s).

We are not obligated to offer you the opportunity to enter into a Development Agreement, but if we agree, in our sole discretion, to enter into a Development Agreement with you for new Sbarro Restaurants (not Conversions), you must pay a development fee equal to the sum of the initial franchise fees for each unit to the development agreement with such fees as set forth in Item 5. The minimum number of units required to be opened under a Development Agreement is three (3). The total investment necessary to begin the operation of a 3-unit Sbarro Restaurant franchise development business is (i) between \$266,900 and \$931,000 for a Traditional location, and (ii) between \$370,150 and \$1,006,000 for a Non-Traditional location. In either case, this includes \$90,000 that must be paid to the franchisor or its affiliate(s).

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 Disclosure 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 Wendi Zborovsky at 1328 Dublin Road, Columbus, OH 43215; (614)769-9911.

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

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

Date of Issuance: March 31, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement and Development Agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in Ohio. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Ohio than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

**ADDENDUM TO THE
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN**

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. The subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of the initial investment and other funds paid by the franchisee until the obligations, if any, to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The escrow agent may be a financial institution authorized to do business in Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training or other items. Partial releases of escrowed funds upon receipt of affidavits of partial fulfillment of franchisor's obligations are permitted.

Questions regarding this notice should be directed to the Michigan Attorney General's Office, Consumer Protection Division, Attn: Franchise Section, 525 W. Ottawa Street, Williams Building, Lansing, Michigan 48909, (517) 373-7117.

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Item 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “Sbarro” or “We” or “Us” means Sbarro Franchise Co., LLC, the franchisor (or licensor) of the Sbarro Restaurants offered under this Disclosure Document. “You,” or “Franchisee,” means the individual or entity that enters into a Franchise Agreement with us, and includes your owners if you are a corporation or other business entity.

Franchisor, Parents, Predecessors and Affiliates

We are a Delaware limited liability company established on May 21, 2014. Our principal business address is 1328 Dublin Road, Columbus, OH 43215, and our telephone number is (614) 769-9911. We do business under our corporate name, and under the following marks: “SBARRO,” “SBARRO THE ITALIAN EATERY,” “SBARRO FRESH ITALIAN COOKING,” “MAMA SBARRO,” “TONY & BRUNO’S,” “SLICE SOCIETY,” and variations of these marks.

We began offering and selling franchises for new restaurants to be operated under the Proprietary Marks in June 2014, and, as of January 1, 2023, have 197 franchises in the United States. We began offering and selling franchises for Conversion Restaurants in January 2016. We are not currently engaged in any other business activities, and are not offering franchises in any other line of business.

We trace our roots back to 1956, when the Sbarro family opened their first Salumeria (Italian grocery store) in Brooklyn. In 1967, the Sbarro family opened its first modern Sbarro Restaurant similar to the type of business to be operated by you as Franchisee.

Our parents are SBARRO Holdings, Inc., a Delaware corporation; New SBARRO Finance, Inc., a Delaware corporation; and New SBARRO Intermediate Holdings, Inc., a Delaware corporation. The principal business address of each of our parents is 1328 Dublin Road, Columbus, OH 43215.

Our predecessor is Sbarro LLC, a New York limited liability company established on November 28, 2011. Sbarro LLC’s principal business address is 1328 Dublin Road, Columbus, OH 43215. Since November 2011, Sbarro LLC has operated Italian-style restaurants under the Proprietary Marks, which are similar to the Sbarro Restaurants to be operated by you as a Franchisee. From November 2011 to May 2014, Sbarro LLC offered and sold franchises for the operation of Italian-style restaurants under the Proprietary Marks. On June 2, 2014, Sbarro LLC assigned all of its then-existing franchise agreements to us.

Sbarro LLC’s predecessor, Sbarro, Inc., was a New York corporation that maintained its principal business address at 401 Broadhollow Road, Melville, New York 11747. Sbarro, Inc. conducted a business of the type to be operated by you as a franchisee from November 1977 to November 2011.

From November 1977 to November 2011, Sbarro, Inc. offered and sold franchises for the operation of Italian style restaurants under the Proprietary Marks. In 1991, Sbarro, Inc.

began selling franchises for the operation of food service facilities at non-traditional locations under the Proprietary Marks. On November 28, 2011, Sbarro, Inc. was merged into Sbarro LLC. All of Sbarro, Inc.'s then-existing franchise agreements were transferred to Sbarro LLC, and Sbarro LLC acquired all of Sbarro, Inc.'s company-owned businesses. Except as discussed in this Item, Sbarro, Inc. has not offered or sold franchises in any other line of business, or engaged in any other business activities.

Sbarro, Inc.'s affiliates and subsidiaries owned and operated a number of domestic businesses in the food service/restaurant industry, including casual Italian style restaurants ("MAMA SBARRO'S PIZZERIA", "LA CUCINA" and "CARMELA'S OF BROOKLYN"). Before 2007, Sbarro, Inc.'s affiliates and subsidiaries owned and operated the following domestic businesses in the food service/restaurant industry: steak restaurants ("Boulder Creek Steaks & Saloon", "Rothmann's Steakhouse", "Burton & Doyle", "Sagamore Steak House" and "Blackstone Steakhouse"), and a Mexican style restaurant ("Baja Grill"). Sbarro, Inc.'s affiliates and subsidiaries have not offered or sold franchises in any other line of business. These affiliates maintained their principal business addresses at 401 Broadhollow Road, Melville, NY 11747.

In certain instances (including the sale and conversion of an existing company-owned business to a franchised business), Sbarro and its affiliate Sbarro America, Inc. (the "Affiliate") may sublease the premises for Sbarro Restaurants to Sbarro's franchisees. The Affiliate maintains its principal business address at 1328 Dublin Road, Columbus, OH 43215. Our Affiliate has not operated a business of the types being offered in this Disclosure Document, or have ever offered franchises in this or any other line of business.

Other than as described above, our predecessors and Affiliates do not provide products or services to our franchisees, and have not offered franchises in any line of business.

The Franchised Business

Franchises For Sbarro Restaurants

Sbarro is in the business of both operating and franchising restaurants that feature a wide variety of Italian style foods in locations that are individually constructed, designed and laid out with Sbarro's prior written approval, and present a contemporary Italian cafe motif (a "Sbarro Restaurant" or "Restaurant"). The diverse menu offering includes pizza, pasta and other hot and cold Italian entrees, salads, sandwiches, desserts and beverages. The Sbarro Restaurant will be located in a shopping mall (either as an "in-line" or "food court" restaurant), airport, casino, strip shopping center, downtown location, free-standing building, or other high pedestrian-traffic location (individually or collectively, the "Traditional Locations"). As set forth herein, an "in-line" location is generally one set inside another building and consisting of a public facing counter and surrounding walls which are part of a larger building. Franchises are offered in this Disclosure Document for a single, new Sbarro Restaurant or a single Conversion Restaurant.

A Franchisee will operate a Sbarro Restaurant under the Proprietary Marks at a Traditional Location, in accordance with the terms and conditions in the Franchise Agreement for new Sbarro Restaurants (a copy of which is attached to this Disclosure Document as Exhibit A). The operation of your Sbarro Restaurant must be in accordance

with the system (the “System”) described in the Sbarro Confidential Manual of Operations (the “Operations Manuals”) and the Sbarro Food Procedures Manual (the “Recipe Manual”). The Operations Manuals and the Recipe Manual (collectively, the “Manuals”) are incorporated by reference into and are part of the Franchise Agreement, and have the same force and effect as other provisions in the Franchise Agreement. The Manuals are revised and updated periodically. We reserve the right to update the Manuals as we deem advisable, and, with each revision, you must follow the Manuals as they are revised. The revisions may have the effect of requiring you, without your consent, to alter the way in which you operate your unit. Your failure to comply with the Manuals, as revised, may result in the failure of your franchise and is a material breach of the Franchise Agreement.

Our affiliate Sbarro LLC may from time to time sell the assets of Conversion Restaurants (i.e., existing corporate-owned Sbarro Restaurants) to qualified prospects that enter into franchise agreements with us.

If you become a franchisee for a Conversion Restaurant, Sbarro LLC will sell you the furniture, fixtures, equipment, signage, goodwill and leasehold improvements necessary to operate the Sbarro Restaurant pursuant to an Asset Sale Agreement (“Sale Agreement”). A copy of the Sale Agreement is attached to this Disclosure Document as Exhibit B.

Sbarro is also in the business of operating and franchising food service facilities featuring Sbarro menu items that are (i) in kiosk locations; (ii) integrated into larger food service operations (such as hospital cafeterias); (iii) in institutional locations (such as college campuses and military bases); or (iv) in captive market locations (such as sports arenas, movie theaters, toll roads, highway rest stops, convention centers or membership warehouse retail stores). These Sbarro Restaurants are located in locations other than shopping malls, strip shopping centers, downtown buildings, convenience stores, truck stops and free-standing buildings (individually or collectively, the “Non-Traditional Locations”). Non-Traditional Locations may include Sbarro Restaurants operated in combination with other brand name food service operations, or types of food services which are not presently identifiable. Franchises for these Sbarro Restaurants are typically operated by national or regional entities having experience in running multi-unit, multi-concept and multi-location food service facilities. We typically offer franchises for carts or kiosks only where an acceptable fixed location is not available in a mall, airport or similar location. Carts and kiosks are usually smaller, more mobile locations. Conversion Restaurants do not include Non-Traditional Locations.

Industry Regulations

The restaurant industry is heavily regulated. The U.S. Food and Drug Administration, the U.S. Department of Agriculture and various state and local health departments administer and enforce laws and regulations that govern food preparation, food service and restaurant sanitation. The Patient Protection and Affordable Care Act requires restaurant chains with 20 or more locations to disclose nutritional information about menu items at the point of sale. Also, many of the laws, rules and regulations that apply to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupation, Health and Safety Act, also apply to restaurants. State and local

agencies regularly inspect restaurants to ensure that they comply with these laws and regulations.

Your development and operation of the Sbarro Restaurant will also be subject to compliance with applicable zoning, land use and environmental regulations as well as federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits and other employee matters. It is likely that a significant number of your Sbarro Restaurant's food service and preparation personnel will be paid at rates related to the federal minimum wage and, accordingly, further increases in the federal, state or local minimum wage will affect your labor costs.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards that limit emissions of ozone, carbon monoxide and particulate matters, including emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

If your location involves the sale of wine and/or beer, you must obtain an appropriate alcoholic beverage license from your state or local governmental authority. In addition, you may be required to obtain local business licenses and permits before beginning the operation of your Sbarro franchise.

We recommend that you check with your state and local agencies to determine which laws apply to the operation of a Sbarro Restaurant in your area. You should consider these laws and regulations when evaluating your purchase of a franchise.

Competition

The competition for our products includes the national Italian food chains as well as the local pizzeria in your neighborhood.

The food service industry is subject to numerous factors which may increase the business risk of the operation. These factors include, but are not limited to, competition from other food operations, economic conditions as well as the ability of the management of the specific unit to control costs, labor and overall operations.

The Franchise Agreement does not provide territorial protection or exclusivity for you. We reserve the right to establish additional Sbarro Restaurants or other facilities any place and to use our trademarks anywhere which may compete with you.

Discretionary Development Deals

We may, in our sole discretion, offer to developers the opportunity to enter into Development Agreements with us for development of new Sbarro Restaurants. The Development Agreement provides for the grant of rights to open and operate new Sbarro Restaurants in a particular territory through separate Franchise Agreements for reduced initial franchise fees and royalty fees in consideration of the developer's agreement to open and operate a specific number of Sbarro Restaurants within the territory, subject to a development schedule. Upon establishing each additional outlet under the development schedule, a developer may be required to sign the then-current Franchise Agreement,

which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Our agents for service of process are listed in Exhibit H to this Disclosure Document.

Item 2 BUSINESS EXPERIENCE

President and Chief Executive Officer: J. David Karam

Mr. Karam has served as the President and Chief Executive Officer of Sbarro Holdings, Inc., our parent, since April 2013 and of Sbarro since May 2014. Mr. Karam has served as Chairman of the Board of Sbarro Holdings, Inc. since December 2011 and of Sbarro since May 2014. All such positions were in Columbus, Ohio or, with respect to positions with us prior to October 22, 2014, in Melville, New York.

Chief Legal Officer and Secretary: Mark S. Inzetta

Mr. Inzetta has served as our Chief Legal Officer and Secretary in Columbus, Ohio since December 2014. Mr. Inzetta oversees all legal and compliance matters.

Chief Financial Officer: Brian Daniels

Mr. Daniels has served as our Chief Financial Officer in Columbus, Ohio since November 2016. He also served as Vice President of Finance from December 2015 to October 2016 and Director of Financial Planning & Analysis from September 2015 to November 2015.

Senior Vice President of Development: Carlo Agostinelli

Mr. Agostinelli serves as our Senior Vice President of Development in Columbus, Ohio. He joined us as our Vice President of Development in August 2016. Mr. Agostinelli focuses on franchising, real estate and related matters.

Chief Operating Officer: Boyd Johanson

Boyd Johanson joined Sbarro as Vice President of Operations in May 2017 and was promoted to Chief Operating Officer in January 2018. Mr. Johanson oversees operational matters.

Item 3 LITIGATION

No litigation is required to be disclosed in this Item.

Item 4 BANKRUPTCY

On March 10, 2014, Sbarro LLC, its parent Sbarro Holdings, Inc. and certain then-existing affiliates including Carmela's, LLC, Carmela's of Kirkman, LLC, Carmela's of Kirkman

Operating, LLC, Corest Management, Inc., Cucinova Easton, LLC, Cucinova Holdings, LLC, Cucinova Kenwood, LLC, Cucinova Olentangy, LLC, Demefac Leasing Corp., Larkfield Equipment Corp., Las Vegas Convention Center LLC, New Sbarro Finance, Inc., New Sbarro Intermediate Holdings, Inc., Sbarro America, Inc., Sbarro America Properties, Inc., Sbarro America, Inc., Sbarro Blue Bell Express LLC, Sbarro Commack, Inc., Sbarro Express LLC, Sbarro New Hyde Park, Inc., Sbarro of Las Vegas, Inc., Sbarro of Longwood, LLC, Sbarro of Virginia, Inc., Sbarro Pennsylvania, Inc., Sbarro Venture, Inc., Sbarro Properties, Inc., Sbarro's of Texas, Inc., Umberto at the Source, LLC, Umberto Deer Park, LLC, Umberto Hauppauge, LLC, Umberto Hicksville, LLC, Umberto Huntington, LLC and Umberto White Plains, LLC, filed a Chapter 11 bankruptcy proceeding to improve their financial stability and operating flexibility. This proceeding was filed in the U.S. Bankruptcy Court, Southern District of New York, Case # 14-10557 (MG). On June 2, 2014, Sbarro LLC's, and New Sbarro Finance, Inc.'s, and their affiliate's Plan of Reorganization became effective.

The last known address and place of business of each debtor that is no longer in existence was 401 Broadhollow Road, Melville, New York 11747. Debtors that emerged from bankruptcy and remain in existence maintain a current address and principal place of business at 1328 Dublin Road, Columbus, Ohio 43215.

Other than the bankruptcy listed above, no bankruptcy information is required to be disclosed in this Item.

Item 5 INITIAL FEES

Except as otherwise specified below, each of the following initial fees or payments are not refundable and are deemed fully earned by Sbarro on payment by the Franchisee.

I. DUE DILIGENCE FEE FOR FRANCHISE APPLICANTS

Each prospective franchisee may be required, in our discretion, to pay to Sbarro a fee of 15% of the per unit initial franchise fee at the time the franchise application is submitted, for Sbarro's costs incurred in conducting due diligence on you, such as various background investigations. This fee is non-refundable, but, if your application is approved, the due diligence fee will be applied towards your initial franchise fee described below. A copy of our standard franchise application is attached as Exhibit F. The high and low range for the actual due diligence fee paid by Franchisees in 2022 was \$0 to \$2,500.

II. FRANCHISE FOR A SBARRO RESTAURANT

You should expect to make the following initial payments to Sbarro before the time that the franchised location is ready to conduct business:

(A) Initial Franchise Fee

The initial franchise fee varies depending on the type of location involved and products to be offered for sale. Traditional Locations include shopping malls, airports, casinos, strip shopping centers, downtown locations, free-standing buildings and other high

pedestrian-traffic locations. The initial franchise fee for a Traditional Location is \$30,000. The initial franchise fee for a Non-Traditional Location ranges from \$20,000 to \$35,000 and is determined on a case-by-case basis, and varies depending on a number of factors, including type of Non-Traditional Location (e.g., carts or kiosks), products to be offered for sale, geographic location, local traffic patterns, visibility to the public and local competition. Generally speaking, a Non-Traditional Location refers to a Sbarro unit located in a travel center or convenience store. For example, if the type of Non-Traditional Location is a smaller unit, offering a reduced menu and displaying minimal trade dress (typically a lower level of investment for the franchisee, as indicated in Item 7), to be operated in a high volume sales area, the initial franchise fee might be at the lower end of the \$20,000 to \$35,000 range. On the other hand, if the Non-Traditional Location is to be operated as part of a national franchisee's established, larger, multi-concept food service facility, the franchise fee might be at the higher end of the range. The initial franchise fee with respect to both Traditional Locations and Non-Traditional Locations is also determined by us, based on our review of market conditions and the fee charged by our competitors. Among the market conditions that we consider are population density, demographics and expected traffic. Generally, higher expected store traffic would suggest an initial franchise fee at the higher end of the range. You will be apprised of the fee at least seven days before you sign the Franchise Agreement. This fee is a per unit fee and is payable each time a Franchisee is granted a franchise. The initial franchise fee is payable in full, at the time of execution and delivery of the Franchise Agreement along with all relevant agreements and any related documents.

Sbarro will not sign a Franchise Agreement for a Conversion Restaurant until the applicable existing Restaurant site has been agreed to by both Sbarro and the prospective franchisee. Sbarro generally does not sign a Franchise Agreement for a new Sbarro Restaurant until a Restaurant site has been identified and approved by both Sbarro and the prospective Franchisee. If a Franchise Agreement is signed for a new Sbarro Restaurant before site approval and a Sbarro Restaurant site is not located by you and approved by us within 90 days after the execution of the Franchise Agreement (the "Effective Date") either you or Sbarro may terminate the Franchise Agreement. If the new Sbarro Restaurant is not open to the general public for business within 210 days following the Effective Date, either you or Sbarro may terminate the Franchise Agreement by a written notice to the other party. If you are purchasing a Conversion Restaurant and have not opened your Conversion Restaurant within two (2) weeks after the date of possession of the site has been made available to you, Sbarro may terminate your Franchise Agreement on providing written notice to you. In the event of termination for failure to locate an approved site or open within the prescribed time frame, the initial franchise fee is refundable to you, less actual costs and expenses incurred by Sbarro. These costs could range between \$1,500 and \$10,000. Except as stated above, the initial franchise fee is non-refundable.

The initial franchise fee described above is uniform for prospective Franchisees for Sbarro Restaurants, as is the method of refund.

(B) Asset Purchase for a Conversion Restaurant

As discussed in Item 1, if you are purchasing a Conversion Restaurant from Sbarro, Sbarro will sell you the furniture, fixtures, equipment, signage, goodwill and leasehold

improvements necessary to operate a Conversion Restaurant pursuant to the Sale Agreement. In such event, we estimate that the purchase price under a Sale Agreement may range from approximately \$100,000 to approximately \$400,000, and will vary based on the historical operating performance of the Conversion Restaurant, the length of the term remaining on the lease and the value of the existing furniture, fixtures, inventory, equipment and signage. In addition, if Sbarro LLC or an Affiliate subleases the premises to you, you must pay a lease deposit ranging from \$0 to \$10,000.

III. DEVELOPMENT AND INITIAL FRANCHISE FEES IN CONNECTION WITH A DISCRETIONARY DEVELOPMENT DEAL

If we determine in our discretion to enter into a Development Agreement with you for new Sbarro Restaurants, you must pay to us a nonrefundable development fee at the time of signing your Development Agreement, at a minimum, you must pay a development fee equal to the sum of the initial franchise fees for each unit to the development agreement with such fees as set forth above in this Item 5. The Development Agreement will specify the amount of the initial franchise fee and the royalty rate applicable to Sbarro Restaurants opened thereunder and whether the arrangement will include any exclusive territory. Such terms will be negotiated at the time the Development Agreement is entered into and royalty rate may be less than the standard royalty rate referenced in this Disclosure Document, in consideration of the developer's agreement to open and operate a specific number of Sbarro Restaurants within the territory, subject to a development schedule.

Item 6 OTHER FEES

Franchise for a Sbarro Restaurant

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	5% to 7% of total Gross Revenues (See Note 1)	Payable weekly on Tuesday of each week for the preceding calendar week.	Gross Revenues includes all revenue from the franchise location. Gross Revenues does not include sales tax or use tax.
Local Advertising	1% of total Gross Revenues	Expenditure must be made monthly for the preceding month.	You must expend at least 1% of your Gross Revenues on local advertising.
Marketing Fund Fee	Up to 2% of total Gross Revenues	Payable weekly on Tuesday of each week for the preceding calendar week.	Sbarro may, upon 60 days prior notice to you, increase your required Marketing Fund contribution; provided that, such contribution shall not exceed 2% of your Gross Revenues. The Marketing Fund will be maintained and administered by Sbarro in accordance with this Disclosure Document.

Name of Fee	Amount	Due Date	Remarks
Additional Assistance	Actual cost	30 days after billing	Sbarro provides certain opening assistance at no additional cost to you. Generally, standard training is provided at no additional cost. However, if any scheduled training is cancelled by you or as a result of a delayed opening, you must reimburse Sbarro for out-of-pocket expenses incurred (including the travel, food and lodging costs of Sbarro's trainers) as a result of the cancellation.
Additional Rent	Varies, but generally, an amount equal to the rent payable under the primary lease, plus at our election, an additional rent charge of up to 1% of annual sales in consideration for our serving as the sublandlord under the Sublease.	Monthly	If we serve as the sublandlord under a leasing arrangement, we reserve the right to charge you additional rent in accordance with the terms of the sublease.
POS/Computer System Maintenance Fees	Provider's then-current fees.	Monthly	Paid to service provider or us as incurred. (See Note 2)
Online Ordering Program	Provider's then-current fees	Monthly	(See Note 3)
Web Site Hosting Fee	The then-current fee, as will be described in the Manuals (currently \$0). This fee may range from \$100 to \$1,000 annually.	When billed	You must pay any fee imposed by Sbarro for the Website, or your <i>pro rata</i> share of any fee imposed by a third party service provider, in connection with hosting the Website.
Transfer Fee	The greater of \$3,500 or 10% of the then-current Initial Franchise Fee.	Before consummation of transfer.	Payable when you sell your franchise. Any transfer is subject to approval by Sbarro.
Audit Costs	Understated Royalty Fee, interest, and costs of audit.	Within 15 days of audit report.	Payable only if discrepancy found. (See Note 4)
Inspection and Testing Costs	Costs of inspection and testing.	When billed.	You or the supplier, contractor or purveyor must pay for inspection of any facilities and testing of samples as a condition for approval.
Interest Payments	Maximum rate permitted by law; if no maximum rate, 18% per year.	When payments are received late.	Payable only if payments are late.

Name of Fee	Amount	Due Date	Remarks
Sbarro's Lost Profits Following Termination	The mathematical product of (a) the average monthly Royalty Fees, and Marketing Fund Fees, payable under your Franchise Agreement over the 12-month period preceding the date of termination (or a shorter time period if the Sbarro Restaurant has been open less than 12 months); (b) multiplied by the lesser of 36 or the number of months remaining in the term of your Franchise Agreement.	If incurred, on termination.	If your Franchise Agreement is terminated because of your default, you must compensate Sbarro for its lost profits resulting from the termination.
Renewal Fee	\$7,500	Before Renewal	
Relocation Fee	\$1,000	On Sbarro's approval of relocation request	Payable when you relocate your franchise. Any relocation is subject to approval by Sbarro.
Insurance	Varies based on scope of coverage, amount of deductible and market rates proposed by the insurance carriers. The annual premium cost for the insurance package that encompasses the policies of insurance that you must maintain as specified in the Franchise Agreement is estimated to be \$1200.	When billed	If you do not obtain required insurance, we may purchase it on your behalf and charge you for it and for our costs and expenses.
Forms, Materials and Special Operating Assistance	Varies based on the type of form, material or special operating assistance that may be necessary, which will be established on a case-by-case basis. For this reason, we cannot estimate this amount.	When billed	We may charge a reasonable fee for forms, materials and special operating assistance made necessary in our judgment as a result of your failure to comply with the Franchise Agreement, the Manuals or our specifications, standards or other operating procedures.
Enforcement Costs	All costs including reasonable accounting and attorney's fees	On demand	You will reimburse us for all costs we incur in enforcing your obligations.
Note 1: The Royalty Fee is determined on a case-by-case basis, depending on a variety of factors. Franchisees must pay an initial franchise fee of at least \$25,000 to be eligible for a 5% royalty fee. Other factors that Sbarro considers in determining the royalty fee include, but are not limited to, the number of units the franchisee is purchasing, whether the franchisee is new to the system or an existing franchisee, and the franchisee's prior business experience in operating restaurants similar to Sbarro Restaurants. If we, in our discretion, enter into a Development Agreement with you, we may, in our discretion, reduce the amount of royalty fees for Sbarro Restaurants developed under such arrangement to less than 5% of Gross Revenues as further discussed in Item 5 and Item 12. Note 2: The cost to maintain and update the POS/Computer System is estimated to be approximately \$200 to \$500 per month (\$2,400 to \$6,000 annually) for a multi-year agreement.			

Name of Fee	Amount	Due Date	Remarks
Note 3: Franchisees are offered the opportunity to participate in an "on-line" food ordering program through Olo, Inc., a Delaware Corporation, for customers to order food on-line from a Restaurant. Franchisees are not required to participate but are strongly urged to do so.			
Note 4: If the discrepancy is 5% or more, you must reimburse Sbarro for all costs associated with the audit (including compensation for an independent accountant and Sbarro employees, and their respective travel expenses, room and board).			

Unless otherwise indicated above, all of the fees listed are imposed by, payable to and collected by Sbarro, are non-refundable, and are uniformly imposed.

Item 7 ESTIMATED INITIAL INVESTMENT

Franchise for a New Sbarro Restaurant – Single Unit

Type of Expenditure	Traditional Location	Non-Traditional Location	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (See Note 1) (See Note 2)	\$30,000	\$20,000 to \$35,000	Lump Sum	On signing the agreement	Sbarro
Lease (See Note 3)	\$10,000 to \$50,000	8% of sales to \$100,000	As arranged	On signing the lease	Landlord
Leasehold Improvements (See Note 4)	\$50,000 to \$450,000	\$50,000 to \$450,000	As arranged	As incurred	Contractors and suppliers
Purchase of Initial Equipment Package (See Note 5)	\$50,000 to \$200,000	\$50,000 to \$200,000	As arranged	Before opening, on ordering the equipment	Contractors and suppliers
POS/Computer System (See Note 6)	\$3,000 to \$20,000	\$3,000 to \$20,000	As arranged	As arranged	Suppliers
Permits & Licenses	\$2,000 to \$5,000	\$250 to \$5,000	As arranged	As incurred	Governmental authorities
Outside Signs Or Menuboard	\$10,000 to \$25,000	\$20,000 to \$50,000	As arranged	Before order is placed	Suppliers
Insurance Package (See Note 7)	\$1,200 to \$2,500	\$1,200 to \$2,500	As arranged	Before opening	Insurers
Opening Inventory & Supplies	\$16,000	\$16,000	As arranged	Within 1 week of opening	Suppliers
Training Expenses (See Note 8)	\$7,000 to \$15,000	\$7,000 to \$15,000	As arranged	During training	Food, lodging and transportation providers.
Utility Installations & Deposits (See Note 9)	\$200 to \$2,000	\$200 to \$2,000	As arranged	As incurred	Suppliers
Architectural Fees	\$15,000 to \$25,000	\$15,000-\$25,000	Lump sum or as arranged	Lump sum or as incurred	Architect
Project Design and Vendor Coordination (See Note 10)	\$0 to \$10,500	\$0-\$10,500	As arranged	As incurred	Sbarro
Legal & Accounting	\$2,500 to \$5,000	\$2,500 to \$5,000	As arranged	Before opening	Service providers
Additional Funds (1 to 3 months) (See Note 11)	\$10,000 to \$15,000	\$10,000 to \$15,000	As arranged	As incurred	Various third parties
Totals	\$206,900 to \$871,000	\$300,150 plus gross sales to \$951,000			

Note 1: Please refer to Item 5, Subsection II(A), for details about the initial franchise fee and the circumstances under which it may be refundable, less our expenses, estimated to range between \$1,000 and \$10,000. We will credit any due diligence fee you pay to us (no such due diligence fees were charged in 2022) towards the initial franchise fee. As discussed in Item 5, Subsection III, the initial franchise fee may be reduced if we, in our discretion, enter into a Development Agreement with you.

Note 2: As discussed in Items 5 and 12, if we, in our discretion, decide to enter into a Development Agreement with you, you will pay us an initial nonrefundable development fee, which is further discussed in a later chart in this Item 7.

Note 3: This estimate includes three months' rent for leasing the premises of the Sbarro Restaurant, plus one month's rent as security deposit, if applicable. These figures assume that the Sbarro Restaurant will occupy approximately 1000 – 2200 square feet for an "in-line" location, and approximately 750 square feet for a "food court" location. If Sbarro LLC or an Affiliate paid a security deposit to the landlord under the existing lease, you also must pay to Sbarro LLC a security deposit in the same amount (estimated to be between \$0 and \$10,000.) Nearly every Franchisee leases the Sbarro Restaurant premises, and we do not have information about the cost of Franchisee's acquiring real property and constructing a Sbarro Restaurant.

Note 4: Generally includes heating, plumbing, ventilation and air conditioning facilities, flooring, ceilings, walls, decor and all other interior requirements to make the location ready for the installation of restaurant equipment and fixtures. These figures assume that the Sbarro Restaurant will occupy approximately 1000 – 2200 square feet for an "in-line" location, and approximately 750 square feet for a "food court" location. The estimated cost of leasehold improvements will vary with the size and the condition of the leased premises. As a "rule of thumb", the estimated cost of leasehold improvements for (a) an "in-line" location will range from \$60 to \$180 per square foot of space leased, (b) a "food court" location will range from \$150 to \$400 per square foot of space leased.

Note 5: This estimate includes the costs of purchasing the necessary furniture, fixtures, millwork counters, equipment, beverage systems, and related items for your Sbarro Restaurant.

Note 6: This estimate includes the costs of purchasing the computer hardware and software required by the Franchise Agreement, and hardware and software maintenance fees for one year.

Note 7: The insurance package encompasses the policies of insurance that you must maintain as specified in the Franchise Agreement. It has been our experience that your lease will not require any additional insurance policies. The amounts set forth in the table represent anticipated annual premium cost for applicable insurance.

Note 8: Travel and living expenses while attending Sbarro's training programs are not included in the fees paid by you to Sbarro. At the present time, training of approximately

4 weeks duration for 2 to 4 people is provided at one of Sbarro's training centers. Hotel, food and local travel expenses range from about \$150 to \$250 per person per day.

Note 9: Not all utility companies require a deposit.

Note 10: As described in the "pre-opening obligations" in Item 11, Sbarro may offer to you certain design, construction, vendor-engagement, and other services for a fee payable by you to Sbarro. Although you are obligated to comply with Sbarro's specifications under Item 11, you are not obligated to utilize Sbarro to perform the services described in the preceding sentence and you may utilize any one or more vendors to perform such obligations as may be permitted hereunder.

Note 11: You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We encourage you to seek the advice of a business advisor, such as a lawyer and/or accountant to help formulate a business plan and methodology of business operation. Additional funds are estimates only and are intended to apply only during the initial phase of operation. Sbarro has based its estimate of necessary additional funds on the experience of its affiliates which own and operate restaurants and also on the experience of its franchisees. Additional funds should not be considered as a source for living expenses during the first year. Additional funds are not intended to be used for initial security deposits or prepayments.

Franchise for a Sbarro Conversion Restaurant – Single Unit

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Traditional Location	Non-Traditional Location	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (See Note 1)	\$30,000	\$20,000 to \$35,000	Lump Sum	On signing the agreement	Sbarro
Lease (See Note 2)	\$2,000 to \$25,000	\$2,000 to \$25,000	As arranged	On signing the lease	Landlord
Restaurant Purchase Price	\$50,000 to \$300,000	\$50,000 to \$300,000	As arranged	At closing of Purchase Agreement	Sbarro
Leasehold Improvements (See Note 3)	Included in Restaurant Purchase Price	Included in Restaurant Purchase Price	As arranged	At closing of Purchase Agreement	Sbarro
Purchase of Initial Equipment Package (See Note 4)	Included in Restaurant Purchase Price	Included in Restaurant Purchase Price	As arranged	At closing of Purchase Agreement	Sbarro
POS/Computer System (See Note 5)	Included in Restaurant Purchase Price	Included in Restaurant Purchase Price	As arranged	At closing of Purchase Agreement	Sbarro
Permits & Licenses	\$2,000 to \$5,000	\$2,000 to \$5,000	As arranged	As incurred	Governmental authorities
Outside Signs Or Menuboard (See Note 6)	Included in Restaurant Purchase Price	Included in Restaurant Purchase Price	As arranged	At closing of Purchase Agreement	Sbarro

Type of Expenditure	Traditional Location	Non-Traditional Location	Method of Payment	When Due	To Whom Payment is to be Made
Insurance Package (See Note 7)	\$1,200 to \$2,500	\$1,200 to \$2,500	As arranged	Before opening	Insurers
Opening Inventory & Supplies (See Note 8)	Included in Restaurant Purchase Price	Included in Restaurant Purchase Price	As arranged	At closing of Purchase Agreement	Sbarro
Training Expenses (See Note 9)	\$7,000 to \$15,000	\$7,000 to \$15,000	As arranged	During training	Food, lodging and transportation providers.
Utility Installations & Deposits (See Note 10)	\$200 to \$2,000	\$200 to \$2,000	As arranged	As incurred	Suppliers
Legal & Accounting	\$2,500 to \$5,000	\$2,500 to \$5,000	As arranged	Before opening	Service providers
Additional Funds (1 to 3 months) (See Note 11)	\$5,000 to \$10,000	\$5,000 to \$10,000	As arranged	As incurred	Various third parties
Totals	\$99,600 to \$394,500	\$89,900 to \$399,500			

If you are purchasing a Conversion Restaurant from Sbarro, Sbarro LLC will sell you the leasehold improvements for operation of the Conversion Restaurant and this amount will generally be included in the applicable purchase price.

Note 1: Please refer to Item 5, Subsection II(A), for details about the initial franchise fee and the circumstances under which it may be refundable, less our expenses, estimated to range between \$1,500 and \$10,000. We will credit any due diligence fee you pay to us (no such due diligence fees were charged in 2021) towards the initial franchise fee.

Note 2: This estimate includes three months' rent for leasing the premises of the Sbarro Restaurant, plus one month's rent as security deposit, if applicable. These figures assume that the Sbarro Restaurant will occupy approximately 1000 – 2200 square feet for an "in-line" location, and approximately 750 square feet for a "food court" location. If you will be purchasing a Conversion Restaurant, Sbarro LLC or an Affiliate will sublease to you the premises of the Conversion Restaurant and may, in its discretion, charge you additional rent in an amount of up to 1% of your Gross Revenues (such discretionary additional rent is not included in the amounts reported in this table). If Sbarro LLC or an Affiliate paid a security deposit to the landlord under the existing lease, you also must pay to Sbarro LLC a security deposit in the same amount (estimated to be between \$0 and \$10,000). Nearly every Franchisee leases the Sbarro Restaurant premises, and we do not have information about the cost of Franchisee's acquiring real property.

Note 3: Generally includes heating, plumbing, ventilation and air conditioning facilities, flooring, ceilings, walls, decor and all other interior requirements to make the location ready for the installation of restaurant equipment and fixtures. These figures assume that the Sbarro Restaurant will occupy approximately 1000 – 2200 square feet for an "in-line" location, and approximately 750 square feet for a "food court" location. The estimated

cost of leasehold improvements will vary with the size and the condition of the leased premises. As a “rule of thumb”, the estimated cost of leasehold improvements for (a) an “in-line” location will range from \$60 to \$180 per square foot of space leased, and (b) a “food court” location will range from \$150 to \$400 per square foot of space leased.

Note 4: This estimate includes the costs of purchasing the necessary furniture, fixtures, millwork counters, equipment, beverage systems, and related items for your Sbarro Restaurant. If you are purchasing a Conversion Restaurant from Sbarro, Sbarro LLC will sell you such items and this amount will generally be included in the applicable purchase price.

Note 5: This estimate includes the costs of purchasing the computer hardware and software required by the Franchise Agreement, and hardware and software maintenance fees for one year. If you are purchasing a Conversion Restaurant from Sbarro, Sbarro LLC will sell you such items and this amount will generally be included in the applicable purchase price.

Note 6: If you are purchasing a Conversion Restaurant from Sbarro, Sbarro LLC will sell you such items and this amount will generally be included in the applicable purchase price.

Note 7: The insurance package encompasses the policies of insurance that you must maintain as specified in the Franchise Agreement. It has been our experience that your lease will not require any additional insurance policies. The amounts set forth in the table represent anticipated annual premium cost for applicable insurance.

Note 8: If you are purchasing a Conversion Restaurant, Sbarro LLC will sell you such items (e.g., opening supplies of food, cleaning supplies and paper products) and this amount will generally be included in the applicable purchase price.

Note 9: Travel and living expenses while attending Sbarro’s training programs are not included in the fees paid by you to Sbarro. At the present time, training of approximately 4 weeks duration for 2 to 4 people is provided at one of Sbarro’s training centers. Hotel, food and local travel expenses range from about \$150 to \$250 per person per day.

Note 10: Not all utility companies require a deposit.

Note 11: You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We encourage you to seek the advice of a business advisor, such as a lawyer and/or accountant to help formulate a business plan and methodology of business operation. Additional funds are estimates only and are intended to apply only during the initial phase of operation. Sbarro has based its estimate of necessary additional funds on the experience of its affiliates which own and operate restaurants and also on the experience of its franchisees. Additional funds should not be

considered as a source for living expenses during the first year. Additional funds are not intended to be used for initial security deposits or prepayments.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

New Restaurant (not Conversion)

Convenient Store/ Truck Stop

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee 3 Units (See Note 1)	\$90,000	\$90,000	Lump Sum	At signing of Development Agreement	Franchisor See Note 1 and Item 5.
Initial Investment (for 1 st Unit) (See Note 2)	280,150	\$916,000	Varies.	Varies.	Varies.
TOTAL	\$370,150	\$1,006,000			See Note 2.

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

New Restaurant (not Conversion) In-line Shopping Center/Food Court Unit

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee 3 Units (See Note 1)	\$90,000	\$90,000	Lump Sum	At signing of Development Agreement	Franchisor See Note 1 and Item 5.
Initial Investment (for 1 st Unit) (See Note 2)	\$176,900	\$841,000	Varies.	Varies.	Varies.
TOTAL	\$266,900	\$931,000			See Note 2.

Note 1: The amounts listed in this row represent the total amounts due as the development fee for the minimum three (3) units in a Traditional In-Line Location under a development agreement – which is \$30,000 per unit multiplied by three.

Note 2: Please refer to the Item 7 Table for the Estimated Initial Investment for a single unit franchise for the expenses associated with opening a Sbarro Business under a Franchise Agreement pursuant to a Development Agreement. Note that this row does not include the Initial Franchise Fee for the three (3) franchise units, as part of such fee is included in the first row of this chart and is what comprises the Development Fee.

Except as otherwise described in the notes above, the preceding charts provide an estimate of your initial investment for a new Sbarro Restaurant or a Conversion Restaurant or a Development arrangement, and the costs necessary to begin operation of your Sbarro Restaurant. All costs listed above are estimates only. Actual costs will vary for each Franchisee and each location depending on a number of factors including location, unit size, inflation and other general and variable economic conditions. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. We do not offer any financing for any part of the initial investment for a new Sbarro Restaurant or a Conversion Restaurant.

Figures given represent the best estimates currently known to Sbarro for these costs. The estimated amounts stated above as required for additional funds, deposits and prepaid expenses are predicated on an assumption that sales from the operation will be positive from the inception. The figures stated above for additional funds do not include any provision for managerial salaries or draws, promotion expenses or legal, accounting and other miscellaneous administrative expenses.

In addition, it is likely that you will finance a substantial portion of the above costs and expenditures. The foregoing figures do not take into account the finance charges and related costs of such financing. Unless otherwise noted, all fees and expenses are not refundable or are refundable in accordance with the payee's policies.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All food and beverage ingredients, and all other products and services, equipment, software, computer and POS/Computer Systems (for further discussion of the POS/Computer Systems requirements, see Item 11: POS/Computer System), marketing and advertising materials and all paper and other goods bearing the SBARRO or other proprietary designation purchased for your restaurant must conform to Sbarro's specifications and must be purchased from approved suppliers, if these suppliers are so designated. You must purchase, install and use the computer hardware and software, point-of-sale and cash register equipment as Sbarro requires, and sign any and all related maintenance, support, license and/or other agreements as required by Sbarro. The cost of these items, purchased in accordance with Sbarro's specifications, will represent approximately 80% to 100% of your total purchases for the establishment and operation of your restaurant. Required specifications are prescribed by Sbarro in the System and may be modified occasionally and communicated to you in writing. A list of approved suppliers is available for your review upon request. Approved suppliers receive the specifications directly from Sbarro. These specifications include standards for quality,

taste, design, appearance and performance. Sbarro may, by notice to you, issue additional specifications or alter existing specifications for these items and add or delete approved suppliers. Sbarro does not make any express or implied warranties about any items recommended for your use.

If you want to purchase or lease equipment, supplies, products or services from a supplier that has not been approved by Sbarro, Sbarro may require you to reimburse our expenses to visit the proposed supplier and submit specifications, drawings, photographs, samples and other relevant information for examination or testing. Sbarro reviews proposed suppliers of various products based on factors (the "Supplier Factors") like the utility of the product, quality of the product, capability of the supplier, compatibility with Sbarro's established distribution system and other relevant factors. Sbarro's criteria for supplier approval are available to franchisees. Other than the reimbursement of our expenses in reviewing a potential supplier, there is no fee to apply for approval of a new supplier. You must present Sbarro with information about the proposed supplier and a prototype of the product to be supplied. Sbarro will approve or disapprove a proposed supplier within 30 days of receipt of the prototype and all requested information. If a proposed supplier is approved, you may thereafter contract with such supplier for the approved products and services unless such approval is thereafter revoked. Sbarro may revoke approval of a supplier if the supplier fails to continuously satisfy the Supplier Factors. Sbarro and its affiliates are not approved suppliers of any goods or services and derive no revenues from sales of goods or services to the franchisees except as set forth in the next two paragraphs. No officer of Sbarro owns an interest in any approved supplier.

Sbarro has approved and recommends Orkin as its service supplier for pest control and extermination. Sbarro has approved and recommends Performance Food Group, Inc. d/b/a Vistar Corporation ("Vistar") as its supplier for food and paper products and Pepsi for all bottled beverage products. To ensure consistent quality, Sbarro has negotiated volume supply arrangements with a number of food and beverage companies. Products from all of these suppliers are available to Franchisees, either through Vistar or directly from the supplier.

We encourage our suppliers to offer their best prices to you. However, some suppliers provide additional assistance in the form of payments to us based on sales made (to both company owned and franchised stores) or direct contributions. In 2022, the total revenue of New Sbarro Finance and its subsidiaries was approximately \$126,600,000 and New Sbarro Finance and its subsidiaries received rebates and contributions of approximately \$608,000 (i.e., 0.0048% of total revenues) from suppliers, which was generally based on amounts of purchases by all operators of company owned and franchised restaurants on a contribution per gallon, per case or per pound basis, as applicable. In 2022, New Sbarro Finance and its subsidiaries did not receive any revenue from additional rent. Sbarro does not maintain a purchasing or distribution cooperative for its franchisees. Sbarro has established national pricing programs with certain suppliers who provide the sale of certain goods to its franchisees within certain guidelines. You are required to purchase from approved suppliers.

Sbarro reserves for itself and its affiliates the absolute right to be a sole source of supplies or the sole designator of suppliers, contractors or purveyors who will provide products, ingredients or mixes involving trade secrets, confidential formulae or confidential recipes and will have no obligation to release any trade secret, confidential formulae or confidential recipes to you or any supplier, contractor or purveyor, provided that we are not currently the only approved supplier.

On occasion, we may purchase and resell restaurant equipment to franchisees. We are not the only approved supplier of such items. Except as described above, we do not provide any material benefits to you that are substantially based on your purchase of particular products or services or use of designated or approved suppliers.

Currently, no Sbarro officer owns any interest in any supplier.

You must obtain and maintain insurance policies protecting you, us and our affiliates, and our respective shareholders, members, managers, directors, employees, and agents against any demand or claim regarding personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with the construction and/or operation of your restaurant. Such policies must be written by an insurer authorized to write coverage in your state, having an A M Best rating of at least A-VI that we find acceptable and conforming to our standards. All insurance policies you purchase must name us (and any affiliate we designate) as additional insureds and provide for 30 days' prior written or statutory notice to us of a policy's material modification or cancellation and 10 days' notice for non-payment of premium. If the additional insured has other insurance applicable to a loss, it will be on an excess or contingent basis. The additional insured's insurance coverage will not be reduced by the existence of such other insurance.

If we are informed that the proper insurance is not in place, we have the right to force place coverage and charge you for the coverage and a reasonable administrative fee. The type of coverage must include:

- (i) "All Risk Property Insurance", on a full replacement cost basis, covering improvements and betterments; furniture and fixtures; personal property/contents; direct and contingent business interruption; loss of income/extra expense; Signs coverage; Rents and other fees due and payable to the landlord, merchant's association, etc.; Royalty Fees due and payable to SBARRO hereunder for a period of at least 6 months. Equivalent "All Risk" property insurance forms may be used if coverage is at least as broad;
- (ii) Comprehensive General Liability (herein "CGL") insurance on Standard 1993 or later ISO Form at limits of \$1,000,000 per occurrence/\$2,000,000 aggregate (if the Franchisee operates more than one SBARRO restaurant, then the aggregate limit shall apply for each such location) subject to no deductible and no contractual limitation other than those found in a Standard Commercial General Liability Coverage Form. Equivalent forms of CGL Insurance may be used if coverage is at least as broad;

(iii) If Franchisee is authorized to offer liquor for sale at the Restaurant, then Liquor Legal Liability insurance must be included within the Franchisee's CGL insurance coverage, within the specified limits or separate equivalent coverage shall be provided in writing;

(iv) Commercial Automobile Policy containing \$1,000,000 combined single limit of bodily injury and property damage liability, and which must include coverage for hired and non-owned vehicles as well as any owned or leased vehicles, if any;

(v) Statutory Workers' Compensation insurance to statutory limits and Employer's Liability insurance with minimum limits of at least \$1,000,000 including such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located; and

(vi) Commercial Umbrella Liability insurance with limits which being the total of all primary underlying coverages (CGL, Employer's Liability and Liquor Legal Liability) to a minimum of \$5,000,000 total limit of liability. Such umbrella liability insurance shall provide, at a minimum, those coverages and endorsements required in the underlying policies and shall follow the form of such underlying policies.

Item 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Item in Disclosure Document
a) Site selection and acquisition/lease	Sections 4 & 6	Section 3	5, 7 & 11
b) Pre-opening purchases/leases	Sections 6 & 8	Not Applicable	8
c) Site development and other pre-opening requirements	Sections 4, 5, 6 & 8	Sections 2, 3, 4	6, 7 & 11
d) Initial and ongoing training	Section 8	Not Applicable	11
e) Opening	Section 6	Section 1	11
f) Fees	Sections 8, 9, 11, 18, 19, 20 & 25	Section 2	5 & 6
g) Compliance with standards and policies/ operating manual	Sections 5, 9, 10 & 14	Sections 3, 4, 6	11

Obligation	Section in Franchise Agreement	Section in Development Agreement	Item in Disclosure Document
h) Trademarks and proprietary information	Sections 1 & 17	Section 7	13 & 14
i) Restrictions on products/ services offered	Sections 5, 9, 20 & 21	Not Applicable	16
j) Warranty and customer service requirements	Section 9	Not Applicable	11
k) Territorial development and sales quotas	Not Applicable	Section 3	12
l) Ongoing product/ service purchases	Sections 5, 7, 8, 9, 10 & 20	Not Applicable	8
m) Maintenance, appearance and remodeling requirements	Sections 7 & 9	Not Applicable	11
n) Insurance	Section 16	Not Applicable	6 & 8
o) Advertising	Sections 11 & 19	Not Applicable	7 & 11
p) Indemnification	Sections 16 & 27	Section 8, 18 (Guaranty)	6
q) Owner's participation/ management/staffing	Sections 9 & 15	18 (Guaranty)	6 & 11
r) Records/reports	Sections 12 & 13	Not Applicable	6
s) Inspection/audits	Section 21	Not Applicable	6 & 11
t) Transfer	Section 25	Section 9	17
u) Renewal	Section 3	Section 5	17
v) Post-termination obligations	Sections 23, 24 & 25	Section 8	17
w) Non-competition covenants	Sections 24 & 25	Section 6	17
x) Dispute resolution	Sections 21 & 28	Section 14	17

Item 10 FINANCING

Except as described below, Sbarro does not offer direct or indirect financing, or guarantee your note, lease or obligation.

SUBLEASE

For Conversion Restaurants, Sbarro LLC or an Affiliate will sublease the premises to you under the terms of a Sublease Agreement ("Sublease") in the form attached to this Disclosure Document as Exhibit C. The term of your Sublease will coincide with, and be coterminous with, the term of the existing lease and your Franchise Agreement; provided, however, that, upon expiration of the current term of the Sublease, neither Sbarro LLC nor the Affiliate, as applicable, will renew the direct lease with the landlord, and you must negotiate your own lease with the landlord. Under the Sublease, you must make monthly rental payments for the premises directly to the landlord. We reserve the right to charge you, in addition to the rent payable under the primary lease, an additional rent charge of up to 1% of annual sales in consideration for our serving as the sublandlord under the Sublease. The amount of your required rental payments, the number of monthly payments, and other terms of your Sublease will vary depending on the terms of the existing lease for your Conversion Restaurant. You may not pre-pay the base rent payable under the Sublease. If Sbarro LLC or the Affiliate paid a security deposit to the landlord under the existing lease (the amount of which generally does not exceed two months' rent), you must reimburse Sbarro LLC or the Affiliate, as applicable, for this amount. This security deposit, if any, is payable as an "adjustment" at the time of closing under the Sale Agreement. The security deposit is refundable, provided you are not in default of the Sublease, on termination or expiration of the Sublease. If you default under your Sublease, Sbarro LLC or an Affiliate may: (1) pursue all legal and equitable remedies as are granted to the landlord under our lease for the premises with the landlord; (2) elect to perform your obligations under the Sublease, take possession of the premises, furniture, fixtures, and equipment, and recover their costs and expenses associated with doing so from you; (3) retain your security deposit; and, if your Sublease is terminated because of a default by you, we may (4) terminate your Franchise Agreement; (5) accelerate rent; and (6) require you to pay court costs, attorney's fees and related costs. The Sublease does not contain a provision requiring you to waive any legal rights, however any defenses must be asserted as affirmative claims in a separate action. We reserve the right to require persons other than you to guarantee payment of your financial obligations.

We do not currently receive payment from any person or persons for obtaining or placing financing, but we reserve the right to do so. Sbarro LLC and our Affiliates who sublease Sbarro Restaurant locations to franchisees have not in the past, do not currently, and do not intend in the future to, sell or assign their rights in any Sublease, but reserve the right to do so.

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

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

Pre-Opening Obligations

Before you open your franchised business, Sbarro or its designee will:

- (1) Provide you with assistance in the site evaluation and selection process once you have located a particular site for a new Restaurant; or, in the case of a Conversion Restaurant, review locations as to which leases have already been signed by Sbarro or its Affiliate (Franchise Agreement, Section 4). Sbarro does not generally own the premises of Restaurants.
- (2) Provide you with specifications for the inventory and supplies, equipment, furniture, fixtures and related elements of decor, and the exterior and interior signs required for the Restaurant (Franchise Agreement, Sections 5 & 6). In connection with the foregoing specifications, Sbarro or its designee may offer to provide certain design, construction, vendor-engagement, or other services for a fee payable by you to Sbarro. Although you are obligated to comply with Sbarro's specifications under this Item 11, you are not obligated to utilize Sbarro to perform the services described in the preceding sentence and you may utilize any one or more vendors to perform such obligations as may be permitted hereunder.
- (3) Approximately five weeks before the scheduled opening of the Restaurant, provide approximately four weeks of training in the operation of a Sbarro Restaurant as described below and as Sbarro deems necessary. The training program is at no extra charge, however, you must pay for all of your trainees' expenses in attending such training program (Franchise Agreement, Section 8).

Site Selection

If you will open a new Restaurant and you have not selected a location before signing the Franchise Agreement, you must immediately seek to locate a suitable site within your designated general geographic area. If you do not locate a site that we approve within 90 days after signing the Franchise Agreement, either you or we may terminate the Franchise Agreement. If you do not select a site and you or we terminate the Franchise Agreement, Sbarro will refund the initial franchise fee, less Sbarro's actual out-of-pocket costs expenses, including but not limited to, site selection expenses, travel and living expenses, legal and other related expenses that Sbarro may incur. Sbarro will refund the initial franchise fee within seven days after receiving notice from you of your option to terminate the Franchise Agreement. Sbarro will not pay interest on the refund of the initial franchise fee. When approving a site, we consider, among other things, pedestrian traffic and the presence of competitors.

You are responsible for ensuring that the Restaurant is developed and operating in accordance with applicable laws and regulations. You acknowledge that our acceptance of a site and any information communicated to you regarding our standard site selection criteria for Restaurants does not constitute a representation of any kind, express or implied, as to the suitability of the site for a Restaurant or for any other purpose, or whether you can expect to achieve a particular level of sales and profits from operating a Restaurant at the site. Our acceptance of the site only signifies that we are going to grant a franchise for you to operate a Restaurant at that location. Your decision to develop and operate a Restaurant at the site is based solely on your own independent investigation of the suitability of the site.

Opening The Restaurant

Except in the case of a Conversion Restaurant, we estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Restaurant is typically not more than six months. You must have your Restaurant open for business within 210 days following the Effective Date. In the case of a Conversion Restaurant, you must open your Restaurant within two weeks from the date you obtain possession of the Restaurant location. Factors that may affect this time period include the search, selection and acquisition or lease of a satisfactory site for a new Restaurant, the need to make any repairs or remodeling to a Conversion Restaurant, and the negotiation by the Franchisee of suitable financing.

During the operation of the Restaurant, Sbarro or its designee will:

- (1) Provide operating assistance in connection with the operation of the Restaurant as Sbarro determines to be necessary (Franchise Agreement, Section 10). Such advice and guidance includes, but is not limited to, personnel; menus, food recipes, preparations and requirements; advertising and promotions; product pricing; and evaluating new food developments;
- (2) Provide instructional and other training materials (in addition to the Manuals) as Sbarro determines may be helpful in improving the operation of the Restaurant (Franchise Agreement, Section 8); and
- (3) Advise you occasionally of operating problems in the Restaurant that are disclosed or indicated by reports submitted by you or as disclosed by Sbarro's inspections. You must correct any such problems (Franchise Agreement, Section 10).

We may, in our sole discretion, set the minimum retail price you may charge (as permitted by Federal, state and local law) for your goods and services. In your sole discretion, you may set higher prices than our prescribed minimum prices for your goods and services.

Training for All New Franchisees

Sbarro's training program is conducted on a continuing basis as needed. The training program is mandatory for all new and existing Franchisees and must be completed to Sbarro's satisfaction. Depending on the size and location of the Restaurant, Sbarro will, at its discretion, require you to send up to four trainees to the training program. One of

the trainees must be the full-time manager of the Restaurant. Among the criteria we consider in determining how many trainees must attend the training program is whether trainees have previous restaurant management experience, hours of operation and number of employees your location will need. Sbarro typically advises franchisees of the number of required trainees at least 30 days before they must attend the training program. Your manager and trainees must begin the positional training program at least five weeks before your Restaurant's scheduled opening date, and we anticipate that your manager and trainees will complete training a minimum of one week before your Restaurant's scheduled opening date (for a Conversion Restaurant, training will begin before you receive possession of your Restaurant). Sbarro reserves the right to require additional, ongoing training as needed.

Training is conducted on a regular basis at an approved Sbarro Restaurant. We make every effort to have the training location in the market closest to where your Restaurant will be located. Sbarro currently has approximately 30 Restaurants run by Training Store Managers. The training program is provided without additional charge to you. You are responsible, though, for all your trainees' costs and expenses, including transportation, housing and living expenses while they attend such program. If any scheduled training is cancelled by reason of you or your delayed opening of the Restaurant, you must also reimburse Sbarro for Sbarro's out-of-pocket expenses incurred (including the travel, food and lodging costs of Sbarro's trainers) as a result of the cancellation. The training is conducted by Sbarro or its designee's trainers and service employees with experience in the restaurant industry including experience at Sbarro. The instructional materials consist of the Sbarro Training Manual (approximately 80 pages), Procedures Manual (approximately 90 pages), Recipe Book (approximately 200 pages, depending on venue) and additional Manuals, Management Planners, Food Safety Books, computer/ invoice order guides, videos, tools and forms. The training program is overseen by Boyd Johanson, our Chief Operating Officer with support from Harry Erardi, Senior Director of Field Training and Johnny McPherson, Field Training Manager. Both Harry and Johnny have been with the company for a variety of roles for nearly 50 years combined. Training Store Managers have an average of 7.9 years of experience with Sbarro.

Should operational standards and execution at your restaurant(s) fall below acceptable levels, Sbarro may, at its own discretion, require retraining of one or more members of your team.

TRAINING PROGRAM

Subject	Hours of Training*	Location
Mama's Way, consisting of the following sections: Guest Service Food Safety Safety and Security Health and Hygiene, Dress and Appearance	10	Approved Sbarro Restaurant. We make every effort to have the training location in the market closest to where your Restaurant will be located.

Subject	Hours of Training*	Location
Core Skills and Positions, consisting of the following sections: Cashier Prep Pizza and Stromboli Server Steam and Salads Desserts Sampling Dishwashing Equipment	110	Sbarro Restaurant, usually located in a market area closest to where your Restaurant will be located
Restaurant Leadership, consisting of the following sections: People Building Sales Local Store Marketing Maximizing Third Party sales Holiday Preparation Cash Control Labor and Scheduling Food Costs and Inventory P&L Management Minimizing Claims Franchising The Sbarro Exchange Leading Your Shift Putting it all Together: The Business Review	30	Sbarro Restaurant, usually located in a market area closest to where your Restaurant will be located

Manuals

Sbarro will loan you one or more current copies of the Manuals. These can also be found on the Sbarro Exchange. As manuals are updated, it will be your responsibility to print updated versions and discard the outdated ones. You must observe and protect the confidentiality of the disclosed proprietary information contained in the Manuals and related materials. Such materials remain the property of Sbarro, and you must return these materials to Sbarro upon termination or expiration of the Franchise Agreement (Franchise Agreement, Section 14). The Manuals are incorporated by reference as part of the Franchise Agreement and have the same force and effect as other provisions in the Franchise Agreement. Your failure to follow the System as described in the Manuals as they may be revised from time to time by us is a breach of the Franchise Agreement. The Manuals contain the following total number of pages: Training Manual (Manager): 75; Training Manual (Team Member): 45; Procedures Manual: 110. The tables of contents of the Manuals are attached as Exhibit N.

You will be permitted to view our Manuals before buying the franchise, provided that you sign a confidentiality agreement in the form attached as Exhibit D.

Advertising

Beginning in 2018, Sbarro established a Marketing Fund. "Marketing Fund" means a separate segregated fund maintained by Sbarro or its designee following the guidelines established by Sbarro, consisting of payments from franchisees under their franchise agreements. The Marketing Fund will be used for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, and any other programs that Sbarro deems necessary or appropriate. You must pay Sbarro a Marketing Fund contribution in an amount equal to 1% of the Gross Revenues derived by, from, in, or through, the Restaurant, payable weekly on Tuesday of each week on receipts of the preceding calendar week. Sbarro may, upon 60 days prior notice to you, increase your required Marketing Fund contribution; provided that, such contribution shall not exceed 2% of your Gross Revenues. The Marketing Fund will be maintained and administered by Sbarro as follows:

(i) Sbarro will direct all marketing programs with sole discretion over the creative concepts, materials and media used in such programs, and the placement of fund allocations. The Marketing Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System generally, or for geographic regions of the System determined by Sbarro within which your Sbarro Restaurant may or may not be located. Sbarro is not obligated in administering the Marketing Fund to make expenditures for the Restaurant which are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or other marketing activities. The Marketing Fund is not a trust or escrow account, and Sbarro has no fiduciary obligations regarding the Marketing Fund.

(ii) All contributions to the Marketing Fund and any earnings will be used exclusively to meet any and all costs of maintaining, administering, directing and preparing marketing activities (including cost of preparing and constructing marketing campaigns in various media, marketing surveys and other public relations activities) designed to promote the Proprietary Marks and the System; employing advertising agencies; and providing promotional brochures and other marketing materials to the Restaurant. All sums that you pay to the Marketing Fund and any earnings will be maintained in an account separate from the other monies of Sbarro and will not be used to defray any of Sbarro's expenses, except for such reasonable administrative costs, development costs, marketing activities, and overhead as Sbarro may incur that are reasonably related to marketing activities and the administration of the Marketing Fund and advertising programs for the franchisees and the System. Sbarro will maintain separate bookkeeping accounts for the Marketing Fund.

(iii) In 2022, the funds that were utilized from the marketing fund were substantially applied to the following categories of expenses: Digital, website, SEO, email, social, delivery & location tools (58%), menuboard / merchandising production (26%), creative design & photography (4%), total Sbarro brand awareness advertising (12%).

(iv) It is anticipated that all contributions to and earnings of the Marketing Fund will be expended for the purposes described above during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Marketing Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

(v) Sbarro may defer or reduce your contributions to the Marketing Fund and, upon 30 days prior written notice, reduce or suspend your payment of Marketing Fund contributions to, and suspend operation of, the Marketing Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If the Marketing Fund is terminated, all unspent monies on the date of termination will be distributed to the franchisees in proportion to their respective contributions to the Marketing Fund during the preceding three month period, and amounts refunded will be spent on local marketing.

(vi) The Marketing Fund is a subaccount under Sbarro's standard accounting protocol and, as such, will be included in Sbarro's annual audited financial statements. Such Financial Statements will not be made available to Franchisee for the previous fiscal year.

(vii) Although the Marketing Fund is intended to be of indefinite duration, Sbarro maintains the right to terminate the Marketing Fund, to reduce required contributions of certain franchisees, or to suspend contributions. Sbarro is not obligated to contribute to the Marketing Fund on behalf of company-owned Restaurants.

In addition, you must spend 2% of your Gross Revenues each month on local advertising, and must provide, on Sbarro's request, such evidence as Sbarro may prescribe confirming such expenditure. All advertising materials using the trademark of Sbarro must be approved in writing by Sbarro before their use by you.

Sbarro does not currently maintain advertising councils for the purpose of advising Sbarro on advertising policies. However, Sbarro reserves the right to do so in the future. Sbarro does not currently maintain or require franchisee participation in any advertising cooperatives. However, Sbarro reserves the right to do so in the future. If we establish an advertising cooperative in the future, which we have no current plans to do, you will be required to comply with cooperative rules and regulations which we may establish in the future, including possible rules regarding how membership will be defined, whether franchisor-owned outlets will contribute, who will administer the cooperative and whether there will be governing documents available for franchisee review.

Website

Sbarro currently maintains a Website, which promotes the Proprietary Marks and/or the System. The Website is currently in operation, but Sbarro has no obligation to maintain

the Website and may dismantle it at any time. You must pay to Sbarro any fee imposed by Sbarro, or your *pro rata* share of any fee imposed by a third party service provider, as applicable, in connection with hosting the Website. We do not currently impose this fee. Sbarro has the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. Sbarro will also have the right to discontinue operation of the Website at any time without notice to you. (Franchise Agreement, Sections 11(e) and 9(g).)

Except as we approve in advance in writing, you may not establish or maintain a separate Website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Restaurant. If we grant approval, you must establish and operate your Website in accordance with our standards and policies provided to you in the Manuals or otherwise in writing.

POS/Computer System

Under the Franchise Agreement, you must purchase, install and use the computer hardware and software, point-of-sale and cash register equipment as Sbarro requires, and sign any and all related maintenance, support, license and/or other agreements as required by Sbarro. Sbarro has the right to specify or require that you use certain brands, types, makes and/or models of communications, computer systems and hardware, including: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Restaurant; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems (the "POS/Computer System"). (Franchise Agreement, Section 9(f).)

Sbarro also has the right under the Franchise Agreement, but not the obligation, to develop or have developed for Sbarro, or to designate: (a) computer software programs that you must use in connection with the POS/Computer System (the "Required Software"), which you must install at your expense; (b) updates, supplements, modifications or enhancements to the Required Software, which you must install at your expense; (c) the tangible media on which you record data; and (d) the database file structure of the POS/Computer System.

At Sbarro's direction, you must purchase or lease, and maintain, the POS/Computer System and, if applicable, the Required Software. You must keep your POS/Computer System in good maintenance and repair and install all updates, upgrades, additions, changes, modifications, substitutions and/or replacements to your POS/Computer System or Required Software as Sbarro may direct occasionally in writing, all at your own expense. There are no contractual limits on the frequency or cost of your obligation to maintain, upgrade and update your POS/Computer System in conformance with our directives. Sbarro has no obligation to provide, or to cause any affiliate or third party to provide, ongoing maintenance, repairs, upgrades or updates to your POS/Computer System.

You must install and maintain the equipment, make the arrangements, and follow the procedures that Sbarro requires in the Manuals (including the establishment and maintenance of Internet, intranet, or extranet access or other means of electronic

communication, as Sbarro specifies) to permit Sbarro to access, download and retrieve electronically, by telecommunication or other designated method, any information stored in your POS/Computer System, including information concerning Gross Revenues, and to permit Sbarro to upload, and for you to receive and download, information from Sbarro (including advertising materials, the Manuals and training tools). Sbarro will have independent access to the information at the times and in the manner that Sbarro specifies from time to time. There are no contractual limits imposed upon our access to your computer information.

The POS/Computer System is designed to assist you in point of sale transactions, menu management, and financial reporting and internal accounting. You must use our approved POS/Computer System or a similar system which meets our minimum standards and specifications and which we have approved in writing. Sbarro will have independent access to the information and data generated by your POS/Computer System. Sbarro is not obligated to provide or assist you in obtaining the POS/Computer System. You must also obtain support and service for the POS/Computer System, including online support and patches. The cost to purchase the POS/Computer System is estimated to range from \$3,000 to \$20,000. This estimate includes the costs of purchasing the computer hardware and software required, and hardware and software maintenance fees for one year. The cost to maintain and update the POS/Computer System is estimated to be approximately \$150 to \$500 per month (\$1,800 to \$6,000 annually) for a multi-year agreement.

Item 12 TERRITORY

Your franchise will be for a location that Sbarro will need to approve or, in the case of a Conversion Restaurant, for an existing location that Sbarro and you will mutually designate. When approving a site, we consider, among other things, pedestrian traffic and the presence of competitors.

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. Sbarro may establish other franchised, licensed, joint-ventured or company-owned units that may compete with your Restaurant in any degree of proximity to your location. Sbarro reserves the right to use alternative distribution, including the internet, in proximity to your Restaurants under any of our trademarks without paying you any compensation.

Your Franchise has no exclusive territory. We have no obligation to compensate you for our soliciting and/or conducting business anywhere, including inside of your territory, regardless of proximity to your Restaurant. We retain the right, among others, in any

manner and on any terms and conditions we deem advisable, and without granting you any rights:

a) To own, acquire, establish and/or operate, and franchise others to establish and operate, businesses using the Proprietary Marks offering Italian food at any location, regardless of its proximity to your Restaurant;

b) To own, acquire, establish and/or operate, and franchise others to establish and operate, businesses under other trademarks or service marks owned by us or licensed to us or other business concepts, whether such businesses are the same as, similar to or different from your Restaurant at any location and regardless of the proximity to your Restaurant; and

c) To sell or distribute, at retail or wholesale, directly or indirectly, or franchise others to sell or distribute, any products under the Proprietary Marks or any other trademarks at any location (including, without limitation, supermarkets, groceries, other similar retail outlets, or any other channels of distribution), notwithstanding its proximity to your Restaurant.

We have no current plans to establish other franchises providing similar products and services under the Proprietary Marks or different trademarks and service marks, but we reserve the right to do so in the future. We presently offer and sell our proprietary Italian sauces and fresh pizza under the Proprietary Marks in company-owned Restaurants, and through distributors in various non-franchised/licensed businesses (e.g., supermarkets and convenience stores).

You may sell to anyone, anywhere, provided that all sales are made from the Restaurant location. You may not open or operate from another location or engage in any other type of business at or from the Restaurant location, and must obtain Sbarro's written consent before relocating. You are not allowed to solicit or accept orders from consumers other than at your location (e.g., you are not allowed to solicit orders via the internet or catalogs or by telemarketing or other direct marketing). We may approve relocation of the Restaurant if, by no fault of your own, you are no longer able to operate the Restaurant from the Restaurant location and you have obtained another site that we approve. Except as described above, there are no other circumstances that permit us to modify your territorial rights.

The Franchise Agreement does not grant to you any options, right of first refusal or similar right to acquire additional franchises.

We may, in our sole discretion, offer to you the opportunity to enter into a Development Agreement and become a "developer" by granting you rights to open and operate multiple new Restaurants in a particular territory for negotiated initial franchise fees and royalty rates in consideration of you, as developer, agreeing to develop, open and operate, through separate Franchise Agreements, a specific number of Restaurants within the territory, under a development schedule. Upon establishing each additional outlet under the development schedule, a developer may be required to sign the then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. We are not obligated to offer you the

opportunity to enter into a Development Agreement, and the terms of any Development Agreement (including, without limitation, those relating to determining or approving the location of each Restaurant) shall be determined in our sole and absolute discretion.

The Development Agreement may, in our discretion, include a grant to you of exclusive rights to open Restaurants in a designated territory. Any particular exclusive territory granted will be negotiated, but will ultimately remain subject to our determination in our sole and absolute discretion, and there is no guaranteed minimum exclusive territory for Development Agreements. If we do not agree to an exclusive territory, you may face competition from other franchisees, from entities that we own or from other channels of distribution or competitive brands that we control. Upon signing a Development Agreement, you, as developer, must pay us a nonrefundable development fee as set forth in Item 5 of the Disclosure Document. Concessions granted to a developer during the term of a Development Agreement, including the right to exclusive territory (if applicable), generally do not survive after development is complete. If you fail to meet your obligations under a Development Agreement, including your failure to open the minimum number of Restaurants required on schedule or to continue operating the minimum number of Restaurants required, we may, among our other remedies, terminate the Development Agreement, terminate any Franchise Agreements executed under the Development Agreement, keep the full amount of the development fee, restrict you from opening additional Restaurants, revoke your exclusivity rights (if any), require payment of anticipated initial franchise fees and royalty fees, and increase royalties under Franchise Agreements opened under the Development Agreement. If you are not an individual(s), we may require, in our discretion, the owners of not less than 51% of your equity and voting control to sign a guaranty of your obligations under the Development Agreement. For our form of Development Agreement, see Exhibit G. Attached as Exhibit G to the Development Agreement is our current form of Guaranty Agreement for the Development Agreement.

Item 13 TRADEMARKS

Sbarro will give you the right, by mutual agreement, under the Franchise Agreement to operate an Italian style restaurant food service facility under one of the following trademarks (the “Proprietary Marks”), which are registered with the United States Patent and Trademark Office (“USPTO”) on the Principal Register as follows. We hold all of the registrations below:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE	CLASS(ES)
SBARRO®	985,647	06/04/1974	43
SBARRO®	1,991,581	08/06/1996	30
SBARRO THE ITALIAN EATERY®	1,161,472	07/14/1981	43
LA CUCINA DI CAPRI®	2,173,621	07/14/1998	42
MAMA SBARRO®	2,622,140	09/17/2002	43
MAMA SBARRO'S PIZZERIA®	2,646,881	11/05/2002	43
MAMA MAKES IT BETTER®	2,622,141	09/17/2002	43

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE	CLASS(ES)
TONY & BRUNO'S®	2,511,105	11/20/2001	43
SBARRO FRESH ITALIAN COOKING® Stylized and Design	4,147,731	05/22/2012	43
 SBARRO NYC 1956® Stylized and Design	4,762,939	06/30/2015	43
 SBARRO NYC 1956® Horizontal Stylized and Design	4,935,193	04/12/2016	43
SBARRO®	4,982,244	06/21/2016	30
SLICE SOCIETY®	4,984,761	06/21/2016	43
	5,185,586	04/18/2017	30
	5,185,588	04/18/2017	43
SBARRO NEW YORK PIZZA®	5,626,813	12/11/2018	43
SBARRO THE ORIGINAL NEW YORK PIZZA®	5,881,174	10/08/2019	43

All affidavits of use and renewals required to be filed to maintain the registrations of these Proprietary Marks have been timely filed.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court proceeding or any pending infringement, opposition or cancellation proceeding in the United States or any pending material federal or state court litigation involving the Proprietary Marks.

There are no agreements currently in effect that significantly limit the rights of Sbarro to use or license the use of the Proprietary Marks in any manner material to the franchise being offered in any state.

You must follow Sbarro's rules when you use the Proprietary Marks. You cannot use the Proprietary Marks as part of any corporate or trade name or with any prefix or suffix or any other modifying words, terms, designs or symbols or in any modified form, nor can you use any other trademarks or service names in connection with the Restaurant.

You must immediately notify Sbarro of any challenge to your use of the Proprietary Marks or of any claim by any person of any right in or to any of the Proprietary Marks. Sbarro has the sole discretion to take such action as it deems appropriate in the event of a claim by others of infringement, including discontinuing use of the alleged infringing Proprietary Mark. You must not directly or indirectly contest our right to the Proprietary Marks, the System trade secrets, or business techniques that are part of our business.

You must modify or otherwise discontinue use of any of the Proprietary Marks and/or use one or more additional or substitute marks as Sbarro may direct at your expense.

You must promptly notify Sbarro of any suspected unauthorized use or infringement of Proprietary Marks by others. You acknowledge that Sbarro or its affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks, including any settlement. Sbarro has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Sbarro will defend you against any third-party claim, suit, or demand arising out of your authorized use of the Proprietary Marks within the United States. If Sbarro, in its sole discretion, determines that you have used the Proprietary Marks in accordance with the Franchise Agreement, Sbarro will bear the cost of such defense, including the cost of any judgment or settlement. If Sbarro, in its sole discretion, determines that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Proprietary Marks, you must sign any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks outside the United States or in a manner inconsistent with the terms of the Franchise Agreement, Sbarro will reimburse you for your out-of-pocket litigation costs in doing such acts.

Sbarro does not know of any infringing uses that could materially affect your use of the Proprietary Marks.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents which are material to the conduct of the Restaurant. Sbarro has no pending patent applications that are material to the franchise. You do receive and can use the proprietary information in the Manuals. The Manuals as described in Item 11 will be made available to you to view before purchasing your franchise. Although Sbarro has not filed an application for a copyright registration for the Manuals, we claim copyright ownership of the Manuals and other related training and work performance materials, and the information contained in them is proprietary. You must also promptly tell us when you learn about unauthorized use of this proprietary information. Sbarro is not obligated to take any action, but will respond as we deem appropriate. You do not have any rights, including rights to compensation, under the Franchise Agreement if we require that you modify or discontinue using the subject matter covered by the Proprietary Marks or patents, as the same may be modified from time to time.

Each of your owners and any person actively involved in the management of the Restaurant must sign a written agreement or otherwise agree to maintain the confidentiality of the trade secrets described in Item 14.

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

The Restaurant must at all times be under direct supervision by an “on-premises” manager (the “Operating Principal”) who has satisfactorily completed Sbarro’s training program, devotes his or her full time during business hours to the management of the Restaurant, and owns and controls not less than 20% of the equity and voting control of Franchisee.

You must obtain signed confidentiality agreements from all persons who are actively involved in the management of the Restaurant or who have access to Sbarro’s confidential information by virtue of their relationship with you. Attached to this Disclosure Document as Exhibit E is Sbarro’s current form of Confidentiality Agreement.

All owners of Franchisee are required to sign and deliver to us the Confidentiality, Non-Solicitation and Non-Competition Agreement in the form attached as Exhibit B to the Franchise Agreement. If you are not an individual(s), we may require, in our discretion, the owners of not less than 51% of the equity and voting control of Franchisee and their spouses to sign a guaranty of your obligations under the Franchise Agreement. Attached to the Franchise Agreement as Exhibit C is Sbarro’s current form of Guaranty Agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You, as Franchisee, must sell all foods, beverages, menu items and other products designated and authorized by Sbarro in the Manuals, and by the lease for the Restaurant. You are precluded from offering any goods not specifically approved in writing by Sbarro. You may sell to anyone, anywhere, provided that all sales are made from the Restaurant location. You may not open or operate from another location or engage in any other type of business at or from the Restaurant location, and must obtain Sbarro’s written consent before relocating or providing any food delivery services from the Restaurant location.

A Franchisee must sell those items for which the franchise has been granted, and all other food, menu items and other products required by Sbarro, and may not sell any other food, menu items or products at the Restaurant without the prior written approval of Sbarro. You must obtain Sbarro’s prior written consent before providing any food delivery services from the Restaurant location.

Franchisees must participate in Sbarro’s promotional programs for all Restaurants operating under the System, as prescribed by Sbarro in the Manuals or otherwise in writing, including all limited time offerings and selling and offering for sale gift cards which may be used at any Sbarro Restaurant for menu items or products, and permitting customers who purchased gift cards from another Sbarro Restaurant or Sbarro to use their gift cards for menu items or products at your Restaurant. There is no limit in the

Franchise Agreement on the number of programs in which you must participate or the costs that you must incur.

Sbarro has the right (without limitation) to modify these requirements from time to time in its sole discretion.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreements	Summary
a)	Length of the franchise term	Section 3	For New Restaurants, the term is generally 10 years from the opening of the Restaurant. For Conversion Restaurants, the term will be for the remainder of the term of the existing lease for the location or 10 years, whichever is less.
b)	Renewal or extension of the term	Section 3	You have the option to renew the agreement for two additional 5-year terms.
c)	Requirements for you to renew or extend	Section 3	You may renew your Franchise Agreement for one additional term provided that: (1) your operation of the Restaurant is in substantial compliance with our standards and the operations manuals; (2) you are not in default of any agreements; (3) you sign the then- current form of agreement (which may contain materially different terms and conditions as the original agreement); (4) you pay to Sbarro the current renewal franchise fee; (5) you give Sbarro not more than 12 months or less than six months written notice and (6) you enter into a general release. For Conversion Restaurants, in addition to the above conditions, you must enter into a lease agreement with Sbarro LLC or an Affiliate, or purchase agreement for the location. If the term of your lease is less than 10 years, the term of your renewal will be coterminous with your lease.
d)	Termination by franchisee	Section 4	Franchisee may be able to terminate if it fails to acquire an approved site for a Restaurant within 90 days of the date of the Franchise Agreement.
e)	Termination by franchisor without cause	Not applicable	Not applicable
f)	Termination by franchisor with cause	Section 22	We can terminate only if you default under your obligations under the Franchise Agreement or in connection with any other franchise agreements or other contracts between you and us.
g)	"Cause" defined—curable defaults	Section 22	You have 10 days to cure non-payment of fees; 30 days for most other curable defaults (see Section 22 for comprehensive list).
h)	"Cause" defined—non-curable defaults	Section 22	Include conviction of felony, repeated defaults even if cured, abandonment, trademark misuse and unapproved transfers (see Section 22 for comprehensive list).

	Provision	Section in Franchise Agreements	Summary
i)	Franchisee's obligations on termination/non-renewal	Sections 23 & 24	Obligations include complete de-identification and payment of amounts due (also see r below).
j)	Assignment of contract by franchisor	Section 25	No restriction on our right to assign.
k)	"Transfer" by franchisee—defined	Section 25	Includes transfer of contract or assets or ownership change.
l)	Franchisor approval of transfer by franchisee	Section 25	We have the right to approve most transfers, subject to certain conditions.
m)	Conditions for franchisor approval of transfer	Section 25	Transferee qualifies, transfer fee paid, purchase agreement approved, training arranged, any required remodeling completed; release signed by you and current agreement signed by transferee (also see (r) below).
n)	Franchisor's right of first refusal to acquire franchisee's business	Section 25	We can match any offer for the Franchisee's business.
o)	Franchisor's option to purchase franchisee's business	Section 23	If the franchise is terminated, we have the option to buy back inventory or equipment at fair market value and to assume your lease.
p)	Death or disability of franchisee	Section 25	Personal representative or heirs may take over franchise, subject to local law.
q)	Non-competition covenants during the term of the franchise	Section 24	No involvement in competing business anywhere provided that we will not enforce in California any prohibition on your employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as no-poach/non-solicitation provision).
r)	Non-competition covenants after the franchise is terminated or expires	Section 24	No competing business for two years within 10 miles of the location or another Sbarro facility provided that we will not enforce in California any prohibition on your employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as no-poach/non-solicitation provision).
s)	Modification of the agreement	Section 28	No modifications without the consent of both parties, but we have the unilateral right to change the Operating Manual at any time.
t)	Integration/merger clause	Section 28	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u)	Dispute resolution by arbitration or mediation	Not applicable	Not applicable
v)	Choice of forum	Section 26	Except for actions brought by us for monies owed, injunctive or extraordinary relief or involving real property, the Proprietary Marks or our confidential information, litigation must be in Ohio (subject to state law).
w)	Choice of law	Section 26	Ohio law applies (subject to state law).

THE DEVELOPMENT RELATIONSHIP

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

	Provision	Section in Development Agreement	Summary
a)	Length of the term	Section 5	10 years
b)	Renewal or extension of the term	Section 5	You have the option to renew the agreement for additional 10-year terms.
c)	Requirements for you to renew or extend	Section 5	You may renew your Development Agreement for one additional term provided that: (1) at least one hundred eighty (180) days prior to the expiration of the current term, negotiated a development schedule and renewal development fee with us; (2) you are not in default of any agreements; (3) you sign the then- current form of development agreement (which may contain materially different terms and conditions as the original agreement); (4) you pay to Sbarro the current renewal development fee at least ninety (90) days prior to the expiration of the current Term; (5) you give Sbarro at least one hundred eighty (180) days prior written notice and (6) you enter into a general release.
d)	Termination by you	Not applicable (subject to state law)	Not applicable (subject to state law)
e)	Termination by us without cause	Not applicable	Not applicable
f)	Termination by us with cause	Section 7	We can terminate only if you default under your obligations under the Development Agreement or in connection with any franchise agreements or other contracts between you and us.
g)	"Cause" defined—curable defaults	Section 7	You have 10 days to cure non-payment of fees; 30 days for most other curable defaults (see Section 7 for comprehensive list).
h)	"Cause" defined—non-curable defaults	Section 7	Include failure to adhere to development schedule, opening of a restaurant with our final approval, violation of Section 9 (Transfers). (see Section 7 for comprehensive list).
i)	Your obligations on termination/non-renewal	Sections 8	Obligations include complete de-identification and payment of amounts due (also see (r) below).
j)	Assignment of contract by us	Section 25	No restriction on our right to assign.
k)	"Transfer" by you — defined	Section 9	Includes transfer of contract or assets or ownership change.
l)	Our approval of transfer by franchisee	Section 9	We have the right to approve most transfers, subject to certain conditions.
m)	Conditions for our approval of transfer	Section 9	Transferee qualifies, transfer fee paid; release signed by you and current agreement signed by transferee (also see (r) below).
n)	Our right of first refusal to acquire your business	Section 9	We can match any offer for the developer's business.
o)	Our option to purchase your business	Not applicable	Not applicable
p)	Your death or disability	Not applicable	Not applicable

	Provision	Section in Development Agreement	Summary
q)	Non-competition covenants during the term of the development agreement	Section 6	No involvement in competing business in the Assigned Area as set forth in the development agreement provided that we will not enforce in California any prohibition on your employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as no-poach/non-solicitation provision).
r)	Non-competition covenants after the development agreement is terminated or expires	Section 6	No competing business for one year in the Assigned Area as set forth in the development agreement provided that we will not enforce in California any prohibition on your employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as no-poach/non-solicitation provision).
s)	Modification of the development agreement	Section 16	No modifications without the consent of both parties.
t)	Integration/merger clause	Section 16	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. Notwithstanding the foregoing, nothing in any development agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u)	Dispute resolution by arbitration or mediation	Not applicable	Not applicable
v)	Choice of forum	Section 14	Except for actions brought by us for monies owed, injunctive or extraordinary relief or involving real property, the Proprietary Marks or our confidential information, litigation must be in Ohio (subject to state law).
w)	Choice of law	Section 14	Ohio law applies (subject to state law).

Item 18 PUBLIC FIGURES

Sbarro currently has no arrangements with any public figure for the endorsement of the franchise, or its products or in any other matter.

Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet,

however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Wendi Zborovsky, 1328 Dublin Road, Columbus Ohio 43215, (614) 769-9911, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20 OUTLETS AND FRANCHISEE INFORMATION

(Tables include information regarding potential Conversion Restaurants)

TABLE NO. 1

SYSTEMWIDE OUTLET SUMMARY

For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	142	139	-3
	2021	139	157	+18
	2022	157	197	+40
Company-Owned	2020	167	164	-3
	2021	164	152	-12
	2022	152	149	-3
Total Outlets	2020	309	303	-6
	2021	303	309	+6
	2022	309	346	+37

TABLE NO. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS

(OTHER THAN THE FRANCHISOR)

FOR YEARS 2020 TO 2022

State	Year	Number of Transfers
California	2020	0
	2021	1
	2022	0
Georgia	2020	1
	2021	0
	2022	0
Nevada	2020	0
	2021	0
	2022	0
New York	2020	0
	2021	0
	2022	1
Washington	2020	0
	2021	0
	2022	1
Totals	2020	1
	2021	1
	2022	2

TABLE NO. 3

FRANCHISED SBARRO RESTAURANT STATUS SUMMARY

FOR YEARS 2020 TO 2022

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
Alabama	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Arizona	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
Arkansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
California	2020	7	2	1	0	0	0	8
	2021	8	2	0	0	0	0	10
	2022	10	3	0	0	0	0	13
Colorado	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Connecticut	2020	8	0	0	0	0	0	8
	2021	8	0	0	1	0	0	7
	2022	7	0	0	1	0	0	6

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
Delaware	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
District of Columbia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	25	2	0	4	0	0	23
	2021	23	2	0	0	0	0	25
	2022	25	2	0	2	0	0	25
Georgia	2020	9	1	0	0	6	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Hawaii	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	19	1	0	1	0	0	19
	2021	19	0	0	1	0	0	18
	2022	18	1	0	2	0	0	17

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
Indiana	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	5	0	0	0	0	11
Iowa	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	8	0	0	0	0	8
Kentucky	2020	1	1	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Maine	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Massachusetts	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
Michigan	2020	3	0	0	0	0	0	3
	2021	3	2	0	0	0	0	5
	2022	5	2	0	0	0	0	7
Missouri	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Nebraska	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Nevada	2020	1	0	0	0	0	0	1
	2021	1	4	0	0	0	0	5
	2022	5	1	0	0	1	0	5
New Jersey	2020	8	0	0	0	0	0	8
	2021	8	0	0	3	0	0	5
	2022	5	0	0	1	0	0	4
New Mexico	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
New York	2020	7	0	0	0	0	0	7
	2021	7	0	0	5	0	0	2
	2022	2	1	0	1	0	0	2

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
North Carolina	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	1	0	0	2
Ohio	2020	6	2	0	0	0	0	8
	2021	8	4	0	0	0	0	12
	2022	12	5	0	1	0	0	16
Oklahoma	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Pennsylvania	2020	12	0	0	1	0	0	11
	2021	11	2	0	0	0	0	13
	2022	13	1	0	2	0	0	12
Rhode Island	2020	3	0	0	1	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	1	0	0	2
South Carolina	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets Operating at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets Operating At Year End
Texas	2020	5	1	0	0	0	0	6
	2021	6	2	0	0	0	0	8
	2022	8	4	0	0	0	0	12
Utah	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Virginia	2020	5	1	0	0	0	0	6
	2021	6	2	0	1	0	0	7
	2022	7	5	0	0	0	0	12
Washington	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
West Virginia	2020	3	0	0	0	0	0	3
	202	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Totals	2020	142	14	1	10	6	0	139
	2021	139	29	0	11	0	0	157
	2022	157	53	0	12	1	0	197

TABLE NO. 4

COMPANY-OWNED OUTLETS STATUS SUMMARY

FOR FISCAL YEARS 2020 TO 2022

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Alabama	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Arizona	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Arkansas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
California	2020	26	0	0	0	0	26
	2021	26	0	0	0	0	26
	2022	26	0	0	0	0	26
Colorado	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Connecticut	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Delaware	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
District of Columbia	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Florida	2020	4	0	0	1	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	1	0	2
Georgia	2020	3	0	6	2	0	7
	2021	7	0	0	1	0	6
	2022	6	0	0	0	0	6
Hawaii	2020	3	0	0	0	0	3
	2021	3	0	0	1	0	2
	2022	2	0	0	0	1	1
Illinois	2020	10	0	0	0	0	10
	2021	10	0	0	1	0	9
	2022	9	0	0	0	0	9
Indiana	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Kentucky	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Louisiana	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Maryland	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	4
	2022	4	0	0	0	0	4
Massachusetts	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Michigan	2020	4	0	0	0	0	4
	2021	4	0	0	1	0	3
	2022	3	0	0	0	0	3
Minnesota	2020	5	0	0	0	0	5
	2021	5	0	0	2	0	3
	2022	3	0	0	0	0	3
Mississippi	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Nevada	2020	7	0	0	0	0	7
	2021	7	1	0	0	0	8
	2022	8	1	0	0	0	9
New Hampshire	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
New Jersey	2020	5	0	0	0	0	5
	2021	5	0	0	2	0	3
	2022	3	0	0	0	0	3
New Mexico	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
New York	2020	13	0	0	1	0	12
	2021	12	0	0	0	0	12
	2022	12	0	0	1	0	11
North Carolina	2020	6	0	0	1	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	1	0	4
Ohio	2020	14	0	0	1	0	13
	2021	13	0	0	0	0	13
	2022	13	0	0	0	0	13

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Oregon	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Pennsylvania	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
South Carolina	2020	3	0	0	0	0	3
	2021	3	0	0	1	0	2
	2022	2	0	0	0	0	2
Tennessee	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Texas	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
Utah	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Virginia	2020	5	0	0	0	0	5
	2021	5	0	0	1	0	4
	2022	4	0	0	0	0	4

State	Year	Outlets Operating at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets Operating At End of Year
Washington	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
West Virginia	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Wisconsin	2020	6	1	0	2	0	5
	2021	5	0	0	2	0	3
	2022	3	0	0	0	0	3
Totals	2020	167	2	6	10	1	164
	2021	164	1	0	12	1	152
	2022	152	1	0	3	1	149

TABLE NO. 5

PROJECTED OPENINGS

AS OF JANUARY 1, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Arizona	1	1	0
Arkansas	0	1	0
California	3	4	1
Colorado	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Florida	2	7	1
Georgia	0	1	0
Illinois	0	2	0
Indiana	1	1	0
Kansas	0	2	0
Louisiana	0	1	0
Michigan	1	1	0
Missouri	0	2	0
Nevada	0	8	2
New York	0	2	0
Ohio	1	2	0
Oklahoma	0	2	0
Pennsylvania	2	2	0
Tennessee	1	2	0
Texas	1	6	1
Utah	0	1	0
Washington	0	1	0
Totals	13	50	5

List of Current Franchisees

Attached to this Disclosure Document as Exhibit J is a list of all Sbarro Restaurant Franchisees and the addresses and telephone numbers of their outlets.

List of Former Franchisees

The name and last known home address and telephone number of every Franchisee within the United States who has had an outlet terminated, canceled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with Sbarro within 10 weeks of the date of this Disclosure Document are listed in Exhibit K.

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

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

Confidentiality Clauses

During the last three fiscal years, neither we nor Sbarro LLC signed any agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience.

Trademark-Specific Franchisee Organizations

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise System which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this Disclosure Document.

Item 21 FINANCIAL STATEMENTS

Exhibit L to this Disclosure Document contains the following audited financial statements of our parents (and prior year guarantors) as follows: Sbarro Holdings, Inc. and subsidiaries for the year ended January 1, 2023 and the year ended January 2, 2022; and New Sbarro Finance, Inc. for the year ended January 2, 2022 and the year ended January 3, 2021. Note that both Sbarro Holdings, Inc. and New Sbarro Finance Inc.'s fiscal year end is the 52 or 53 week period ending on the Sunday closest to December 31. This exhibit also contains the unaudited financial statements of Sbarro Holdings, Inc. for the fiscal period ending October 1, 2023 (Q3 2023). These financial statements have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no independent certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

Item 22
CONTRACTS

The following documents are part of this Disclosure Document:

- | | | |
|----|---|-----------|
| 1) | Franchise Agreement | EXHIBIT A |
| 2) | Asset Sale Agreement | EXHIBIT B |
| 3) | Sublease Agreement | EXHIBIT C |
| 4) | Confidentiality Agreement for Disclosure of Manuals | EXHIBIT D |
| 5) | Confidentiality Agreement – Employee | EXHIBIT E |
| 6) | Standard Franchise Application | EXHIBIT F |
| 7) | Development Agreement | EXHIBIT G |

Item 23
RECEIPTS

A receipt in duplicate is attached to this Disclosure Document as Exhibit O. When you receive this Sbarro Disclosure Document, please have all applicants sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to: Franchise Department, Sbarro Franchise Co., LLC, 1328 Dublin Road, Columbus, OH 43215, acknowledging receipt of the Disclosure Document.

**Exhibit A to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

FRANCHISE AGREEMENT

SBARRO FRANCHISE CO., LLC

FRANCHISE AGREEMENT

(SBARRO)

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**EXHIBIT B – CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION
AGREEMENT**

EXHIBIT C – OWNER’S GUARANTY

EXHIBIT D – CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

SBARRO FRANCHISE CO., LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) is made and entered into as of _____ (the “**Effective Date**”) by and between SBARRO FRANCHISE CO., LLC, a Delaware limited liability company, with its principal place of business at 1328 Dublin Road, Columbus, OH 43215 (“**SBARRO**”) and [FRANCHISE ENTITY], a [STATE] [LLC/CORP.] with its principal place of business at [ADDRESS] and [PERSONS SIGNING AS INDIVIDUAL FRANCHISEES] (collectively, “**Franchisee**”).

1. PREAMBLE

SBARRO has accumulated extensive knowledge of and experience in the food service industry on the basis of which it has developed and owns a unique system of methods, procedures, special designs, food formulas, recipes, menus, menu items, uniform operating policies, operating manuals and advertising techniques (the “**System**”) for the operation of SBARRO restaurants under the trade names, trademarks, logos, emblems and service marks now or hereafter developed, including but not limited to the mark “SBARRO” (collectively referred to as “**Proprietary Marks**”). Franchisee recognizes that the success of SBARRO and its franchisees depends in large part upon the goodwill associated with the name SBARRO which in turn depends upon the operation of the SBARRO restaurants and service of quality food by each of the SBARRO franchisees in accordance with the highest standards of business conduct and in accordance with SBARRO’S specifications and policies, and by each franchisee giving prompt, efficient, satisfactory and courteous service to the public. In recognition of the value of participating in the System, operating SBARRO restaurants and using the Proprietary Marks, Franchisee desires to acquire a franchise to operate a SBARRO restaurant.

2. GRANT OF FRANCHISE

Subject to the provisions of this Agreement, SBARRO hereby grants to Franchisee a non-exclusive franchise to operate one SBARRO restaurant and a non-exclusive license to utilize the Proprietary Marks in conjunction with the operation of said restaurant for a Term described in Section 3(a) at the Location specified in Section 4(a) hereof (the SBARRO restaurant to be operated at the Location being the “**Restaurant**” or the “**SBARRO Restaurant**”). Franchisee expressly acknowledges that this Agreement does not grant or imply any protected area or territory for the Restaurant. SBARRO shall retain the right to own, acquire, establish and/or operate, and license others to establish and operate, SBARRO restaurants and any other businesses using the Proprietary Marks, regardless of its proximity to the Location. SBARRO and its Affiliates additionally retain the rights: (a) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other trademarks or service marks owned by SBARRO or licensed to SBARRO or other business concepts, whether such businesses are the same as, similar to or different from the Restaurant at any location and regardless of the proximity to the Location; and (b) to sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, any products under the Proprietary Marks or any other trademarks at any location (including, without limitation, supermarkets, groceries, other similar retail outlets, or any other channels of distribution), notwithstanding its proximity to the Location. This Agreement does not give Franchisee the right to grant a subfranchise.

3. TERM OF THIS AGREEMENT

(a) The term of this Agreement (the “**Term**”) shall commence as of the Effective Date and shall expire on the 10th anniversary of the date that the Restaurant opens to the public unless renewed sooner or terminated in accordance with the provisions of this Agreement. At the expiration of the Term, the rights granted under this Agreement may be renewed for one additional Term of 10 years (unless this Agreement

is sooner terminated in accordance with its provisions), provided that: (i) Franchisee gives SBARRO not more than twelve (12) months and not less than six (6) months written notice of Franchisee's intent to renew; and (ii) immediately prior to the expiration of the existing Term:

(i) Franchisee's operations of the Restaurant are in substantial compliance with SBARRO'S standards, specifications, requirements, instructions and Manuals; and

(ii) Neither Franchisee, the Franchise Principals (as hereinafter defined) nor any Affiliate of either Franchisee or any Franchise Principal (as the term "**Affiliate**" is defined in the Confidentiality, Non-Solicitation and Non-Competition Agreement executed by Franchisee and Sbarro concurrently with this Agreement, the form of which is attached to this Agreement as Exhibit B) are in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee (or an Affiliate of Franchisee) and SBARRO (including any Affiliate of SBARRO) or between any Franchise Principal (or any Affiliate of any Franchise Principal) and SBARRO (including any Affiliate of SBARRO), or any combination of those parties, and Franchisee and the Franchise Principals shall all have substantially complied with all the terms and conditions of such agreements during the term(s) thereof; and

(iii) Franchisee and the then-current Franchise Principals execute the then-current form of all documents required by SBARRO for the grant or renewal of franchise rights, including the then-current form of SBARRO'S Franchise Agreement which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher percentage royalty fee. The term "**Franchise Agreement**" means, for the purposes of this Agreement, any agreement through which SBARRO or an Affiliate of SBARRO confers to any third-party franchising rights in and to the System; and

(iv) Franchisee pays to SBARRO a renewal fee of \$7,500 in lieu of its then-current initial franchise fee; and

(v) Franchisee agrees to refurbish or renovate the Restaurant to conform to SBARRO'S then-current restaurant prototype; and

(vi) Franchisee executes a general release in favor of SBARRO and its Affiliates and their officers, directors, employees, and agents in the form SBARRO requires.

(b) Franchisee agrees to continuously operate the Restaurant at the location specified in Section 4(a) hereof, or at such other location as the parties hereto may mutually approve pursuant to Section 4 hereof, for the entire Term.

4. RESTAURANT LOCATION

This Agreement shall be subject to the availability of the location specified in Section 4(a) below (the "**Location**") and of the execution by Franchisee of a lease or sublease that is acceptable to Franchisee, or a purchase agreement for the Location. Franchisee agrees to continuously operate the Restaurant at the Location, or at such other location as SBARRO may approve in writing, for the duration of the Term.

(a) The Restaurant shall be located at: **[ADDRESS]**.

(b) Unless a Location has been designated in Section 4(a) above, Franchisee shall immediately seek to locate a suitable site within the designated general geographic area described on Exhibit "A". If a site for the Restaurant is not approved by SBARRO within ninety (90) days following the Effective Date, at the option of either Franchisee or SBARRO, this Agreement and any related agreements, if any, may be terminated by giving written notice of termination to the other party. If this Agreement is terminated

pursuant to this Section 4(b), the Initial Franchise Fee specified in Section 18 hereof shall be refunded to the Franchisee, less all actual out-of-pocket costs and expenses incurred by SBARRO pursuant to this Agreement or any related agreement, or incurred by SBARRO in relation to Franchisee's or SBARRO'S performance under this Agreement or any related agreement. Such refund will be made by SBARRO within seven (7) business days (unless a shorter period is prescribed by applicable law) after receipt of written notice from the Franchisee of the exercise of its option to terminate this Agreement and related agreements, or immediately by SBARRO, if it exercises its option to terminate. Unless required to do so by any applicable law, such refund will be without interest.

(c) If for any reason Franchisee has not opened the Restaurant within 210 days following the Effective Date, at the option of either the Franchisee or SBARRO, this Agreement and any related agreements, if any, may be terminated by giving written notice of termination to the other party. If this Agreement is terminated pursuant to this Section 4(c), the Initial Franchise Fee specified in Section 18 hereof shall be refunded to Franchisee, less all actual out-of-pocket costs and expenses incurred by SBARRO pursuant to this Agreement or any related agreement, or incurred by SBARRO in relation to Franchisee's or SBARRO'S performance under this Agreement or any related agreement. Such refund will be made by SBARRO within seven (7) business days (unless a shorter period is prescribed by applicable law) after receipt of written notice from Franchisee of the exercise of Franchisee's option to terminate this Agreement and related agreements, or immediately by SBARRO, if it exercises its option to terminate. Unless required to do so by any applicable law, such refund will be without interest.

(d) Franchisee agrees to deliver copies of the fully executed lease, sublease or purchase agreement and related documents and any subsequent amendments pertaining to the Location to SBARRO within 5 days of execution. Franchisee agrees not to sign any lease, sublease or related documents (or any renewal of it) that does not provide that:

(i) the lessor of the Location shall provide SBARRO with all revenue and other information lessor receives from Franchisee pertaining to the operation of the Restaurant as SBARRO may request;

(ii) the lessor to contemporaneously provide SBARRO with copies of any written notice of default under the lease sent to Franchisee and which grants to SBARRO, at its option, the right (but not the obligation) to cure any default under the lease or sublease (should Franchisee fail to do so) within 15 days after the expiration of the period in which Franchisee may cure the default;

(iii) the premises be used solely for the operation of the Restaurant;

(iv) upon SBARRO'S request, Franchisee must de-identify the Location as a SBARRO Restaurant and to promptly remove all Proprietary Marks, signs, décor and other items which SBARRO reasonably request be removed as being distinctive and indicative of a SBARRO Restaurant and the System (or, if Franchisee fails to do the foregoing things, then the lease or sublease must permit SBARRO to have sufficient access to the interior and exterior of the premises so that SBARRO may de-identify the premises, as provided above, at Franchisee's cost);

(v) any default under the lease or sublease which is not cured within any applicable cure period also constitutes grounds for termination of this Agreement;

(vi) the term of the lease or sublease extend for a period that is at least equal to the Term, either through an initial term of that length or rights, at Franchisee's option, to renew the lease for the Term;

(vii) SBARRO will be permitted unrestricted access to the Location to inspect the Restaurant;

(viii) the lease or sublease cannot be modified without SBARRO'S prior written approval; and

(ix) upon termination or expiration of the Franchise for any reason, SBARRO shall have the right but not the obligation to assume Franchisee's interest in the lease or sublease as tenant without incurring any liability for obligations (including but not limited to unpaid rent, taxes and other charges) accruing prior to taking possession by SBARRO.

(e) Franchisee agrees to execute and deliver to SBARRO a Conditional Assignment and Assumption of Lease in the form attached as Exhibit D. In the event SBARRO assumes any lease or sublease, Franchisee shall indemnify SBARRO from any and all liability for future rent and other expenses and obligations under the lease or sublease and to execute any documents required by SBARRO to assign the lease or sublease to SBARRO or its designee.

(f) Franchisee may operate the Restaurant only at the Location. The Franchisee may sell to anyone, at retail only, prepared food of the character and meeting the quality standards contemplated in this Agreement, provided that all sales are from the franchised premises. Franchisee may not open or operate from another location and may not engage in any other type of business at or from the Location.

(g) Franchisee may not change the Location without the written consent of SBARRO, which may be granted or withheld by SBARRO in its sole discretion. In the event the Franchisee desires to change the Location of the Restaurant, Franchisee shall submit such request in writing to SBARRO, and if SBARRO consents to such relocation, SBARRO shall amend the Agreement to reflect such relocation. SBARRO'S consent shall be subject to Franchisee's payment to SBARRO of a relocation fee of \$1,000.00 to reimburse SBARRO'S legal expenses related thereto.

(h) Franchisee acknowledges and agrees that:

(i) SBARRO'S recommendation or approval of any site does not imply, guaranty, assure, warrant, or predict profitability or success, express or implied.

(ii) SBARRO'S recommendation or approval of any site indicates only that SBARRO believes that the site falls within the acceptable demographic and other criteria for Locations that SBARRO has established as of the time of such recommendation or approval by SBARRO.

(iii) Application of criteria that have appeared effective with respect to other Locations may not accurately reflect the potential for all sites, and, after SBARRO'S approval of a site, demographic and/or other factors included in or excluded from SBARRO'S criteria could change to alter the potential of a site.

(iv) The uncertainty and instability of such criteria are beyond SBARRO'S control, and SBARRO will not be responsible for the failure of an approved Location to meet expectations as to potential revenue or operational criteria.

5. SPECIFICATIONS

Franchisee shall conform to SBARRO'S specifications for the inventory, supplies, equipment, and signage (both exterior and interior signs) required for the Restaurant. Specifications may include minimum standards for delivery, performance, designs and appearance and local zoning, sign and other restrictions. Franchisee may purchase or lease original and replacement inventory, supplies, equipment and signs meeting such specifications from any source, but only if Franchisee notifies SBARRO prior to dealing with any such sources which have not been previously approved by SBARRO. SBARRO may then require submission of sufficient specifications, photographs, drawings and/or information and samples to determine whether such items of inventory, supplies, equipment or signs meet its specifications. SBARRO shall advise Franchisee within a reasonable time whether such items of inventory, supplies, equipment or signs meet its

specifications. SBARRO, at its sole and exclusive option, may provide Franchisee with specifications and minimum standards for all or portions of the Restaurant's construction, design and layout, which Franchisee agrees to follow. Franchisee acknowledges that such specifications and standards shall not contain the requirements of any federal, state, or local law, code or regulation (including, without limitation, those concerning the Americans with Disabilities Act ("**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities).

6. RESTAURANT DEVELOPMENT

(a) Upon obtaining possession of the site for the Restaurant, Franchisee shall, at its own cost and expense:

(i) Promptly obtain all required zoning changes, all required building, driveway, utility, health, sanitation, and sign permits and comply with all applicable government laws, ordinances, rules, regulations and orders (including, without limitation, the ADA) relating to the operation of the Restaurant; and

(ii) Otherwise complete development of and have the Restaurant ready to open and commence the conduct of its business within a reasonable time (but not more than six (6) months, unless extended by SBARRO or for such shorter or longer time period as specified in the Lease, and further subject to SBARRO'S termination rights set forth in Section 4(c) above), after Franchisee obtains possession of such site.

(b) Franchisee agrees that it will not open the Restaurant for business without the prior written approval of SBARRO, which may be in the form of a written certification as determined by SBARRO. SBARRO'S approval shall not relate to Franchisee's obligations with respect to any federal, state or local laws, codes or regulations, including, without limitation, the applicable provisions in the ADA regarding the construction, design and operation of the Restaurant, which shall be Franchisee's sole responsibility.

7. RESTAURANT MAINTENANCE, REPAIR AND REFURBISHING

Not more frequently than once every 30 months during the Term unless sooner required by the Lease, Franchisee agrees to effect such remodeling, updating and/or refurbishing of the Restaurant, in addition to regular maintenance and repair from time to time, as is required by SBARRO to maintain or improve the appearance and efficient operation of the Restaurant and/or increase its business potential.

8. TRAINING

(a) Prior to commencement of the initial training (the "**Initial Training**"), the following events must occur:

(i) All applicants for training must be approved by SBARRO, which approval shall not be withheld without good cause;

(ii) This Agreement and any related agreements, must be executed by Franchisee and SBARRO;

(iii) Franchisee and the lessor of the Location must have executed the Lease for the Restaurant location, the Conditional Assignment of Lease and Consent and Agreement of Lessor attached hereto as Exhibit D, and Franchisee shall have provided a copy thereof to SBARRO; and

(iv) All outstanding amounts of money due and owing to SBARRO or others, in connection with the franchise must be paid.

Initial Training shall commence approximately 5 weeks prior to the scheduled opening date of the Restaurant and shall last for a period of approximately 4 weeks.

Training is mandatory for each of Franchisee's full-time restaurant managers and must be completed to SBARRO'S satisfaction before the Restaurant may be opened. Each restaurant manager who undergoes Initial Training shall sign and deliver to SBARRO a Confidentiality Agreement, the current form of which is attached to SBARRO'S Franchise Disclosure Document.

Depending on the size and location of the Restaurant, and at SBARRO'S sole discretion, the Franchisee shall be required to send 2 to 4 trainees to SBARRO'S Initial Training program including the Franchisee's full-time restaurant manager. At Franchisee's cost and expense, all trainees shall attend SBARRO'S Initial Training program at such times, and at such places as specified by SBARRO. During the training program, all trainees, including the Franchisee's full-time restaurant manager, shall receive instruction, training and education in the operation of the Restaurant as SBARRO deems necessary. Franchisee shall bear all personal expenses during the Initial Training program, including but not limited to, travel, food and lodging costs. In the event that any scheduled training is cancelled by reason of Franchisee or Franchisee's delayed opening of the Restaurant, Franchisee shall also reimburse SBARRO for SBARRO'S out-of-pocket expenses incurred (including, without limitation, the travel, food and lodging costs of SBARRO'S trainers) as a result of such cancellation.

(b) Franchisee shall implement a training program for employees of the Restaurant in accordance with training standards and procedures prescribed by SBARRO from time to time. Franchisee shall maintain, at all times during the Term of this Agreement, a staff of trained employees sufficient to operate the Restaurant in accordance with this Agreement. Franchisee agrees not to employ any person who is required to complete a training program but who fails or refuses to do so.

(c) Franchisee, or its full-time restaurant manager, shall attend additional training programs, sales meetings, operations meetings, and conventions, as SBARRO may from time to time direct. All expenses incurred by the Franchisee in connection with attendance at training programs, sales meetings, operations meetings, and conventions shall be borne solely by Franchisee.

9. MANAGEMENT AND OPERATION OF THE RESTAURANT

(a) If Franchisee is, or at any time becomes, a business corporation, partnership, limited liability company or other legal entity ("**Business Entity**"), Franchisee agrees and represents that:

(i) Franchisee has the authority to execute, deliver and perform Franchisee's obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation.

(ii) Franchisee's organizational or governing documents will recite that the issuance or transfer of any ownership interests in Franchisee is restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to the restrictions of this Agreement.

(iii) Franchisee represents that it has completed an "**Owners Statement**," appended to its application for a SBARRO'S franchise, that completely and accurately describes all share or unit holders of Franchisee, and all persons and entities that have voting or management rights and obligations, if any (together with all individuals named as a Franchisee in this Agreement, the "**Franchise Principals**").

(iv) Franchisee and the Franchise Principals agree to revise the Owners Statement as may be necessary to reflect any ownership changes and to furnish such other information about Franchisee's organization or formation as we may request (no ownership changes may be made without SBARRO'S approval).

(v) The Franchise Principals must sign and deliver to SBARRO the Confidentiality, Non-Solicitation and Non-Competition Agreement. A copy of SBARRO'S current Confidentiality and Non-Competition Agreement is attached as Exhibit B.

(vi) The Franchise Principals whom SBARRO designates and who collectively own not less than 51% of the equity and voting control of Franchisee, shall sign and deliver to us SBARRO'S standard form of owner's guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between Franchisee and SBARRO (the "**Owners Guaranty**"). A copy of SBARRO'S current form of Owners Guaranty is attached as Exhibit C.

At SBARRO'S request, Franchisee will promptly furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of the Franchise Principals and any other pertinent agents of Franchisee (e.g., articles of incorporation or organization and partnership, operating or shareholder agreements, etc.).

(b) Franchisee acknowledges and agrees that Franchisee's personal participation and day-to-day involvement in the management and operation of the Restaurant (the "**Franchised Business**") is critical to its success and that SBARRO is granting this franchise to Franchisee on the condition that Franchisee agrees, and Franchisee therefore does agree, as follows:

(i) If Franchisee is, or at any time becomes, a Business Entity, Franchisee must designate as the "**Operating Principal**" an individual approved by SBARRO who must: (1) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to SBARRO), not less than a 20% equity interest in Franchisee; (2) have the authority to bind any Business Entity which forms a part of the Franchisee regarding all operational decisions with respect to the Franchised Business; (3) be actively employed on a full-time basis to manage the Franchised Business's operations; and (4) have satisfactorily completed SBARRO'S initial training program and any other training programs SBARRO'S require from time to time.

(ii) Franchisee (or Franchisee's Operating Principal) must: (1) exert Franchisee's full-time and best efforts to the development, management and operation of the Franchised Business; and (2) not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with Franchisee's obligations under this Agreement.

(iii) At all times, Franchisee (or Franchisee's Operating Principal) must meet SBARRO'S initial and ongoing training and qualifications for restaurant managers and participate personally on a daily basis in the direct operation of the Franchised Business. In addition, the Restaurant must at least have one management-level employee who has satisfactorily completed SBARRO'S Initial Training, present and on duty at all times.

If, at any time, Franchisee's Operating Principal cannot fulfill his responsibilities under this Agreement, Franchisee must appoint a replacement from among the Franchise Principals or any individually named Franchisee, subject to SBARRO'S approval, to serve as the replacement Operating Principal.

(c) In order to maintain the high quality and uniform standards associated with the System and to promote and protect SBARRO'S Proprietary Marks, goodwill, and reputation, Franchisee agrees:

(i) To operate the Restaurant exclusively as a SBARRO restaurant in strict conformity with the Manuals referred to in Section 14 hereof, and not to engage in any other type of business at the Location;

(ii) To sell all and only the food, menu items and other products required by SBARRO and not to sell any other food, menu items or products at the Location; and to obtain SBARRO'S written consent prior to providing any food delivery services from the Location;

(iii) To equip, maintain, staff, and operate the Restaurant in strict accordance with the methods, procedures, and techniques as are from time to time established by SBARRO in its Manuals (as defined in Section 14 hereof) or otherwise;

(iv) To vigorously and aggressively promote the business by making use of the advertising, sales promotion and merchandising materials and programs developed and prescribed from time to time by SBARRO;

(v) To keep the Restaurant open for business the minimum number of days per week and hours per day prescribed by SBARRO from time to time or as required by or subject to the lease or sublease if different from those prescribed by SBARRO;

(vi) To keep and maintain the Restaurant and its appearance in a clean and orderly manner consistent with the operation of a quality SBARRO restaurant and in accordance with the directives of SBARRO which SBARRO deems necessary to protect the standards of quality and uniformity established by SBARRO for the System;

(vii) To comply at all times with federal, state, city, municipalities and other local laws, regulations, codes and ordinances (including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Restaurant);

(viii) To maintain at all times sufficient food, supplies and personnel to operate the Restaurant at maximum capacity and efficiency;

(ix) To make any locally required assumed name registration filings under the SBARRO trade name utilized in connection with the operation of the Restaurant, and any such required filings shall clearly indicate, and shall not be construed as granting Franchisee any right, title or interest in said trade name; to operate the Restaurant under one or more of the Proprietary Marks as determined and instructed by SBARRO, and under no other mark or name, but such usage shall not be construed as granting Franchisee any right, title or interest in such Proprietary Marks other than pursuant to the terms and conditions contained in the license granted in this Agreement; to execute and deliver requested user applications pursuant to the requirements of the United States Patent and Trademark Office, related to the Proprietary Marks in a form and substance satisfactory to SBARRO prior to the use of any such Proprietary Marks; to use and display the Proprietary Marks prominently and in such manner as may from time to time be directed in writing by SBARRO; and not to use or display any other trade name, trademark, service mark, logo or designation;

(x) To deal fairly and honestly with the public and with SBARRO;

(xi) To conform to all standards of quality and service prescribed by SBARRO so as to sustain the good will and prestige that the Proprietary Marks enjoy with the public;

- (xii) To accept customer payment by cash, credit card, debit card, gift card or other method of payment required by SBARRO;
- (xiii) To obtain SBARRO'S written approval prior to establishing a Website in connection with Franchisee's operation of the Restaurant, Franchisee shall submit to SBARRO a sample of the Website information and shall operate the Website only in the form and manner prescribed by SBARRO from time to time; and
- (xiv) To participate in SBARRO'S promotional programs for all restaurants and concessions operating under the System, as prescribed by SBARRO in the Manuals or otherwise in writing from time to time, including, but not limited to, selling and offering for sale gift cards which may be used at any SBARRO restaurant or concession for menu items or products, and permitting customers who purchased gift cards from another SBARRO restaurant or concession or from SBARRO to use their gift cards for menu items or products at the Restaurant.
- (d) Franchisee shall serve all the specified menu items described in SBARRO'S Manuals (as defined in Section 14 hereof) (except insofar as SBARRO may in writing consent to the elimination of one or more of such menu items). All menu items shall be prepared, decorated and served in accordance with the recipes and specifications contained in such Manuals or as otherwise directed by SBARRO from time to time. Without the written approval of SBARRO, no foods or beverages other than such specified menu items will be served at the Restaurant.
- (e) If Franchisee shall in any way fail to maintain the standards of quality or service established by SBARRO, SBARRO shall have the right to assign to the Restaurant such person or persons as it deems necessary for the training of Franchisee's employees and insuring that standards of quality and service are maintained. Franchisee shall pay to SBARRO, SBARRO'S actual costs for each such person so assigned to the Restaurant, plus travel and living expenses.
- (f) Franchisee shall, at Franchisee's expense, purchase, install and use such computer hardware and software, point-of-sale, and cash register equipment as required by SBARRO in the Manuals or otherwise in writing from time to time, and Franchisee shall execute any and all related maintenance, support, license, and/or other agreements as required by SBARRO.
- (i) SBARRO shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at the Restaurant; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems (collectively, the "**Computer System**").
- (ii) SBARRO shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs that Franchisee must use in connection with the Computer System (the "**Required Software**"), which Franchisee shall install at Franchisee's expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install at Franchisee's expense; (c) the tangible media upon which Franchisee records data; and (d) the database file structure of the Computer System.
- (iii) At SBARRO'S direction, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. SBARRO shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that SBARRO deems necessary or desirable. Franchisee expressly agrees to strictly comply with SBARRO'S standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with SBARRO'S standards and specifications. Franchisee agrees, at its own expense, to keep its

Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as SBARRO directs from time to time in writing. Franchisee agrees that its compliance with this Section 9(d) shall be at Franchisee's sole cost and expense.

(iv) Franchisee shall install and maintain the equipment, make the arrangements, and follow the procedures that SBARRO requires in the Manuals (including the establishment and maintenance of Internet, intranet, or extranet access or other means of electronic communication, as specified by SBARRO from time to time) to permit SBARRO to access, download, and retrieve electronically, by telecommunication or other designated method, any information stored in Franchisee's Computer System, including information concerning the Gross Revenues of the Restaurant, and to permit SBARRO to upload, and for Franchisee to receive and download, information from SBARRO (including advertising materials, the Manuals, and training tools). SBARRO shall have access to the information at the times and in the manner that SBARRO specifies from time to time.

(g) SBARRO reserves the right to establish monthly POS system maintenance fees and website hosting fees to support the System's POS system and website development and maintenance. Any such fees shall be implemented and subject to adjustment upon thirty (30) days prior notification to Franchisee. Franchisee agrees to pay all such fees when due and in the manner specified by SBARRO.

10. OPERATING ASSISTANCE

(a) SBARRO shall furnish to Franchisee such operating assistance in connection with the operation of the Restaurant as SBARRO determines from time to time to be necessary. Operating assistance will include, but is not limited to, advice and guidance with respect to:

(i) Evaluating personnel performance;

(ii) Food preparation and supplying menus, recipes and food required by Franchisee in its operations;

(iii) Formulating advertising and promotional programs; and

(iv) Evaluating and testing of new food developments and other improvements in the System and in the Restaurant.

(b) SBARRO will furnish to Franchisee the Manuals described in Section 14 hereof and other instructional and training material needed to provide guidance in the methods, procedures, recipes and techniques for operating the Restaurant. SBARRO shall furnish from time to time such other manuals, business information, and literature as SBARRO determines will be helpful in improving the operation of the Restaurant.

(c) SBARRO shall advise Franchisee from time to time of any operating problems experienced at the Restaurant, which problems are disclosed in reports submitted to or during inspections made by SBARRO. Franchisee shall be required to correct these problems within seven (7) days, unless the problems pertain to violations of a health ordinance or to some other urgent risk to the health and wellbeing of the general public or to the System, in which case those problems will be corrected within 24 hours after their occurrence.

(d) Except as otherwise provided herein, SBARRO shall not charge Franchisee for such operating assistance, provided however that SBARRO shall have the right to make reasonable charges for forms and other materials supplied to Franchisee and for special operating assistance made necessary in the

judgment of SBARRO as a result of Franchisee's failure to comply with any provision of this Agreement, the Manuals or any specification, standard, or other operating procedure prescribed by SBARRO.

11. ADVERTISING AND PROMOTION

(a) SBARRO shall have the right, but not the obligation to establish a Marketing Fund. "Marketing Fund" means a separate segregated fund maintained by SBARRO or its designee following the guidelines established by SBARRO, consisting of payments from franchisees pursuant to their franchise agreements. The Marketing Fund shall be used for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, and any other programs that SBARRO deems necessary or appropriate. Thereafter, Franchisee must pay SBARRO a Marketing Fund contribution in such amount as SBARRO may determine from time to time, and in no event more than 2% of the Gross Revenues derived by, from, in, or through the Restaurant, payable weekly on Tuesday of each week on receipts of the preceding calendar week. Franchisee agrees that the Marketing Fund shall be maintained and administered by SBARRO or its designee as follows:

(i) SBARRO shall direct all marketing programs with sole discretion over the creative concepts, materials and media used in such programs, and the placement of fund allocations thereof. Franchisee agrees and acknowledges that the Marketing Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System generally or for a geographic region of the System determined by SBARRO, and that SBARRO undertakes no obligation in administering the Marketing Fund to make expenditures for the Restaurant which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or other marketing activities. The Marketing Fund is not a trust or escrow account, and SBARRO has no fiduciary obligations regarding the Marketing Fund.

(ii) All contributions to the Marketing Fund and any earnings shall be used exclusively to meet any and all costs of maintaining, administering, directing and preparing marketing activities (including cost of preparing and constructing marketing campaigns in various media; marketing surveys and other public relations activities) designed to promote the Proprietary Marks and the System; employing advertising agencies; and providing promotional brochures and other marketing materials to the Restaurant. All sums paid by Franchisee to the Marketing Fund and any earnings shall be maintained in an account separate from the other monies of SBARRO and shall not be used to defray any of SBARRO'S expenses, except for such reasonable administrative costs, salaries, and overhead as SBARRO may incur in activities reasonably related to the administration or direction of the Marketing Fund and advertising programs for the franchisees and the System. SBARRO shall maintain separate bookkeeping accounts for the Marketing Fund.

(iii) It is anticipated that all contributions to and earnings of the Marketing Fund shall be expended for the purposes described above during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Marketing Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

(iv) SBARRO reserves the right to defer or reduce contributions of Franchisee to the Marketing Fund and, upon thirty (30) days prior written notice, to reduce or suspend Franchisee's payment of Marketing Fund contributions to and suspend operation of the Marketing Fund for one or more periods of any length and to terminate (and if terminated to reinstate) the Marketing Fund. If the Marketing Fund is terminated, all unspent monies on the date of termination shall be distributed to the franchisees in proportion to their respective contributions to the Marketing Fund during the preceding 3 month period, and amounts refunded shall be spent on local marketing.

(v) The Marketing Fund is not and shall not be maintained as an asset of SBARRO. A financial statement of the operations of the Marketing Fund shall be prepared annually and be made available to Franchisee for the previous fiscal year upon written request.

(vi) Although the Marketing Fund is intended to be of indefinite duration, SBARRO maintains the right to terminate the Marketing Fund, to reduce required contributions of certain franchisees, or to suspend contributions.

(b) In addition, Franchisee shall advertise its business locally expending an amount equal to at least 1% of Gross Revenues per month, and shall provide, upon SBARRO'S request, such evidence as SBARRO may prescribe confirming such expenditure.

(c) Franchisee shall not engage in any advertising program including electronic or computer advertising or use any other advertising, including local advertising at its own expense or otherwise, unless and until it has been approved in writing by SBARRO.

(d) Purchases by Franchisee of imprinted paper goods, signs and related items containing the Proprietary Marks shall not be deemed an advertising expenditure and shall not be included in the contributions to advertising required to be made by Franchisee as above specified.

(e) Franchisee specifically acknowledges and agrees that any Website (as defined below) will be deemed "advertising" under this Agreement, and will be subject to (among other things) SBARRO'S approval under this Section 11. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers and/or other devices linked by communications software. The term Website includes, but is not limited to, the Internet and World Wide Web.

(i) SBARRO shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks and/or the System. Franchisee shall pay to SBARRO any fee imposed by SBARRO, or Franchisee's *pro rata* share of any fee imposed by a third party service provider, as applicable, in connection with hosting the Website. SBARRO shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. SBARRO shall also have the right to discontinue operation of the Website at any time without notice to Franchisee.

(ii) Except as approved in advance in writing by SBARRO, Franchisee shall not establish or maintain a separate Website, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Restaurant. If such approval is granted by SBARRO, Franchisee shall establish and operate such Website in accordance with SBARRO'S standards and policies provided to Franchisee in the Manuals or otherwise in writing from time to time.

(iii) SBARRO shall have the right to modify the provisions of this Section 11(e) relating to Websites as SBARRO shall determine, in SBARRO'S sole discretion, is necessary or appropriate for the best interests of the System.

12. BOOKKEEPING AND RECORDS

Franchisee shall establish a bookkeeping and record keeping system, maintaining full, complete and proper books, records, and related source documents, in accordance with generally accepted accounting principles, and such other and additional requirements as may be required by SBARRO from time to time, in order to accommodate any changes in accounting and/or bookkeeping systems as may be established,

relating (without limitation) to the use and retention of sales checks, cash register tapes or point-of-sale system receipts, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursements, journals, general ledgers, and such other records as are normally maintained by a restaurant business, and as may be required by Federal and State laws, rules, codes and regulations. Franchisee, and all of its employees or agents who perform a cashier function, shall record at the time of each sale, in the presence of the customer (and provide the customer with a receipt therefor), all receipts from such sale or other transaction, whether for cash or credit, on a non-resettable cash register or point-of-sale system having a cumulative total which shall be sealed in a manner approved by SBARRO and which shall possess such other features as may be required by SBARRO.

13. FINANCIAL STATEMENTS

Franchisee shall submit to SBARRO:

(a) Within 30 days of the end of each quarter, an unaudited profit and loss statement of the Restaurant, in a form satisfactory to SBARRO, for the preceding quarter and year to date; and

(b) By February 28th of each year, or if Franchisee maintains its books on a fiscal year basis, which shall be other than the calendar year, within 60 days from the close of said fiscal year, a profit and loss statement and a balance sheet from the close of each such year and, if requested by SBARRO, these shall be audited by an independent public accountant.

14. MANUALS

(a) SBARRO will loan to Franchisee during the Term of this Agreement one set of SBARRO'S confidential manuals ("**Manuals**"), including but not limited to the Recipe Books, Procedures Manual and Training Manuals, containing mandatory and suggested menus, recipes, specifications, standards and operating procedures and rules prescribed from time to time by SBARRO and information relative to other obligations of Franchisee hereunder as to the operation of the Restaurant. Franchisee shall not make copies of the Manuals (or any portions thereof) or thereafter use any information contained therein or other Confidential Information received by Franchisee during the Term hereof, other than as permitted by this Agreement. The entire contents of the Manuals will remain confidential and the property of SBARRO, and shall be returned to SBARRO immediately upon expiration or termination of the franchise granted by this Agreement.

(b) SBARRO shall have the right to add to and otherwise modify the Manuals from time to time to improve the standards of service or product quality for the efficient operation of the Restaurant, to protect and maintain the good will associated with the Proprietary Marks, or to meet competition.

(c) The provisions of the Manuals, as modified from time to time, and mandatory menus, recipes, specifications, standards and operating procedures prescribed from time to time by SBARRO and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include the provisions of the Manuals and all such mandatory specifications, standards and operating procedures and rules, menus, and recipes.

15. CONFIDENTIAL INFORMATION

(a) Franchisee shall hold in confidence the System and all parts thereof and shall not disclose the System or any part thereof to any person, entity, firm or corporation. It is understood and agreed that the System is a program of accounting, identification schemes, specifications, standards, management systems, recipes, menus, techniques, financial information (such as product costs and sources of supply), and business operations and procedures that would, if used by other persons, firms or corporations, give such other persons, firms, or corporations a substantial competitive advantage that is presently enjoyed by

SBARRO, each of which Franchisee acknowledges is a trade secret of, and proprietary to, SBARRO. Franchisee accordingly agrees that it shall not at any time, either during the Term of this Agreement or after termination, expiration or non-renewal of this Agreement, without SBARRO'S prior written consent, disclose (except to such employees or agents as must have access to such information in order to construct or operate the Restaurant) or use, or permit the use of the System or the Proprietary Marks, or any part thereof (except as may be required by applicable law or as authorized by this Agreement).

(b) Franchisee shall, at all times, treat as confidential the Manuals, and other manuals or materials designated for use within the System and such other information as SBARRO may designate from time to time for confidential use in conjunction with the System (as well as all other trade secrets, Confidential Information, knowledge, and know-how concerning the construction or operation of the Restaurant that may be imparted to, or acquired by, Franchisee from time to time in connection with this Agreement), and shall use diligent efforts to keep such information confidential. Any and all information, knowledge and know-how not generally known in the restaurant business about the System and SBARRO'S services, standards, specifications, systems, procedures and techniques, and such other information or material as SBARRO may designate as confidential, shall be deemed confidential for purposes of this Agreement, except information that Franchisee can demonstrate came to its attention prior to disclosure thereof by SBARRO, or that is or has become a part of the public domain through publication or communication by others. The Manuals, any other manuals or materials designated for use with the System and all Confidential Information and trade secrets, shall at all times be deemed to be, and shall remain, the sole property of SBARRO, and Franchisee shall acquire no right, title or interest therein by virtue of authorization pursuant to this Agreement to possess and use the same. Franchisee acknowledges that the unauthorized use or disclosure of such Confidential Information and trade secrets will cause incalculable and irreparable injury to SBARRO. Franchisee accordingly agrees that it shall not at any time, whether during the Term of this Agreement, or after termination, expiration or non-renewal hereof, without SBARRO'S prior written consent, disclose (except to such employees or agents as must have access to such information in order to construct or operate the Restaurant) or use or permit the use (except as may be required by applicable law or authorized by this Agreement) of such information, in whole or in part, or otherwise make the same available to any unauthorized person or source. For purposes of this Agreement, the term "**Confidential Information**" shall have the same meaning ascribed to it in the Confidentiality, Non-Solicitation and Non-Competition Agreement executed by Franchisee and Sbarro concurrently with this Agreement, the form of which is attached to this Agreement as Exhibit B.

(c) Franchisee shall cause any person who is actively involved in the management of the Restaurant at the time of employment, to enter into a "**Confidentiality Agreement**" in compliance with the provisions of this Section 15. Franchisee shall use its best efforts to prevent any such persons from using, in connection with the operation of any restaurant (other than the Restaurant) wherever located, the System and any of the Proprietary Marks. If Franchisee has reason to believe that any such person has violated the provisions of such Confidentiality Agreement, Franchisee shall notify SBARRO and shall cooperate with SBARRO to protect SBARRO against infringement or other unlawful use of the Proprietary Marks or the System, including but not limited to, the prosecution of any lawsuits if, in the judgment of counsel for SBARRO, such action is necessary or advisable.

16. INSURANCE

THE INSURANCE REQUIREMENTS SET FORTH HEREIN REPRESENT MINIMUM REQUIREMENTS THE FRANCHISEE MUST PROCURE AND MAINTAIN. THE FRANCHISEE, DEPENDING UPON ITS SIZE, LOCATION, OTHER OPERATIONS, AND OTHER RELEVANT FACTORS, SHOULD CONSULT ITS INSURANCE BROKER OR CARRIER TO EVALUATE THE FRANCHISEE'S PARTICULAR SITUATION IN ORDER TO DETERMINE IF MORE INSURANCE COVERAGE IS NEEDED TO ADEQUATELY AND PROPERLY INSURE THE FRANCHISEE'S OPERATION OF THE RESTAURANT. FAILURE TO COMPLY WITH THE PROVISIONS SET FORTH HEREIN WILL RESULT IN A BREACH OF THIS AGREEMENT.

(a) Prior to the date of commencement of the business contemplated by this Agreement and no later than the earliest date on which the Franchisee uses any of the Proprietary Marks, Franchisee shall, at its own expense, procure and maintain in full force and effect, at all times during the Term of the Agreement, and any renewals hereof, the following insurance coverages with insurance carriers possessing a Best rating of 'A', IX, or better:

(i) **"All Risk Property Insurance"**, on a full replacement cost basis, covering improvements and betterments; furniture and fixtures; personal property/contents; direct and contingent business interruption; loss of income/extra expense; Signs coverage; Rents and other fees due and payable to the landlord, merchant's association, etc.; Royalty Fees due and payable to SBARRO hereunder for a period of at least 6 months. Equivalent "All Risk" property insurance forms may be used if coverage is at least as broad;

(ii) Comprehensive General Liability (herein **"CGL"**) insurance on Standard 1993 or later ISO Form at limits of \$1,000,000 per occurrence/\$2,000,000 aggregate (if the Franchisee operates more than one SBARRO restaurant, then the aggregate limit shall apply for each such location) subject to no deductible and no contractual limitation other than those found in a Standard Commercial General Liability Coverage Form. Equivalent forms of CGL Insurance may be used if coverage is at least as broad;

(iii) If Franchisee is authorized to offer liquor for sale at the Restaurant, then Liquor Legal Liability insurance must be included within the Franchisee's CGL insurance coverage, within the specified limits or separate equivalent coverage shall be provided in writing;

(iv) Commercial Automobile Policy containing \$1,000,000 combined single limit of bodily injury and property damage liability, and which must include coverage for hired and non-owned vehicles as well as any owned or leased vehicles, if any;

(v) Statutory Workers' Compensation insurance to statutory limits and Employer's Liability insurance with minimum limits of at least \$1,000,000 including such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located; and

(vi) Commercial Umbrella Liability insurance with limits which being the total of all primary underlying coverages (CGL, Employer's Liability and Liquor Legal Liability) to a minimum of \$5,000,000 total limit of liability. Such umbrella liability insurance shall provide, at a minimum, those coverages and endorsements required in the underlying policies and shall follow the form of such underlying policies.

(b) The above referenced policies shall be endorsed to name SBARRO FRANCHISE CO., LLC, its subsidiaries, affiliates and their respective partners, officers, directors, employees, successors, and assigns as **"Additional Insured"** (policies include General Liability, Liquor Liability, Automobile Liability, Umbrella), and **"Waiver of Subrogation"** (General Liability, Liquor Liability, Automobile Liability, Umbrella, and Workers Compensation), in favor of SBARRO FRANCHISE CO., LLC. Furthermore, coverage for **"Additional Insured"** shall apply on a primary basis irrespective of any other insurance, whether collectable or not.

(c) The purchase and maintenance of such insurances shall not excuse Franchisee from willful failure or neglect to operate the Restaurant in accordance with this Agreement or the Lease. In the event that SBARRO may be obligated to fulfill Franchisee's obligations under the Lease or other agreement, or act as guarantor or surety for Franchisee, then SBARRO may require that the proceeds of such insurance coverages be made payable directly to SBARRO and/or others designated by SBARRO.

(d) Franchisee shall deliver to SBARRO at least 30 days prior to the time any insurance is first required to be procured by Franchisee, and thereafter at least 30 days prior to the expiration of any such policy, certificates of insurance evidencing the proper insurance coverage with limits not less than those required hereunder. Such certificates shall contain a statement by the insurer that the policies are in full force and effect and will not be canceled or materially altered without at least 30 days prior written notice to SBARRO.

(e) Should Franchisee fail or neglect to obtain or maintain in continuous full force and effect, the insurance coverages required by this Agreement or by the terms and conditions of the Lease, then and in such event, at its exclusive option and without prior notice to Franchisee, SBARRO may purchase and obtain the required insurance coverages and Franchisee hereby specifically agrees to pay to SBARRO its costs and expenses in purchasing, obtaining, and maintaining such coverages.

(f) Upon failure of the Franchisee to deliver to SBARRO copies of such insurance policies or certificates of insurance within the required time, then and in such event, at its exclusive option and without prior notice to Franchisee, SBARRO may purchase and obtain the required insurance coverages and Franchisee hereby specifically agrees to pay to SBARRO its costs and expenses in purchasing, obtaining and maintaining such coverages.

(g) In any event, regardless of the provisions of this Section 16, Franchisee shall indemnify, defend, and hold SBARRO harmless against any loss, claim, action, or award that would be covered by such required insurance.

(h) SBARRO reserves the right, from time to time and in its sole discretion, to modify the policy requirements as set forth in this Agreement, including increasing policy limits, setting and modifying maximum deductibles, and requiring additional types of insurance or endorsements.

17. PROPRIETARY MARKS

(a) Franchisee expressly acknowledges that SBARRO is the owner of all right, title and interest in and to the Proprietary Marks, registered and unregistered, licensed to Franchisee by this Agreement. SBARRO warrants and represents that Franchisee is authorized to use the Proprietary Marks in accordance with the terms and conditions of this Agreement.

(b) Franchisee agrees to use the Proprietary Marks only in compliance with rules prescribed from time to time by SBARRO. Franchisee shall not use any Proprietary Marks as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Franchisee hereunder), nor may Franchisee use any Proprietary Marks in connection with the sale of any unauthorized product or service or in any manner not explicitly authorized in writing by SBARRO.

(c) Franchisee shall immediately notify SBARRO, in writing, of any apparent infringement or challenge to Franchisee's use of the Proprietary Marks. SBARRO shall have sole discretion to take such action as it deems appropriate.

(d) Subject to the provisions of Section 17(g), if it becomes advisable, at any time in the sole discretion of SBARRO, for Franchisee to modify or discontinue use of any Proprietary Marks and/or use one or more additional or substitute Proprietary Marks, Franchisee agrees to do so, at Franchisee's expense.

(e) Franchisee shall not contest, directly or indirectly, SBARRO'S ownership, title, right, or interest in the Proprietary Marks, or the System or contest SBARRO'S sole right to register, use, or license others to use such Proprietary Marks.

(f) Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name or URL containing any of the Proprietary Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Proprietary Marks.

(g) SBARRO will indemnify and reimburse Franchisee for all damages for which Franchisee is held liable to third parties in any proceeding arising out of Franchisee's authorized use of any of the Proprietary Marks pursuant to and in compliance with this Agreement resulting from claims by third parties that Franchisee's use of any of the Proprietary Marks infringes their trademark rights, and for all costs Franchisee reasonably incurs in the defense of any such claim in which Franchisee is named as a party, so long as Franchisee has timely notified SBARRO of the claim and has otherwise complied with the terms of this Agreement. SBARRO will not indemnify Franchisee against the consequences of Franchisee's use of the Proprietary Marks except in accordance with the requirements of this Agreement. Franchisee must provide written notice to SBARRO of any such claim within 5 days of Franchisee's receipt of such notice and Franchisee must tender the defense of the claim to SBARRO or SBARRO'S nominee. SBARRO will have the right to defend any such claim and if SBARRO does, SBARRO will have no obligation to indemnify or reimburse Franchisee for any fees or disbursements of any attorney retained by Franchisee. If SBARRO elects to defend the claim, SBARRO will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

18. INITIAL FRANCHISE FEE

The Franchisee shall pay an initial franchise fee ("**Initial Franchise Fee**") of [FRANCHISE FEE] Dollars (\$_____) payable in full at the time of execution and delivery of this Agreement. The Initial Franchise Fee is refundable to Franchisee, less SBARRO'S actual out-of-pocket expenses, only as provided in Section 4(b) and (c) of this Agreement. Unless required to do so by applicable law, no refund by SBARRO shall bear any interest. Unless required to do so by applicable law, SBARRO will not deposit the Initial Franchise Fee or any part thereof in any escrow, trust or such similar account.

19. ROYALTY FEE

(a) Franchisee agrees to pay SBARRO an ongoing royalty fee ("**Royalty Fee**") of ____% of the Gross Revenues derived by, from, in, or through the Restaurant payable weekly, on Tuesday of each week on receipts for the preceding calendar week. Concurrently with each payment of weekly Royalty Fees, Franchisee shall deliver to SBARRO a sales report showing the Royalty Fee computation thereof in the form prescribed by SBARRO. All such reports shall be transmitted by electronic data communication, facsimile transmission, or other method of delivery SBARRO may direct.

(b) The term "**Gross Revenues**" shall, for all purposes of this Agreement, mean the total revenues from all sales made by, from, in or through the Restaurant, deducting only sales taxes therefrom (to the extent charged to Franchisee by and paid by Franchisee to the applicable governing authority) and excluding only such revenues, if any, as may be required by applicable law.

(c) All Royalty Fees and other fees or payments due SBARRO shall bear interest after due date at a rate equal to the maximum interest rate permitted by law or in the absence of such a maximum rate at the rate of eighteen percent (18%) per year. Franchisee acknowledges that this Section shall not constitute SBARRO'S agreement to accept such payments after same are due.

(d) If SBARRO designates that payments required under this Section 19 be made by electronic fund transfer, Franchisee shall deposit all revenues from operation of the Restaurant into one bank account within 2 days of receipt, including cash, checks, credit card receipts or the value of other forms of payment.

Franchisee shall furnish to SBARRO, upon SBARRO'S request, such bank and account number, a voided check from such bank account, and written authorization for SBARRO to withdraw funds from such bank account via electronic funds transfer without further consent or authorization for Franchisee's Royalty Fees due to SBARRO based upon Franchisee's Gross Revenues reports for the relevant time periods. Franchisee agrees to execute any and all documents as may be necessary to effectuate and maintain the electronic funds transfer arrangement, as required by SBARRO. Franchisee agrees to pay all costs associated with any such transfer. In the event Franchisee changes banks or accounts for the bank account required by this Section 19(e), Franchisee shall, prior to such change, provide such information concerning the new account and an authorization to make withdrawals therefrom. Franchisee's failure to provide such information concerning the bank account required by this Section 19(e) or any new account, or Franchisee's withdrawal of consent to withdrawals for whatever reason and by whatever method shall be a breach of this Agreement.

20. PRODUCTS AND SUPPLIES

Franchisee shall purchase all food items, raw food items and beverages including, but not limited to, ingredients, mixes, condiments and prepared food items, from suppliers, contractors and purveyors that have been approved in writing by SBARRO. If Franchisee desires to purchase any such items from a supplier, contractor, or purveyor that has not been approved by SBARRO, Franchisee shall submit to SBARRO a written request for approval and shall direct the unapproved supplier, contractor, or purveyor to do so, both of which requests shall contain a covenant to conform at all times to SBARRO'S standards and specifications in effect from time to time.

SBARRO shall have the right to require, as a condition of SBARRO'S approval, that SBARRO'S representative be permitted to inspect the unapproved supplier, contractor, or purveyor's facilities and that samples be delivered, at SBARRO'S option, to SBARRO for testing, and that all such inspections and tests demonstrate, to SBARRO'S satisfaction, an ability to meet SBARRO'S standards and specifications. A charge not to exceed the cost of such inspection and testing shall be paid by the Franchisee or by the supplier, contractor, or purveyor seeking approval, and SBARRO shall not be liable for damage to any sample that may result from the testing process. Unapproved suppliers, contractors or purveyors must also demonstrate to SBARRO the existence of quality and food-safety controls, and the financial and managerial capacity to supply Franchisee's needs promptly and reliably.

Upon granting its approval of an unapproved supplier, contractor or purveyor, SBARRO reserves the right, at its option, to reinspect the facilities and to retest the products of such supplier, contractor, or purveyor at any time, without prior notice and without liability, regardless of any contracted arrangement between Franchisee and the supplier, contractor, or purveyor, and SBARRO further reserves the right to revoke its approval if, in the opinion of SBARRO, the supplier, contractor, or purveyor fails to demonstrate during any such reinspection or retest that it continues to satisfy SBARRO'S standards and specifications. As a condition to SBARRO'S approval of an unapproved supplier, contractor or purveyor, such supplier, contractor or purveyor shall expressly agree in writing to the reservation of SBARRO'S rights that are set forth in the immediately preceding sentence.

SBARRO reserves for itself the absolute right to be either the sole source of supplies or the sole designator of suppliers, contractors, or purveyors who will provide products, ingredients or mixes involving trade secrets, confidential formulae, or confidential recipes and shall have no obligation to release any trade secret, confidential formulae, or confidential recipe to the Franchisee or any supplier, contractor or purveyor.

If SBARRO discloses trade secrets or other confidential and proprietary information to the supplier, contractor or purveyor (including, without limitation, SBARRO'S Manuals), the supplier, contractor or purveyor shall be required to execute SBARRO'S standard form of Confidentiality Agreement as a condition to SBARRO'S disclosure or delivery of such information.

SBARRO further retains and reserves the right in its sole discretion to manufacture and distribute products authorized for sale in SBARRO restaurants under SBARRO'S Proprietary Marks through retail food stores and other outlets and channels of distribution, without limitation.

21. INSPECTION

(a) To determine whether Franchisee is complying with this Agreement including, without limitation all operational standards of the Manuals, SBARRO, through its employees, accountants, attorneys, and any other agent named by SBARRO, shall have the right at any time during business hours and without prior notice to Franchisee, to enter the Restaurant and inspect same. Such rights of inspection shall include, but not be limited to, the right to:

- (i) visually inspect and observe the Restaurant;
- (ii) observe and video tape the operation of the Restaurant for such consecutive or intermittent periods as SBARRO deems appropriate;
- (iii) remove samples of any food and beverage products, supplies, consumables or other products for testing or analysis;
- (iv) interview personnel and guests of the Restaurant;
- (v) inspect and copy any books, records and documents relating to the operation of the Restaurant including all accounting and employee records and books of account; and
- (vi) conduct food safety programs, "secret shopper" programs, interactive voice response customer satisfaction measurement programs and/or "customer intercept" programs.

(b) SBARRO shall notify Franchisee in writing of any deficiencies which are disclosed by such inspections and may notify Franchisee of problems which are brought to SBARRO'S attention.

(c) Franchisee shall correct any deficiencies or problems within 7 days of receipt of notice of deficiency or problem, unless same pertain to violations of a health, sanitation or safety law or ordinance in which case such violation will be corrected immediately but in all events within 24 hours.

(d) Such inspections shall be made at SBARRO'S expense, provided, however, that if SBARRO makes more than one inspection within any twelve-month period during the Term or any extension or renewal thereof, in connection with Franchisee's repeated or continuing failure to comply with this Agreement, SBARRO shall have the right to charge Franchisee for the costs of making all such further inspections in connection with such failure to comply, including without limitation travel expenses, room and board and compensation of SBARRO'S employees.

(e) SBARRO shall have the right to audit or cause to be audited the sales reports and financial statements that Franchisee is required to submit pursuant to this Agreement. If any such audit shall disclose an understatement of the Gross Revenues of the Restaurant for any period or periods, Franchisee shall pay to SBARRO, within fifteen (15) days after receipt of the audit report, the understated Royalty Fee together with interest thereon at the rate of Eighteen Percent (18%) per year (or, if lower, the maximum rate of interest allowed by law), calculated from the date when such Royalty Fee should have been paid to the date of actual payment. Further, if such understatement for any period or periods shall be Five Percent (5%) or more of the originally reported Gross Revenues for such period or periods, Franchisee shall reimburse SBARRO for the cost of such audit including, without limitation, the charges of any independent accountant, and the travel expenses, room, and board, and compensation of such accountant and of employees of SBARRO.

22. **DEFAULT AND TERMINATION**

(a) **Automatic.** If any one or more of the following events take place, then Franchisee will be deemed to be in default under this Agreement, and all rights granted in this Agreement shall automatically terminate without notice to Franchisee:

- (i) if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors;
- (ii) if Franchisee files a petition in bankruptcy or such a petition is filed against Franchisee and not dismissed within 30 days following commencement;
- (iii) if Franchisee is adjudicated bankrupt or insolvent (to the extent permitted under the U.S. Bankruptcy Code);
- (iv) if a bill in equity or other proceeding for the appointment of a receiver for Franchisee or another custodian for Franchisee's business or assets is filed and consented to by Franchisee;
- (v) if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;
- (vi) if proceedings for a composition with creditors under any state or federal law is instituted by or against Franchisee;
- (vii) if a final judgment remains unsatisfied or of record for 30 days or longer (unless appealed or a supersedeas bond is filed);
- (viii) if Franchisee is dissolved;
- (ix) if execution is levied against Franchisee's business or property;
- (x) if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within 30 days; and/or
- (xi) if the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) **With Notice.** If any one or more of the following events takes place, then Franchisee will be deemed to be in default under this Agreement, and SBARRO will have the right to terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of SBARRO'S written notice to Franchisee:

- (i) If Franchisee fails to obtain SBARRO'S approval of a Location within the required time period or if Franchisee fails to construct and open the Restaurant within the time limits provided in this Agreement;
- (ii) If Franchisee at any time ceases to operate or otherwise abandons the Restaurant for two (2) consecutive business days (during which Franchisee is otherwise required to be open, and without SBARRO'S prior written consent to do so), loses the right to possession of the Location, or otherwise forfeits the right to transact business in the jurisdiction where the Restaurant is located (however, if through no fault of Franchisee's, the premises are damaged or destroyed by

an event such that Franchisee cannot complete repairs or reconstruction within 90 days thereafter, then Franchisee will have 30 days after such event in which to apply for SBARRO'S approval to relocate and/or reconstruct the premises, which approval SBARRO shall not unreasonably withhold);

(iii) If Franchisee, an Affiliate of Franchisee, any Franchise Principal or any Affiliate of any Franchise Principal are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that SBARRO believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or SBARRO'S interest therein or are determined to have submitted inaccurate information to SBARRO which SBARRO relied upon for the purpose of awarding franchise rights;

(iv) If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant;

(v) If Franchisee or any of the Franchise Principals purport to assign any rights, interests, or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 25;

(vi) If Franchisee or any Franchise Principal fails to comply with any of the covenants contained in Section 24;

(vii) If, contrary to the terms of this Agreement, Franchisee or any Franchise Principal, or any person under the control of Franchisee or any Franchise Principal, discloses or divulges, or causes to be disclosed or divulged, the contents of the Manual or other Confidential Information;

(viii) If Franchisee or anyone directed by or acting on behalf of Franchisee knowingly maintains false books or records, or submits any false reports (including, but not limited to, information provided as part of Franchisee's application for this Franchise) to SBARRO;

(ix) If Franchisee commits 3 or more defaults under this Agreement in any 365-day period, whether or not each such default has been cured after notice;

(x) If Franchisee sells products that SBARRO has not previously approved, or purchases any product from a supplier, contractor or purveyor that SBARRO has not previously approved, or if Franchisee sells any proprietary products anywhere other than from the Restaurant or sells any proprietary products other than at retail;

(xi) If Franchisee or any of the Franchise Principals engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

(xii) If Franchisee engages in delivery services from the Restaurant without having first obtained SBARRO'S prior written consent;

(xiii) If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or any Franchise Principal, or any person under the control of Franchisee or any Franchise Principal, use the Proprietary Marks in a manner that SBARRO does not permit (whether under this Agreement and/or otherwise) or that is inconsistent with SBARRO'S direction, or if Franchisee or any of the Franchise Principals directly or indirectly contest the validity of SBARRO'S ownership of the proprietary Marks, SBARRO'S right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of SBARRO'S Proprietary Marks with any agency (public or private) for any purpose without SBARRO'S prior written consent to do so;

(xiv) If Franchisee fails to pay any fine, fee, penalty, tax assessment or levy against Franchisee when levied or due;

(xv) If Franchisee shall knowingly or recklessly serve in the Restaurant food or beverages which have been adulterated or misbranded, or which is unsafe or which has been packaged, prepared, poorly maintained in violation of any governmental statute, regulation or code intended to protect the public health or safety; and/or

(xvi) If Franchisee fails to fully comply with the provisions of Sections 4(d), 4(e), and 4(f).

(c) With Notice and Opportunity to Cure.

(i) Except as otherwise provided in Sections 22(a) and 22(b), if Franchisee or any Franchise Principal is in default of its respective obligations under this Agreement, SBARRO may only terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default at least (A) ten (10) days for a monetary default and (B) thirty (30) days for a non-monetary default, before the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to SBARRO'S satisfaction, and by promptly providing proof of the cure to SBARRO, all within the specified time period. If any such default is not cured within the specified time (or such longer period as applicable law may require), then this Agreement shall terminate upon notice to Franchisee of SBARRO'S election to terminate the Agreement.

(ii) If Franchisee, an Affiliate of Franchisee, any of the Franchise Principals or any Affiliate of any Franchise Principal is in default under the terms of any other franchise agreement or other contract between any combination of the foregoing persons and entities and: (1) SBARRO and/or an Affiliate or Affiliates of SBARRO; or (2) any creditor or supplier of the Restaurant, then, in either case, such default will also constitute a default under this Section 22.

(d) Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 22, and this 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 this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth:

(i) the name and address of the proposed assignee; and

(ii) all of the terms and conditions of the proposed assignment and assumption shall be given to SBARRO not less than 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.

SBARRO will thereupon 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 this Agreement to SBARRO 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 which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement.

(e) SBARRO'S Rights Instead of Termination. If SBARRO is entitled to terminate this Agreement in accordance with Sections 18(b) or 18(c), SBARRO will also have the right to take any lesser action instead of terminating this Agreement.

(f) Reservation of Rights. If any rights, options or arrangements are terminated or modified in accordance with Section 22(e), such action shall be without prejudice to SBARRO'S right to terminate this Agreement in accordance with Sections 22(b) or 22(c), 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.

23. FRANCHISEE'S OBLIGATIONS UPON TERMINATION, EXPIRATION OR NON-RENEWAL

Upon termination or expiration of this Agreement and the franchise granted herein:

(a) Franchisee agrees to pay SBARRO within seven (7) days such Royalty Fees and other charges as have then become due hereunder and are unpaid or to pay immediately upon demand such as thereafter become due as a result of any audit that may be conducted by SBARRO.

(b) Franchisee will immediately return to SBARRO all copies of the Manuals. Franchisee shall not make any copies of the Manuals (or portions thereof) nor thereafter use any information contained therein or other Confidential Information received by Franchisee during the Term of this Agreement.

(c) Franchisee will take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of the Proprietary Marks by Franchisee and to notify the telephone company and all listing agencies of the termination, expiration or non-renewal of Franchisee's right to use all telephone numbers and all classified and other directory listings for the Restaurant and to authorize same to transfer to SBARRO or its designee all such numbers and directory listings. Franchisee acknowledges that as between SBARRO and Franchisee, SBARRO has the sole rights to and interest in all telephone numbers and directory listings associated with the Proprietary Marks and authorizes SBARRO to direct the telephone company and all listing agencies to transfer same to SBARRO or its designee. Should Franchisee fail to do so, the telephone company and all listing agencies may accept such direction pursuant to this Agreement as conclusive of the exclusive rights of SBARRO in and to such telephone numbers and directory listings and its authority to direct their transfer.

(d) Franchisee will immediately remove all signs, Proprietary Marks, menu board, inserts, point of sale materials and all other items of decor and design and all items of trade dress and trade style which would, or would tend to, identify the franchised location as a "**SBARRO**" facility and shall cease any use of the Proprietary Marks and System. If Franchisee fails promptly to so "**de-image**" the Restaurant, SBARRO may do so at Franchisee's sole cost and expense. Franchisee will not directly or indirectly, in any manner, identify itself, or any individual connected with Franchisee, or the franchised location as a "**former SBARRO Restaurant**" or as a former Franchisee of or otherwise associated with SBARRO or use in any manner or for any purpose the Proprietary Marks or other indicia of the System.

(e) SBARRO shall have the option, exercisable within thirty (30) days, to purchase from Franchisee, at fair market value, all approved equipment, fixtures, furniture, signs, supplies, food, materials, leasehold improvements, and items imprinted with the Proprietary Marks. If SBARRO and Franchisee cannot agree on the fair market value of any such item, such value shall be determined as follows: equipment, fixtures, furniture, and signs shall be valued at cost less depreciation at the rate of 2% per month for the first year of the Term of this Agreement and 1% per month thereafter. All materials, supplies, food and other expendable items shall be valued at cost.

(f) Franchisee shall relinquish all interest of every kind and description that it has in the Restaurant and in the Lease, and hereby appoints SBARRO as its attorney-in-fact to execute such documents on Franchisee's behalf if Franchisee fails to do so; and thereafter, upon demand by SBARRO, Franchisee shall vacate and surrender to SBARRO the Restaurant premises.

(g) SBARRO shall continue to have the right to have all books, records and accounts of the Franchisee examined by SBARRO'S employees or auditors or other agents to determine whether all sums required to be paid to SBARRO under this Agreement have in fact been paid through the date of such

termination or expiration. If such examination reveals any underpayment, then Franchisee shall remit any deficiencies thereof to SBARRO upon demand, with interest as provided in Section 21(e) hereof.

(h) Franchisee shall immediately irrevocably assign and transfer to SBARRO or its designee any and all interests Franchisee may have in any Website maintained by Franchisee in connection with the Restaurant and in the domain name and home page address related to such Website. Franchisee shall immediately execute any documents and perform any other actions required by SBARRO to effectuate such assignment and transfer and otherwise ensure that all rights in such Website revert to SBARRO or its designee, and hereby appoints SBARRO as its attorney-in-fact to execute such documents on Franchisee's behalf if Franchisee fails to do so. Franchisee may not establish any Website using any similar or confusing domain name and/or home page address.

(i) In the event this Agreement is terminated prior to the end of its Term due to Franchisee's default hereunder, in addition to the amounts set forth in Section 23(a) above, Franchisee shall promptly pay to SBARRO a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to: (1) the average monthly Royalty Fees, Marketing Fund contributions and advertising contributions payable by Franchisee under Sections 11(a), 11(b), 19(a) and 19(b) hereof over the 12 month period immediately preceding the date of termination, or, if Franchisee failed to report Gross Revenues for any month during such 12 month period, the most recent 12 months for which Franchisee has reported Gross Revenues, (or such shorter time period if the Restaurant has been open less than 12 months); (2) multiplied by the lesser of 36 or the number of months then remaining in the then-current Term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages SBARRO will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light of the damages for premature termination which SBARRO will incur. This lump sum payment will be in lieu of any damages SBARRO may incur as a result of Franchisee's default, but it shall be in addition to all amounts provided above in Section 23(a) and any attorneys' fees and other costs and expenses to which SBARRO is entitled under the terms of this Agreement. Franchisee's payment of this lump sum shall not affect SBARRO'S right to obtain appropriate injunctive relief and remedies to enforce this Section 23 and the covenants set forth in Sections 15 and 24 hereof.

24. COVENANTS

(a) Franchisee agrees that during the Term, except as SBARRO has otherwise approved in writing, Franchisee shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

(b) Franchisee and the Franchise Principals acknowledge and agree that: (i) pursuant to this Agreement, Franchisee and the Franchise Principals will have access to valuable trade secrets, specialized training and Confidential Information from SBARRO and SBARRO'S Affiliates regarding the development, operation, management, purchasing, sales, and marketing methods and techniques of the System; (ii) the System and the opportunities, associations and experience SBARRO has established and that Franchisee will have access to under this Agreement are of substantial and material value; (iii) in developing the System, SBARRO and SBARRO'S Affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (iv) SBARRO 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 the System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (v) restrictions on Franchisee's and the Franchise Principals' rights to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder Franchisee's and the Franchise Principals' activities. As used in this Agreement, the term "**Competitive Business**" is agreed to mean a retail business that sells or offers pizza, salads, and/or Italian style

sandwiches and food that separately or in the aggregate would constitute 30% or more of that businesses monthly Gross Revenue (less beverage sales) at any one or more retail location(s).

(c) Covenant Not to Compete or Engage in Injurious Conduct. Accordingly, Franchisee and the Franchise Principals covenant and agree that, during the Term and for a continuous period of 2 years after the expiration or termination of this Agreement and/or a permitted transfer hereof, Franchisee and the Franchise Principals shall not directly, indirectly, for Franchisee, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

(i) Divert or attempt to divert any actual or potential business or customer of any SBARRO restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

(ii) Employ or seek to employ any person who is then employed by SBARRO or any other SBARRO restaurant franchisee or developer, or otherwise directly or indirectly induce such person to leave his or her employment. In addition to any other rights and remedies available to SBARRO under this Agreement, in the event of a violation of this Section 24(c), SBARRO will have the right to require Franchisee and/or the Franchise Principals to pay to SBARRO (or such other SBARRO restaurant franchisee or developer, as the case may be) an amount equal to 3 times the annual salary of the person(s) involved in such violation, plus an amount equal to SBARRO'S costs and reasonable attorney's fees incurred in connection with such violation.

(iii) Engage in, franchise or license, make loans to, lease real or personal property to, and/or have any direct or indirect ownership interest in, or render services or give advice to, any Competitive Business.

(d) During the Term, there is no geographical limitation on the restrictions set forth in Section 24. During the 2-year period following the expiration or earlier termination of this Agreement and/or a permitted transfer hereof, these restrictions shall apply within a ten (10) mile radius of the Location and any then-existing SBARRO restaurant, except as SBARRO may otherwise approve in writing. These restrictions shall not apply to restaurants that Franchisee operates that SBARRO (or SBARRO'S Affiliates) have franchised to Franchisee pursuant to a valid franchise agreement.

(e) Franchisee further covenants and agrees that, for a continuous period of 2 years after the expiration or termination of this Agreement, Franchisee will not, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, or transfer the Location, nor cause the Location to be sold, assigned, leased or transferred, to any person, firm, partnership, corporation, or other entity that Franchisee knows, or has reason to know, intends to operate a Competitive Business at the Location. Franchisee, by the terms of any conveyance selling, assigning, leasing, or transferring Franchisee's interest in the Location, shall include these restrictive covenants as is necessary to ensure that a Competitive Business that would violate this Section is not operated at the Location for this 2 year period, and Franchisee shall take all steps necessary to ensure that these restrictive covenants become a matter of public record.

(f) Periods of Non-Compliance. If, at any time during the two (2) year period following expiration or termination of this Agreement, Franchisee or any Franchise Principal fails to comply with Franchisee's or the Franchise Principals' obligations under this Section 24, then that period of noncompliance will not be credited toward Franchisee's or any Franchise Principal's satisfaction of the 2 year obligation specified above.

25. ASSIGNMENT

(a) This Agreement is fully assignable by SBARRO and shall inure to the benefit of any assignee or other legal successor to the interests of SBARRO as set forth herein.

(b) This Agreement and the franchise granted herein are personal to Franchisee and neither this Agreement, the franchise, nor any part of the ownership of Franchisee (which shall mean and include voting stock, securities convertible into voting stock, proprietorship and general partnership interests) may be voluntarily, involuntarily, directly or indirectly assigned, or otherwise transferred or encumbered by Franchisee or its owners (including, without limitation, by will, declaration of, or transfer in trust or the laws of intestate succession) without the prior written approval of SBARRO provided that such approval shall not be required for the assignment, transfer, or encumbrances of shares of a corporation where shares are publicly traded on a national exchange. Any such assignment, transfer or encumbrance without such approval shall constitute a breach hereof. This Agreement does not give Franchisee the right to grant a subfranchise or similar right.

(c) If this Agreement is transferred to, or operated by, a corporation whose shares are not publicly-traded on a national exchange, such corporation shall:

(i) limit its activities to acting exclusively as a SBARRO restaurant under this Agreement;

(ii) execute a document in such form as shall be approved by SBARRO in which it agrees to become a party to and be bound by all the provisions of this Agreement to the same extent as if it were named as Franchisee herein;

(iii) have any individual owner, partner, officer or shareholder of the corporation and their spouses agree to be personally liable in all respects under this Agreement and to have all such individuals execute, on forms approved by SBARRO, personal guaranties and agreements not to sell, assign, pledge, mortgage or otherwise transfer or encumber the shares of the corporation; and

(iv) have all stock certificates representing shares in the corporation bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions, including restrictions on transfer, set forth in a Franchise Agreement dated _____, 20____, between [Franchisee] and SBARRO FRANCHISE CO., LLC, copies of which are on file in the principal offices of [Franchisee] and SBARRO FRANCHISE CO., LLC”

(v) have all individual owners, partners, and shareholders of the corporation execute an addendum to this Agreement designating a single shareholder or partner as the Operating Principal of Franchisee for the purposes of all dealings with SBARRO.

(d) If the Franchisee is an individual and dies and his/her personal representatives or heirs desire to continue to operate the Restaurant and if, under controlling local law, the deceased Franchisee's interest in the Restaurant, the franchise, and this Agreement are distributable to those heirs or legatees who are members of the immediate family and who otherwise would qualify as franchisees hereunder, then such an assignment by operation of law shall not be deemed in violation hereof; provided such heirs or legatees agree in writing to be bound by and accept the terms and conditions of this Agreement.

(e) Consent to an assignment otherwise permitted or permissible may be refused by SBARRO, unless prior to the effective date of the assignment the following minimum conditions precedent exist:

(i) All obligations of Franchisee in connection with the Restaurant, the terms and conditions of this Agreement and the Franchise granted herein have been assumed by assignee in writing;

(ii) All ascertained or liquidated debts owed by Franchisee to SBARRO and all other creditors in connection with Restaurant and its operations have been paid in full;

(iii) Franchisee and the Franchise Principals are not in default under any provisions of this Agreement, the lease or sublease underlying the Restaurant (if any), or any other agreement between any of them and SBARRO (or an Affiliate of SBARRO);

(iv) Assignee has completed the then-current training program for new operators;

(v) Assignee has executed SBARRO'S then-current standard Franchise Agreement for a full Term as provided therein;

(vi) Franchisee or assignee has paid SBARRO a transfer fee equal to the greater of \$3,500 or 10% of the then current Initial Franchise Fee for its expenses for assignee's training and on-site field, technical, and management supervision and training and for its reasonable legal and accounting fees, credit, and investigation charges and expenses incurred as a consequence of such assignment;

(vii) Franchisee, the Franchise Principals and all officers, directors and shareholders of any corporation to which this franchise and Agreement have been assigned shall execute a general release in favor of SBARRO and SBARRO'S Affiliates;

(viii) Assignee meets the financial and business experience requirements then in effect for all new franchisees; and

(ix) The assignee shall be required to do any remodeling, renovation or refurbishing of the Restaurant, as may be reasonably required by SBARRO, and complete same within 60 days following the assignment.

(f) Franchisee or its representative shall give SBARRO written notice of Franchisee's intent to sell or otherwise transfer this Agreement and the franchise granted herein. The notice shall set forth the name and address of the proposed purchaser or assignee and must be accompanied by true and complete copies of all contracts and documents of the contemplated sale, assignment or assignee. SBARRO shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the proposed sale or assignment within thirty (30) days following SBARRO'S receipt of such notice. However, if SBARRO fails to exercise its option and the Restaurant is not subsequently sold or transferred to the proposed purchaser or assignee within ninety (90) days of Franchisee's initial notice to SBARRO for any reason, SBARRO shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent proposed sale or transfer.

(g) If Franchisee, under this Agreement, consists of more than one individual or is a partnership, all the provisions of this Agreement and specifically the restrictions on and other provisions relating to assignment shall apply to each individual or each partner.

(h) If Franchisee has assigned this Agreement to a corporation and Franchisee thereafter dies, the provisions of Subsection (d) hereof shall apply to transfer of the corporate stock in the same manner that they would have applied to transfer of the Restaurant had Franchisee not assigned this Agreement to a corporation.

(i) If the Franchisee is a partnership or a corporation whose shares are not publicly traded on a national exchange, there shall be an agreement by and between such partners or shareholders for a buy-out or other form of transfer of a deceased partner's interest or a deceased shareholder's shares to the surviving partner(s) and shareholder(s). The purpose of such agreement is to permit the surviving partner(s) or shareholder(s) to operate the Restaurant without interference from the estate of the deceased partner or shareholder. Such agreement shall be in such form as shall be approved by SBARRO and shall be executed prior to or simultaneously with the execution of this Agreement.

26. ENFORCEMENT

(a) Except as described in Section 26(b) below, any claim or controversy arising out of or related to this Agreement or the making, performance, or interpretation of this Agreement shall be finally settled under the Arbitration Rules of the American Arbitration Association then in force, by one arbitrator appointed by the American Arbitration Association in accordance with said rules. The place of arbitration shall be in Franklin County, Ohio. All cost of arbitration, including the arbitrator's fee, shall be borne by the losing party. The parties agree that the award of the arbitrator shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues, or accountings presented or pled to the arbitrator; that it shall be made and shall promptly be payable in U.S. dollars free of any tax, deduction or offset; and that any costs, fees, or taxes incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the party resisting such enforcement. The award shall include interest from the date of any damages incurred for breach or other violation, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than one and one-half percent (1.5%) per month, or part of a month, until paid.

(b) Nothing herein contained (including, without limitation, Section 26(a) above regarding arbitration) shall bar Sbarro's right to obtain injunctive relief from any court having valid jurisdiction against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions. Franchisee agrees to entry without bond of temporary and permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If SBARRO secures any such injunction or order of specific performance, Franchisee further agrees to pay SBARRO an amount equal to the aggregate of its costs of obtaining any such relief, including without limitation reasonable attorney's fees, costs of investigation, proof of facts, court costs, other arbitration or litigation expenses, travel and living expenses, and any damages incurred by SBARRO as a result of the breach of any such provisions.

(c) Should Franchisee fail or neglect to deliver the reports and statements required by Sections 13 or 19(a) hereof within the respective periods set forth therein and should such failure or neglect continue for ten (10) days after receipt of written demand for the same from SBARRO, SBARRO shall, in addition to any rights provided elsewhere in this Agreement, have the right thereafter to make such examination of Franchisee's books and records as may be necessary to certify the amounts of Franchisee's Gross Revenues and compute the amounts due and owing from Franchisee to SBARRO. The certification so made as to Gross Revenues shall be binding upon the Franchisee who shall thereupon immediately pay to SBARRO all sums found to be due and owing to SBARRO, together with the highest rates of interest as provided in Section 19(c) hereof. Franchisee shall also immediately pay to SBARRO the reasonable costs of such examination.

(d) Should Franchisee fail or neglect: (i) to establish and maintain a bookkeeping and record keeping system in accordance with Section 12 hereof or in accordance with any Term, condition or provision of the lease or sublease underlying the Restaurant; or (ii) to complete or submit the reports and statements required by Section 13 hereof or by any term, condition or provision of the lease or sublease underlying the Restaurant, then and in such event, should such failure or neglect continue for ten (10) days after the date of written demand for the same from SBARRO, or from the landlord of the Location, SBARRO shall, in addition to any rights provided elsewhere in this Agreement, have the right, thereafter,

to employ a certified public accountant to make or complete any such reports or statements and to submit the same to those entitled to receive the same. The reports and statements so made or completed or submitted by the accountant shall be binding upon Franchisee. If, based upon such reports or statements, sums of money are found to be due and owing pursuant to this Agreement, or the Lease, Franchisee shall immediately pay all such sums together with any interest provided for by the Lease. Franchisee shall also immediately pay to SBARRO the reasonable costs of such examination.

(e) Franchisee shall fully and completely cooperate with the certified public accountant employed pursuant to Subsections 26(b) and 26(c) hereof.

(f) The provisions of Subsections 26(b), 26(c), and 26(d) hereof are in addition to any and all other rights and remedies provided for under the terms of this Agreement or the Lease, as well as at law and in equity.

(g) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act: 15 U.S.C. Section 1051 et. seq.), as amended, this Agreement shall be governed by the laws of the State of Ohio. Subject to the provisions of Sections 26(a) and (b) hereof, the parties mutually agree that the courts having jurisdiction where SBARRO'S principal office is then located shall be the exclusive and mandatory venue and exclusive and mandatory forum in which to adjudicate any action arising from or relating to this Agreement and any guarantees hereof, undertakings hereunder provided and relationship established thereby, however, with respect to any action (i) for monies owed, (ii) for injunctive or other extraordinary relief, or (iii) involving the possession or disposition of, or other relief relating to, real property, the Proprietary Marks or SBARRO'S Confidential Information, SBARRO may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. This Agreement was executed and accepted at SBARRO'S place of business in Columbus, Ohio. The parties anticipate that the performance of certain Franchisee's obligations arising under this Agreement shall occur in Columbus, Ohio.

(h) EXCEPT FOR FRANCHISEE'S OBLIGATIONS TO INDEMNIFY SBARRO AND CLAIMS FOR UNAUTHORIZED USE OF THE PROPRIETARY MARKS OR CONFIDENTIAL INFORMATION, FRANCHISEE, THE FRANCHISE PRINCIPALS AND SBARRO EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. FRANCHISEE, THE FRANCHISE PRINCIPALS AND SBARRO ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISEE OR THE FRANCHISE PRINCIPALS AND SBARRO, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

(i) FRANCHISEE, THE FRANCHISE PRINCIPALS AND AFFILIATES AND SBARRO EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER FRANCHISEE OR THE FRANCHISE PRINCIPALS OR BY SBARRO.

(j) ANY DISPUTE AND ANY LITIGATION WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS. ANY SUCH PROCEEDING WILL NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING INVOLVING ANY OTHER PERSON, EXCEPT FOR DISPUTES INVOLVING THE FRANCHISE PRINCIPALS OR AFFILIATES OF THE PARTIES.

(k) If a claim for amounts owed by Franchisee or the Franchisee Principals to SBARRO or any of SBARRO'S Affiliates is asserted in any legal proceeding or if either Franchisee or SBARRO is required to enforce this Agreement or any ancillary agreements in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees

charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement. If SBARRO becomes a party to any action or proceeding commenced or instituted against SBARRO by a third party arising out of or relating to this Agreement, any related agreements, or the Restaurant as a result of any claimed or actual act, error or omission of Franchisee (and/or any of Franchisee's officers, directors, shareholders, members, management, employees, contractors and/or representatives); by virtue of statutory, "vicarious", "principal/agent" or other liabilities asserted against or imposed on SBARRO as a result of SBARRO'S status as Franchisor; or if SBARRO becomes a party to any arbitration or litigation or any insolvency proceeding involving Franchisee pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then Franchisee will be liable to, and must promptly reimburse SBARRO for, attorneys' fees and all other expenses SBARRO incurs in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, SBARRO will be entitled to add all costs of collection, interest, and attorneys' fees to SBARRO'S proof of claim in any insolvency or bankruptcy proceeding Franchisee file.

(l) The liability of each Franchisee named in this Agreement for the due and punctual performance of all obligations under this Agreement shall be absolute, unconditional and irrevocable (unless otherwise expressly limited under this Agreement), and such liability shall be owed jointly and severally by each Franchisee named hereunder. Each Franchisee waives any right to require that resort be had by SBARRO to any other party or principal for the collection and performance of any obligation owed under this Agreement. If at any time any payment made to SBARRO pursuant to any obligation under this Agreement is rescinded or must otherwise be restored or returned by SBARRO upon the insolvency, bankruptcy or reorganization of any Franchisee or Franchise Principal, then each of the other Franchisees' obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made.

27. INDEPENDENT CONTRACTORS: INDEMNIFICATION

SBARRO and Franchisee are independent contractors. Nothing in this Agreement shall be construed in any manner to create between SBARRO and Franchisee the relationship of joint venturers or partners, employer and employee, master or servant or principal and agent. Neither party shall act in any manner to imply any such relationship. SBARRO shall neither be obligated nor bound by any agreements, representations or warranties made by Franchisee nor shall SBARRO be held liable for any damages to any person or property directly or indirectly arising out of the operation of the Restaurant whether caused by Franchisee's negligent or willful action or failure to act, or otherwise. Franchisee agrees to indemnify, hold harmless and defend SBARRO against and to reimburse SBARRO for all such obligations and damages for which SBARRO is held liable as well as for any claims, suits, judgments, or actions that arise out of Franchisee's operation of the Restaurant and for all costs incurred by SBARRO in the defense of any such claim brought against it or in any action in which it is named as a party, including, without limitation, reasonable attorneys' fees, costs of investigation, and proof of facts, court costs, other arbitration or litigation expenses, and travel and living expenses. SBARRO shall have the right to defend any such claim or action with counsel of its choice, and Franchisee shall advance all costs of defense incurred by SBARRO upon demand therefor.

28. MISCELLANEOUS

(a) This Agreement is binding upon the parties hereto and their respective heirs, assigns and successors in interest.

(b) The preamble and any exhibits hereto are a part of this Agreement that constitutes the entire agreement between the parties. With the exception of the Franchise Disclosure Document described

in Section 34(c), there are no other oral or written understandings or agreements between SBARRO and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement or in any related agreements is intended to disclaim the representations SBARRO made in the Franchise Disclosure Document. The headings of the several sections hereof are for convenience only and do not define, limit or construe the contents of such sections. The Term "Franchisee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural. 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 representatives in writing.

(c) SBARRO and Franchisee agree that if any provision of this Agreement is capable of two constructions, one of which renders the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the language of all provisions of this Agreement shall be construed in favor of validity and enforceability.

(d) It is the desire and intent of SBARRO and Franchisee that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. SBARRO and Franchisee agree to substitute a valid and enforceable provision for any specification, standard, operating procedure or rule, or any other obligation of Franchisee, or any obligation of SBARRO, which is determined to be invalid or unenforceable and is not waived by the other. If any applicable law or rule requires a longer prior notice of the termination of or election not to renew this Agreement, or the taking of some other action hereunder, than is required hereunder, the longer prior notice required by such law or rule shall be substituted for the notice requirements hereof.

(e) Whenever this Agreement requires SBARRO'S advance approval, agreement or consent, Franchisee agrees to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, SBARRO has the absolute right to refuse any request by Franchisee or to withhold SBARRO'S approval of any action or omission by Franchisee. If SBARRO provides to Franchisee any waiver, approval, consent, or suggestion, or if SBARRO neglects or delays SBARRO'S response or deny any request for any of those, SBARRO will not be deemed to have made any warranties or guarantees which Franchisee may rely on, and will not assume any liability or obligation to Franchisee. In no event may Franchisee make any claim for money damages based on any claim or assertion that SBARRO has unreasonably withheld, delayed or conditioned any consent or approval of this Agreement. You waive any such claim for damages. You may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce this Agreement provisions, for a specific performance or for declaratory judgment.

(f) We will not be deemed to have waived SBARRO'S right to demand exact compliance with any of the terms of this Agreement, even if at any time:

(i) SBARRO does not exercise a right or power available to SBARRO under this Agreement;

(ii) SBARRO does not insist on Franchisee's strict compliance with the terms of this Agreement;

(iii) if there develops a custom or practice which is at variance with the terms of this Agreement; or

(iv) if SBARRO accepts payments which are otherwise due to SBARRO under this Agreement. Similarly, SBARRO'S waiver of any particular breach or series of breaches under this Agreement or of any similar Term in any other agreement between Franchisee and SBARRO or between SBARRO and any other franchise owner, will not affect SBARRO'S rights with respect to any later breach by Franchisee or anyone else. Franchisee and Franchisee's Owners acknowledge that SBARRO has and may, at different times, in SBARRO'S absolute and sole discretion, approve exceptions or changes from the uniform standards of the System, which SBARRO deems desirable or necessary under particular circumstances. Franchisee understands that Franchisee has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance by SBARRO in writing. Franchisee understands that existing franchisees may operate under different forms of agreements and that the rights and obligations of existing franchisees may differ materially from this Agreement.

(g) Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "**Order**"), SBARRO is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Franchisee represents and warrants to SBARRO that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is designated under the Order as a person with whom business may not be transacted by SBARRO, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

(h) **ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP BETWEEN FRANCHISEE AND/OR THE FRANCHISE PRINCIPALS AND SBARRO MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY(S) WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN), EXCEPT FOR CLAIMS ARISING FROM: (i) CLAIMS FOR INDEMNIFICATION; AND/OR (ii) UNAUTHORIZED USE OF THE PROPRIETARY MARKS. IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT THE FAILURE TO STRICTLY COMPLY WITH THE FOREGOING TIME LIMITATIONS SHALL ACT TO IRREVOCABLY BAR SUCH CLAIMS OR ACTIONS. HOWEVER, THIS PROVISION DOES NOT LIMIT SBARRO'S RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.**

(i) SBARRO will not, because of this Agreement or by virtue of any approvals, advice or services provided to Franchisee, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

29. STANDARD OF REASONABLENESS

SBARRO agrees to exercise reasonable business judgment with respect to all determinations to be made by SBARRO pursuant to this Agreement (except those to be made in SBARRO'S sole discretion), including, without limitation, the nature and extent of the operational assistance required by Franchisee from time to time, specifications and standards for food, equipment, fixtures, signs, supplies and materials and approval of any suppliers thereof, products and services, specifications, standards and operating procedures and rules prescribed from time to time for the Restaurant.

30. LIMITED LIABILITY COMPANY/PARTNERSHIP/CORPORATION

If the Franchisee is a limited liability company, partnership or corporation or if SBARRO approves the transfer of this Agreement and the franchise granted herein to a limited liability company, partnership or corporation pursuant to Section 25 hereof or otherwise, such limited liability company, partnership or corporation shall conduct no other business other than the operation of the Restaurant pursuant to this Agreement (or other franchise agreements, if any, with SBARRO or Franchisee) and all managers/members of such limited liability company, general partners of such partnership or officers and shareholders of voting stock of such corporation shall execute this Agreement, or a Guaranty in a form and substance satisfactory to, and approved by and/or directly used by SBARRO, and be bound jointly and severally by all provisions hereof provided, that the provisions of this Section 30 shall not apply to a corporation whose shares are publicly traded on a national exchange. No manager/member of any such limited liability company or partner of any such partnership or officer or shareholder of any such corporation may conduct any other restaurant business without the prior written consent of SBARRO.

31. NOTICES

All notices which SBARRO shall or may serve upon Franchisee pursuant to the Terms hereof shall be sent as follows:

All notices that Franchisee shall or may serve upon SBARRO shall be sent as follows:

SBARRO FRANCHISE CO., LLC
1328 Dublin Road
Columbus, Ohio 43215
Attention: Franchise Department

with copies to SBARRO FRANCHISE CO., LLC
1328 Dublin Road
Columbus, Ohio 43215
Attention: General Counsel

Either party hereto may from time to time provide additional addresses or substitute addresses as the case may be by notice pursuant to this Section 31. All notices permitted or required to be delivered by the provisions of this Agreement or of the Manuals shall be in writing and shall be deemed effective upon receipt or refusal when delivered via the United States Postal Service by Certified Mail, Return Receipt Requested, or Express Mail or via recognized national (or, as appropriate, international) courier, Return Receipt Requested, with postage or fees prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

32. RISK OF OPERATIONS

Franchisee recognizes that there are many uncertainties of this business and, therefore, Franchisee agrees and acknowledges that, except as specifically set forth in this Agreement, no representations, warranties, guarantees, or agreements have been made to Franchisee, either by SBARRO or by anyone acting on its behalf or purporting to represent it, including, but not limited to, the viability of the Location, the prospects for successful operations, the level of business or profits that Franchisee might reasonably expect, the desirability, profitability, or expected traffic volume of the Location, notwithstanding the fact

that SBARRO may select the franchised location with Franchisee's prior approval thereof. Franchisee hereby acknowledges that all such factors are necessarily dependent upon variables that are beyond SBARRO'S control, including, without limitation, the ability, motivation, amount, and quality of effort expended by Franchisee, and therefore, Franchisee releases SBARRO, its subsidiaries, successors and affiliated corporations (including all Affiliates of SBARRO), their officers, directors, affiliates and employees from any and all claims, suits, and liability relating to the operation of the Location, including, but not limited to, the viability of the Location or the results of its operation.

33. MODIFICATION OF THE SYSTEM

Franchisee recognizes and agrees that from time to time hereafter, SBARRO may change or modify any portion of the System and the Proprietary Marks including, but not limited to, the adoption and use of new or modified trade names, service marks, trademarks or copyrighted materials, new menu items, modification of SBARRO restaurant design, including, but not limited to, trade dress, awnings, signage, or new operations techniques. Franchisee shall accept and use, for the purpose of this Agreement, any such change in the System, including new or modified Proprietary Marks or copyrighted materials, new menu items, SBARRO restaurant modification, new signage or new techniques, as if they were part of this Agreement at the time of execution hereof. Franchisee shall make such expenditures and such changes or modifications in the System as SBARRO in its sole discretion, deems advisable.

34. FRANCHISEE ACKNOWLEDGMENTS

(a) Franchisee and the Franchise Principals acknowledge that each has conducted an independent investigation of the franchise granted hereunder and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee and its affiliates as an independent business operator.

(b) Franchisee and the Franchise Principals acknowledge that each has read and understood this Agreement including any exhibits attached hereto and that its representatives have been given the opportunity to clarify provisions that it did not understand and that it had ample time and opportunity to consult with advisors of its own choosing. Franchisee and the Franchise Principals further represent that each understands the terms, conditions and obligations of this Agreement and the franchise and agrees to be bound thereby.

(c) Franchisee acknowledges that it has received SBARRO'S Franchise Disclosure Document at least 14 calendar days prior to (i) the date that it has executed this Agreement, or (ii) a payment to SBARRO or an Affiliate in connection with the proposed franchise sale.

(d) Franchisee and the Franchise Principals are aware of the fact that some franchisees of SBARRO may operate under different forms of agreements and, consequently, that SBARRO'S obligations and rights in respect to its various franchisees may differ materially in certain circumstances.

THIS AGREEMENT SHALL NOT BE BINDING ON SBARRO UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF SBARRO. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS THE FRANCHISEE SHALL HAVE RECEIVED A FRANCHISE DISCLOSURE DOCUMENT AND RELATED DOCUMENTS, IF ANY, IN SUCH FORM AND MANNER AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE FEDERAL AND STATE LAW.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.

SBARRO:
SBARRO FRANCHISE CO., LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:
[FRANCHISEE ENTITY NAME]

By: _____
Name: _____
Title: _____

**[INDIVIDUAL or PRINCIPAL FRANCHISE
NAME]**

By: _____

**[INDIVIDUAL or PRINCIPAL FRANCHISEE
NAME]**

By: _____

**[INDIVIDUAL or PRINCIPAL FRANCHISE
NAME]**

By: _____

**[INDIVIDUAL or PRINCIPAL FRANCHISEE
NAME]**

By: _____

**EXHIBIT A TO SBARRO FRANCHISE CO., LLC
FRANCHISE AGREEMENT
MAP OR DESCRIPTION OF DESIGNATED AREA**

Description of Designated Area

**EXHIBIT B TO SBARRO FRANCHISE CO., LLC
FRANCHISE AGREEMENT**

CONFIDENTIALITY, NONSOLICITATION AND NONCOMPETITION AGREEMENT

As an inducement to SBARRO FRANCHISE CO., LLC (“us”, or “our” or “we”) to execute and deliver the Franchise Agreement between us and [FRANCHISEE] (the “Franchisee”) dated [EFFECTIVE DATE], 2021 (the “Franchise Agreement”), the undersigned (“you” or “your”), each having an ownership interest in the Franchise Agreement or the Franchisee, agree as follows:

1. **Definitions.** Capitalized terms used but not defined in this Agreement shall have the same meaning ascribed to them in the Franchise Agreement. The terms set forth below shall have the following meanings:

(a) **Affiliate.** The term “Affiliate” means, with respect to any Person, any other person that directly, indirectly, or through one or more intermediaries, controls, is controlled by or is under common control with, such Person, and includes any subsidiaries or other business entities that are beneficially owned by such Person or its affiliates.

(b) **Agreement.** The term “Agreement” means this Confidentiality, Nonsolicitation and Noncompetition Agreement.

(c) **Competitive Business.** The term “Competitive Business” means a retail business that sells or offers pizza, salads, and/or Italian style sandwiches and Italian food that separately or in the aggregate would constitute 30% or more of that businesses monthly gross revenue (less beverage sales) at one or more retail location(s).

(d) **Confidential Information.** The term “Confidential Information” includes the System, including but not limited to, a program of accounting, identification schemes, specifications, standards, management systems, recipes, menus, techniques, financial information and business operations as well as the contents of the Manuals provided by us to the Franchisee and/or any Franchise Principal for operation of the Restaurant as well as any other information described in Section 16 of the Franchise Agreement as constituting “Confidential Information”.

(e) **Person.** The term “Person” means any corporation, professional corporation or association, partnership (limited or general), joint venture, trust, association or other business entity or enterprise or any natural person.

OPERATIVE TERMS:

You and we agree as follows:

2. **Confidentiality.** You will: (a) not use the Confidential Information in any other business or capacity; (b) maintain the absolute confidentiality of the Confidential Information during and after the term of your ownership in, or employment by us; (c) not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (d) comply with all procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information.

3. **In-Term Competitive Restrictions.** During the time that you are one of our Franchisees and/or Franchise Principals, unless we otherwise permit in writing, you agree that you will not, directly or indirectly (e.g., through a spouse or child):

- (a) have any direct or indirect interest as a disclosed or beneficial owner, or in any other capacity in any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any Competitive Business, wherever located;
- (b) act as a landlord, guarantor or lender to a Competitive Business or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located;
- (c) recruit or hire any of our employees or employees of our Affiliates, or any of our franchisees, without obtaining the prior written permission of that person's employer (provided that we will not enforce in California any prohibition on your employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as no-poach/non-solicitation provision); or
- (d) divert or attempt to divert any business or customer from SBARRO restaurants to any Competitive Business, or otherwise take any action injurious or prejudicial to the goodwill associated with the System.

In the event of a violation of Section 2(c), we will have the right to require you to pay to us, our Affiliate or the affected franchisee, and you agree to pay an amount equal to 3 times the annual salary of the person involved in such violation, plus an amount equal to our cost and mutual attorneys' fees incurred in connection with such a violation. Nothing in this Section prohibits you from having a direct or indirect interest as a disclosed or beneficial owner in a publicly held Competitive Business, as long as such securities represent less than 5% of the number of shares of that class of securities which are issued and outstanding.

4. Post-Term Competitive Restrictions. For a period of two (2) years following the date that you cease to be one of our Franchisees and/or Franchise Principals, you agree that you will not, directly or indirectly (e.g., through a spouse or child):

- (a) have any direct or indirect interest as a disclosed or beneficial owner, or in any other capacity in a Competitive Business located or operating: (i) within ten (10) miles of the Restaurant; or (ii) within ten (10) miles of any SBARRO restaurant, whether owned by us, our Affiliates, or any of our franchisees in operation or under construction on the date you cease to be one of our Franchisees and/or Franchise Principals;
- (b) act as a landlord, guarantor, lender or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business located or operating: (i) within ten (10) miles of the Restaurant; or (ii) within ten (10) miles of any SBARRO restaurant, whether owned by us, our Affiliates, or any of our franchisees in operation or under construction on the date you cease to be one of our owners or employees;
- (c) recruit or hire any employee of ours, or our Affiliates, or any of our franchisees, without obtaining the prior written permission of that person's employer; or
- (d) divert or attempt to divert any business or customer from SBARRO restaurants to any Competitive Business, or otherwise take any action injurious or prejudicial to the goodwill associated with the System.

In the event of a violation of Section 3(c), we will have the right to require you to pay to us, our Affiliate or the affected franchisee, and you agree to pay an amount equal to 3 times the annual salary of the person involved in such violation, plus an amount equal to our cost and mutual attorneys' fees incurred in connection

with such a violation. Nothing in this Section prohibits you from having a direct or indirect interest as a disclosed or beneficial owner in a publicly held Competitive Business, as long as such securities represent less than 5% of the number of shares of that class of securities which are issued and outstanding.

5. **Acknowledgment.** You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Agreement will not deprive you of your personal goodwill or ability to earn a living.

6. **Severability and Substitution.** To the extent that any portion of this Agreement is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, length of time or remedy, but may be made enforceable by reduction, adjustment, or modification of any or all thereof, you and we agree that this Agreement will be enforced to the fullest extent permissible under the laws or public policies of the jurisdiction in which enforcement is sought, and such reduced or modified provision will be enforced to the fullest extent.

7. **Acquisition.** You agree that the confidentiality and competitive undertakings and restrictions survive any change in our ownership, any merger or consolidation, any sale of our assets, and any assignment or transfer of this Agreement.

8. **Extension of Time Period.** The time period during which you are to refrain from any of the activities listed in this Agreement will be automatically extended by any length of time during which you or any of your Affiliates, successors, or assigns are in breach of any provision of this Agreement. This Agreement will continue through the duration of the extended time periods.

9. **Suspension of Compensation.** We will not be required to pay any other compensation to you during any period of time in which you are in breach of this Agreement. Upon such breach, you forfeit payment of such amounts without limitation on any other remedies available to us for redress.

10. **No Defense or Setoff.** You must not assert, by way of defense or setoff, any alleged breach or damage caused by you if we must enforce this Agreement against you.

11. **Injunctive Relief.** You and we agree that the breach of this Agreement will result in irreparable harm to us, and that no monetary award can fully compensate us if you violate it. Thus, if you breach this Agreement, you agree that we will be entitled to an injunction restraining you from any further breach. Such injunctive relief may be obtained without bond, but upon due notice, in addition to such other and further remedies or relief as may be available to us at equity or law.

12. **Miscellaneous.**

(a) **Complete Agreement.** This Agreement contains the complete agreement between the parties concerning this subject matter. This Agreement supersedes any prior or contemporaneous agreement, representation or understanding, oral or written, between them. The continued relationship between the parties described in this Agreement constitutes full and sufficient consideration for the binding commitment of the parties to this Agreement.

(b) **Waiver and Amendment.** A waiver or amendment of this Agreement, or any provision of it, will be valid and effective only if it is in writing and signed by all parties or the party waiving such provision. No waiver of any term of this Agreement will operate as a waiver of any other term of this Agreement or of that same term at any other time.

(c) **Rights Cumulative.** No right or remedy available to any party is exclusive of any other remedy. Each and every remedy will be cumulative to any other remedy given under this Agreement, or otherwise legally existing upon the occurrence of a breach of this Agreement.

(d) **Governing Law and Forum.** This Agreement is governed by Ohio law without regard to conflict of laws principles. The parties agree that any state court of general jurisdiction sitting in the county and state where we then maintain our principal place of business at the time an action is commenced or United States District Court for the county and state where we then maintain our principal place of business at the time the action is commenced shall be the exclusive venue and the forum in which to adjudicate any case or controversy pertaining to this Agreement. The exclusive choice of jurisdiction does not preclude the bringing of any action by any party for the enforcement of any judgment obtained in any such jurisdiction, in any other appropriate jurisdiction. The provisions of the Franchise Agreement, to the extent they are not inconsistent with the express provisions of this Agreement, are affirmed, ratified and incorporated herein by reference.

(e) **Third-Party Beneficiary.** The parties understand and acknowledge that the Franchisor's Affiliates and the Franchisee and Franchise Principals are third-party beneficiaries of the terms of this Agreement and, at their option, may enforce the provisions of this Agreement with you. Your obligations under this Agreement will continue for the benefit of our successors and assigns.

(f) **Background Information.** The background information is true and correct and is incorporated into this Agreement. This Agreement will be interpreted with reference to the background information.

Intending to be bound, the parties sign below:

SBARRO FRANCHISE CO., LLC

By: _____
Name: _____
Title: _____
Date: _____

[FRANCHISE ENTITY]

By: _____
Name: _____
Title: _____
Date: _____

[INDIVIDUAL FRANCHISEE NAME]

By: _____
Date: _____

[INDIVIDUAL FRANCHISEE NAME]

By: _____
Date: _____

[CONTINUED ON NEXT PAGE]

[INDIVIDUAL FRANCHISEE NAME]

By: _____

Date: _____

[FRANCHISE PRINCIPAL]

By: _____

Date: _____

[FRANCHISE PRINCIPAL]

By: _____

Date: _____

[FRANCHISE PRINCIPAL]

By: _____

Date: _____

**EXHIBIT C TO SBARRO FRANCHISE CO., LLC
FRANCHISE AGREEMENT**

OWNER'S GUARANTY

As an inducement to Sbarro Franchise Co., LLC (“us”, or “our” or “we”) to execute and deliver the Franchise Agreement between us and [FRANCHISEE] (the “Franchisee”) dated _____ (the “Agreement”), and any collateral agreements between the Franchisee, and us, or any of our Affiliates (as such term is defined in the Confidentiality, Non-Solicitation and Non-Competition Agreement executed by Franchisee and Sbarro concurrently with this Agreement, the form of which is attached as Exhibit B to the Franchise Agreement) or Approved Suppliers (collectively, the “Collateral Agreements”) the undersigned (“you”), each having an ownership interest in the Franchise Agreement or the Franchisee agree as follows:

1. **Scope of Guaranty.** Each of you signing this Guaranty jointly, severally and unconditionally: (a) guarantee to us and our successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and each Collateral Agreement; (b) agree to be personally bound by every provision of the Agreement, any Collateral Agreement and any obligation of any Owner pertaining to the Franchisee; and (c) agree to be personally liable for and indemnify us against any loss or damage we or our Affiliates may sustain as a result of any breach of the Agreement, or any Collateral Agreement, by the Franchisee or any other Franchise Principal per the Franchise Agreement.

2. **Waivers.** Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Franchisee or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Franchisee arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

3. **Consents and Agreements.** Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement and each Collateral Agreement upon demand if the Franchisee fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and each Collateral Agreement and, if required by the Agreement, after its termination or expiration.

4. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or mediation proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants’, attorneys’, attorney’s assistants’, mediators’ and expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date (as defined in the Agreement), regardless of the actual date of signature. Defined terms that are used but not otherwise defined in this Guaranty shall have the meanings ascribed to them in the Agreement.

6. **Governing Law and Venue.** **THIS GUARANTY IS GOVERNED BY OHIO LAW. YOU AND WE AGREE THAT ANY STATE COURT OF GENERAL JURISDICTION SITTING IN THE COUNTY AND STATE WHERE OUR PRINCIPAL PLACE OF BUSINESS AT THE TIME AN ACTION IS COMMENCED OR THE UNITED STATES DISTRICT COURT FOR THE COUNTY AND STATE WHERE OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED AT THE TIME THE ACTION IS COMMENCED SHALL BE THE VENUE AND EXCLUSIVE FORUM IN WHICH TO ADJUDICATE ANY CASE OR CONTROVERSY WHATSOEVER BETWEEN OR AMONG YOU, THE FRANCHISEE'S AND/OR ITS OWNERS AND US AND EACH OF YOU ARE OBLIGATED TO SUBMIT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF VENUE OF SUCH COURTS. THE EXCLUSIVE CHOICE OF JURISDICTION DOES NOT PRECLUDE THE BRINGING OF ANY ACTION FOR THE ENFORCEMENT OF ANY JUDGMENT OBTAINED IN ANY SUCH JURISDICTION, IN ANY OTHER APPROPRIATE JURISDICTION.**

All undefined terms in this Owner's Guaranty shall have the same meanings ascribed to such terms in the Agreement.

Each of you now sign and deliver this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

**PERCENTAGE OF OWNERSHIP
INTEREST IN FRANCHISEE**

**GUARANTOR(S):
[FRANCHISE PRINCIPAL, individually]**

By: _____
Date: _____

[FRANCHISE PRINCIPAL, individually]

By: _____
Date: _____

[FRANCHISE PRINCIPAL, individually]

By: _____
Date: _____

**EXHIBIT D TO SBARRO FRANCHISE CO., LLC
FRANCHISE AGREEMENT**

CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “**Assignment**”) is made, entered into and effective as of the effective date of the Lease (as defined herein below), by, between and among **SBARRO FRANCHISE CO., LLC**, a Delaware limited liability company, with its principal business address located at 1328 Dublin Road, Columbus, Ohio 43215 (“**Franchisor**”), and **[FRANCHISEE]** whose current principal place of business is **[ADDRESS]** (“**Franchisee**”).

BACKGROUND INFORMATION

Franchisor entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of _____ with Franchisee, pursuant to which Franchisee plans to own and operate a SBARRO restaurant (the “**Restaurant**”) located at **[LOCATION ADDRESS]** (the “**Site**”). In addition, pursuant to that certain Lease Agreement (the “**Lease**”), Franchisee has leased or will lease certain space containing the Restaurant described therein from **[LANDLORD]** (the “**Lessor**”). The Franchise Agreement requires Franchisee to deliver this Assignment to Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

Franchisor and Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.

2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Lease.

3. **Indemnification:** Franchisee and the Franchise Principals (as such term is defined in the Franchise Agreement) agree to indemnify and hold Franchisor and its Affiliates, stockholders, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

4. **Conditional Assignment:** Franchisee hereby grants to Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory, licenses and supplies located in the Site and the franchise relating to the Restaurant, and all of Franchisee’s rights, title and interest in and to the Lease as collateral for the payment of any obligation, liability or other amount owed by Franchisee or its Affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of Franchisee’s breach of the Lease, then such payment by Franchisor, or such breach or default by Franchisee, shall at Franchisor’s option be deemed to be an immediate default under the Franchise Agreement, and Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of Franchisor

under any other Agreements or under other applicable laws or equities. In addition, if Franchisor or its Affiliates elects to acquire the assets of the Restaurant or acquires the ownership interests of Franchisee, and Lessor agrees to Franchisor's assumption thereof, Franchisee will assign all of its rights to the Lease and the Site to Franchisor. This Assignment shall constitute a lien on the interest of Franchisee in and to the Lease until satisfaction in full of all amounts owed by Franchisee to Franchisor. In addition, the rights of Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. No Subordination: Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, or any liens securing the initial bank financing for the development of the Restaurant at the Site as provided in the Franchise Agreement. Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of Franchisor. Any attempt at termination, modification, or amendment of any of the terms without such written consent is null and void.

6. Exercise of Remedies: In any case of default by Franchisee under the terms of the Lease or by Franchisee or any Franchise Principal under the terms of the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

(a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

(b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of Franchisee;

(c) to exclude Franchisee, its agents or employees from the Site;

(d) as attorney-in-fact for Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Restaurant and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases entered into by Franchisee, for any cause or ground which would entitle Franchisor to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments, and improvements to the Site or the Site that may seem judicious, in the sole discretion of Franchisor; and

(g) to insure and reinsure the same for all risks incidental to Franchisor's possession, operation and management thereof; and/or

(h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of Franchisee's and the Franchise Principals' rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee's default under the Lease.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage, and operate the Site to any person, firm, or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights, powers, and immunities, exoneration of liability and rights of recourse and indemnity as Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified, or altered without the written consent of Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between Franchisor and Franchisee or between Franchisor and any of the Franchise Principals (or any combination thereof), but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by Franchisor or any of the rights hereunder will cure, waive or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by Franchisor of any such rights and remedies shall be construed as a waiver by Franchisor of any future rights and remedies.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon Franchisor, Franchisee and the Franchise Principals, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control:** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorney's Fees, Etc.:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or mediation or bankruptcy proceeding from the non-prevailing Party.

12. **Severability:** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE:
[FRANCHISEE ENTITY NAME]

FRANCHISOR:
SBARRO FRANCHISE CO., LLC

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

[INDIVIDUAL/PRINCIPAL NAME]

By: _____

[INDIVIDUAL/PRINCIPAL NAME]

By: _____

[INDIVIDUAL/PRINCIPAL NAME] FRANCHISE

By: _____

The Lessor hereby consents, agrees with, approves of and joins in with this CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE.

LESSOR:

[LANDLORD NAME]

By: _____

Name: _____

Title: _____

Date: _____

STATE OF OHIO)
) ss
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Mark S. Inzetta, the Chief Legal Officer and Secretary of SBARRO FRANCHISE CO., LLC, a Delaware limited liability company, on behalf of the company.

Notary Public

{SEAL}
My Commission Expires: _____

STATE OF)
) ss
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by [NAME], an individual.

Notary Public

{SEAL}
My Commission Expires: _____

STATE OF)
) ss
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by _____, the _____ of [ENTITY] a [STATE] [LLC/CORP.], on behalf of the _____.

Notary Public

{SEAL}
My Commission Expires: _____

**Exhibit B to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

ASSET SALE AGREEMENT

ASSET SALE AGREEMENT

THIS ASSET SALE AGREEMENT (“**Agreement**”) made this [x] day of [x] (hereinafter, the “**Effective Date**”), 2021, between **SBARRO LLC**, a New York limited liability company having its principal place of business located at 1328 Dublin Road, Suite 200 Columbus, Ohio 43215 (hereinafter referred to as “**Seller**”), and (a) [x], (b) [x] having their principal place of business located at [x] (hereinafter together referred to as “**Purchaser**”); and [x], [x] and [x] as individuals having their principal place of business at [x] (hereinafter together referred to as “**Guarantors**”).

RECITALS

WHEREAS, Seller (defined to include its Affiliates as appropriate) operates [number] “Sbarro” restaurants listed on the attached **Exhibit A** (collectively, the “**Restaurants**”); and

WHEREAS, Seller is the owner of a leasehold interest in the real estate and/or a leasehold interest in the building and related improvements used or to be used in the operation of the Restaurants (collectively, the “**Leased Property**”); and

WHEREAS, Seller desires to transfer, assign and sell to Purchaser, and Purchaser desires to acquire and purchase from Seller, all of Seller’s right, title and interest in and to certain of the assets used or to be used exclusively in operation of the Restaurants (hereinafter, the “**Business**”), in each case upon the terms and subject to the conditions set forth in this Agreement and the Ancillary Agreements (as hereinafter defined);

WHEREAS, at the Closing, Seller or one of its Affiliates (as hereinafter defined) shall, as appropriate, enter into separate subleases, each substantially similar in form to the attached **Exhibit B** (the “**Subleases**”), pursuant to which Seller (or its Affiliate) shall sublease to Purchaser a portion of the Leased Property, in each case upon the terms and subject to the conditions set forth in this Agreement and the Subleases; and

WHEREAS, at the Closing, Seller or one of its Affiliates shall, as appropriate, enter into separate assignments, each substantially similar in form to the attached **Exhibit C** (the “**Assignments**”), pursuant

to which Seller (or its Affiliate) shall assign to Purchaser the Seller's leasehold interest in and to a portion of the Leased Property;

WHEREAS, as an inducement for Seller to enter into this Agreement and in light of the indirect benefits that each Guarantor anticipates deriving from the transactions contemplated hereby, each Guarantor desires to fully and unconditionally guarantee Purchaser's payment and performance of its obligations under this Agreement upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I.
(Definitions)

1.01 Defined Terms. The terms set forth below shall have the following meanings:

- a) Affiliate. Means, with respect to any specified Person, any other Person that is, at the time of determination, directly or indirectly through one or more of its intermediaries Controls, is Controlled by, or is under common Control with such first Person. With respect to any natural person, "Affiliate" includes such Person's spouse, descendants, parents and any descendants of such Person's parents (in each case, whether by blood, adoption or marriage).
- b) Ancillary Agreements. Means the Subleases, the Assignments, the Bill of Sale, the Confidentiality Agreement, the Franchise Documents, the Guaranty, the Closing Statement and all other documents, guaranties and instruments to be executed in accordance with the terms of this Agreement.
- c) Bill of Sale. Means a bill of sale and assignment and assumption agreement to be entered into on the Closing Date between Seller and Purchaser.

- d) Business. Means using, owning and/or operating the Assets and the Restaurants in the normal course of Seller's business as of the date of this Agreement. For the avoidance of doubt, "Business" does not include: (a) the ownership or use of any assets or properties of Seller or its Affiliates other than the Assets; nor (b) the operations or conduct of any business activity by Seller or its Affiliates that does not relate exclusively to the Restaurants (including any business activity that may relate to, support or benefit both one or more Restaurants, on the one hand, and one or more other restaurants owned or operated by Seller, on the other hand).
- e) Business Day. Means any day other than a Saturday, Sunday or other day on which banking institutions in the State of Ohio are required or authorized by law to be closed.
- f) Business Locations. Means the locations of the Leased Property.
- g) Closing. Means the settlement of the obligations of Seller and Purchaser to each other that are set forth in this Agreement and the Ancillary Agreements.
- h) Confidentiality Agreement. Means the agreement by and between the Parties that shall bind the Parties in confidentiality with respect to the transactions contemplated by this Agreement, and other matters pertaining to their franchise relationship.
- i) Contract. Means any contract, agreement, lease, purchase order, promise, arrangement, understanding, undertaking, indenture, commitment, loan, consent, note or other legally-binding obligation, whether written or oral and whether express or implied.
- j) Cross Default. Means the right (but not the obligation) of Seller to deem Purchaser and each Guarantor to be in default under this Agreement and each of the Ancillary Agreements.
- k) Damages. All demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses whatsoever, including interest, penalties and all attorneys' fees and litigation costs.
- l) Effective Time. Means 12:01 am Eastern Standard Time on the Closing Date (as such term is defined in Section 2.01 below).

- m) Franchise Documents. Means the standard Sbarro Franchise Co., LLC Franchise Agreement (including all addenda thereto) to be executed for each Restaurant, plus all other documents required by Seller to be executed in connection with the grant of franchise rights by Seller (or an Affiliate of Seller) to Purchaser (or an Affiliate of Purchaser) in connection with the Business, including, without limitation, the Confidentiality, Non-Solicitation & Non-Competition Agreements, Owners' Guaranties and Conditional Assignments & Assumption of Leases, as such documents are further described in the Franchise Agreement.
- n) Guaranty. Means the guaranty to be executed by the Guarantors, a true and accurate copy of which is attached to this Agreement as **Exhibit D**.
- o) Head Leases. Means any lease through which Seller claims an interest in and to any portion of the Leased Property.
- p) Landlord Approvals. Means all consents, approvals, notices and waivers that are necessary to assign or sublease (as the case may be) the Head Leases.
- q) Liabilities. Means all debts, liabilities, expenses, commitments, obligations, duties, responsibilities and actions of any kind whatsoever, whenever or however arising (including whether in tort, at law, out of any Contract, or otherwise).
- r) Lien. Means any option, mortgage, deed of trust, pledge, hypothecation, lien (statutory or otherwise), charge or security interest.
- s) Permitted Liens. Means (i) Liens for taxes or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings, (ii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law for amounts not yet due, (iii) zoning, building and other generally-applicable land-use restrictions, (iv) in the case of the Assigned Contracts (or rights or interests therein), Liens arising from the terms of such Assigned Contracts, (v) Liens created by this Agreement or any of the other Transaction Documents or any of the transactions contemplated hereby or thereby, (vi) Liens created by or arising from actions of Purchaser or any Guarantor, and (vii) other Liens that do not,

individually or in the aggregate, materially detract from the value of the Assets or materially interfere with the present use of the Assets in the operation of the Business.

- t) Person. Means any natural person, corporation, partnership, joint stock company, joint venture, limited liability company, association, trust, unincorporated organization or other entity, including any governmental authority.
- u) Representatives. Means an entity's directors, officers, partners, managers, employees, Affiliates, representatives (including financial advisors, attorneys and accountants) or agents.
- v) Seller Obligated Lease. Means a Head Lease under which Seller must remain liable in any way to the landlord after the Closing.
- w) Transaction Documents. Means this Agreement, the Ancillary Agreements and any other agreements or instruments to be delivered pursuant hereto or thereto.

ARTICLE II.

(Closing & Related Matters)

2.01 **Closing**. The Closing shall be effective as of the Effective Time, and shall occur on the later of: (a) **[ANTICIPATED DATE OF CLOSING]**; (b) the Monday immediately following the fourteenth (14) day after all Landlord Approvals have been duly executed and received by Seller; and (c) the Monday immediately following the first date upon which all of the conditions set forth in **Article [x] ["Conditions to Obligations of Seller"] and Article [x] ["Conditions to Obligations of Purchaser"]** have been satisfied or waived in writing (other than those conditions that by their nature are to be fulfilled at the Closing, but subject to the fulfillment or waiver of such conditions) (the "**Closing Date**"). Alternatively, the Closing may occur at such other time, or by such other means, as the Parties may agree in writing.

- a) Closing Deposit. Within three (3) days of execution of this Agreement, Purchaser shall tender to Seller a non-refundable deposit in the amount of **[X]** (the "**Closing Deposit**"). The Closing Deposit shall be applied towards the Purchase Price upon the Closing. If the Closing does not occur for any reason other than a breach by Seller of **Section 9.01, Section 9.02, Section 9.03**

or Section 9.05 [“Conditions to Obligations of Purchaser”] of this Agreement, then the Closing Deposit shall become the sole and exclusive property of Seller.

2.02 **Assets to be Transferred.** Except as otherwise provided in Section [x] [“Retained Assets”], on the terms and subject to the conditions of this Agreement, at the Closing and effective as of the Effective Time, Seller shall sell, convey, assign and transfer to Purchaser, and Purchaser shall accept from Seller, all of Seller’s right, title and interest in and to the following properties and assets that are used exclusively in connection with the Restaurants (collectively, the “**Assets**”) free and clear of all Liens except for the Permitted Liens:

- a) All of the furniture, trade fixtures and equipment that are owned by Seller and located at the Restaurants as of the Effective Time, but subject to any lien against such property that is expressly retained by Seller in accordance with the provisions of this Agreement, or any Ancillary Agreement, to guaranty performance thereunder, including any rights of recapture appurtenant thereto;
- b) All contracts to which Seller is a party that are in effect as of the Effective Time and to the extent the contracts service the Restaurants or the Business (hereinafter, the “**Assigned Contracts**”).
- c) The cash stored in the register banks for each Restaurant as of the Effective Time (the “**Cash Banks**”);
- d) The proceeds accruing from any rebates offered by PepsiCo for the sale of PepsiCo products occurring at the Restaurants after the Effective Time;
- e) The Inventory (as defined in Section 3.01 [“Physical Inventory”] below) and all other tangible personal property that are owned by Seller and located in a Restaurant as of the Effective Time, including counters, shelves, racks, slat walls, display cases, décor, tables, seating, signs, promotional items and materials, new and unused uniforms, smallwares and office supplies (collectively, the “**Personal Property**”);

- f) Seller's interest in and to all leasehold improvements located at the Restaurants as of the Effective Time.

2.03 Retained Assets. Notwithstanding anything in this Agreement to the contrary, the Assets to be transferred and assigned by Seller to Purchaser hereunder shall be subject to and/or expressly exclude the following (collectively, the "**Retained Assets**"): (a) the proceeds accruing from any rebates offered by PepsiCo for the sale of PepsiCo products occurring at the Restaurants prior to the Effective Time, and any other rebates earned, due or to become due between now and the Effective Time; (b) any tangible assets of Seller that are not located at a Restaurant at the Effective Time; (c) any intangible assets of Seller that relate to more than just the Restaurants; (d) all patents, trademarks, copyrights, domain names and other intellectual property owned, under application or licensed by Seller or any of its Affiliates; (e) a lien against all furniture, trade fixtures, machinery and equipment conveyed under this Agreement, or under any Ancillary Agreement, and any replacement of such property, to secure compliance with the terms of this Agreement, the Subleases, Franchise Documents and all other Ancillary Agreements; (f) other than the Cash Banks, any cash located at the Restaurants as of the Effective Time (the "**Cash Safes**"); (g) any receivables derived from operations occurring at the Restaurants prior to the Effective Time; (h) any deposits relating to utility services at the Restaurants; (i) any deposits paid to landlords pursuant to the Head Leases; (j) any insurance policies, including all of Seller's rights in and to unearned premiums, refunds and all claims or possible claims under such policies; (k) all current or historical files and records of Seller; (l) the application software and programs and the wireless network software utilized in the point of sale ("**POS**") systems and the back-of-house computers (but not the POS equipment); (m) the back-of-house computers located at the Restaurants; (n) all warranties relating to the maintenance and repair of equipment located at the Restaurants; and (o) any Contracts between Seller, on the one hand, and any Affiliate of Seller, on the other hand.

Purchaser shall execute (or permit Seller to execute) and cause to be filed where appropriate a security agreement and UCC-1 financing statement securing the interests of Seller set forth in Section 2.03 above.

2.04 Liabilities to be Assumed. On the terms and subject to the conditions of this Agreement, in partial consideration of the sale, transfer, conveyance and assignment to Purchaser of the Assets, as of

the Effective Time, Purchaser shall assume the following, debts, liabilities and obligations of Seller and/or Seller's Affiliates (collectively, the "**Assumed Liabilities**"):

- a) All taxes and other liabilities of Seller for which Purchaser receives a credit pursuant to **Section [x] ["Apportionments"]**;
- b) All obligations and liabilities of Seller arising under the Assigned Contracts from and after the Effective Time, including all fees, penalties, charges and assessments, if any, relating to the transfer or cancellation thereof;
- c) All liabilities, obligations, charges and amounts due under the Head Leases.
- d) All other debts, liabilities and obligations of Seller that are expressly assumed by Purchaser pursuant to this Agreement or any Transaction Document.

Except for the above-listed items (a), (b), (c) and (d) or as otherwise provided in this Agreement or any other Transaction Document, Purchaser shall not be liable for any debts, liabilities, obligations or taxes of Seller that were incurred or assessed prior to the Effective Time. In no event shall Seller be liable for any debts, liabilities, obligations or taxes of Purchaser arising out of or incurred in connection with the operation of the Restaurants or the ownership or use of the Assets from and after the Effective Time. For the avoidance of doubt, obligations incurred by Seller prior to the Effective Time but that are not due and payable until after the Effective Time shall be borne by Purchaser.

2.05 Consideration.

- a) Purchaser Price. On the terms and subject to the conditions of this Agreement, and in consideration of the sale, transfer, conveyance and assignment of the Assets, at the Closing, Purchaser shall pay to Seller the following amounts:

- i) **[\$SALES PRICE]** for the Assets (exclusive of the Special Items and Inventory that are separately listed below);
- ii) **[\$CASH BANKS VALUE]** as the estimated value of the Special Items;
- iii) **[\$INVENTORY VALUE]** as the estimated value of the Inventory; and
- iv) **[\$RECENT REMODEL COSTS]** as additional consideration for Seller having performed remodeling of the Restaurants located at **[RELEVANT ADDRESSES]**.

The total of the amounts listed in items (i) through (iv) of this **Section [x] [“Consideration”]** is **[\$TOTAL AMOUNT]** (such amount, adjusted in accordance with **Section [x](a) [“Apportionments”]** below, the “**Purchase Price**”).

b) **Additional Amounts.** In addition to the Purchase Price, Purchaser shall pay in cash to Seller at the Closing the following amounts (the “**Additional Amounts**”):

- i) The nonrefundable sum of **[\$TOTAL FRANCHISE FEES]** as the aggregate of the franchise fees due pursuant to the terms and conditions of the Franchise Documents (the, “**Franchise Fees**”);
- ii) The prorated amount of all sums due during the calendar month of the Closing under the Head Leases, such proration based on the total number of days remaining in such month after the Effective Time divided by the total number of days in such month (the “**Closing Rent**”);
- iii) The full amount, if any, of all deposits and prepayments Seller has made pursuant to any of the Head Leases (the “**Deposits**”). The full amount of the Deposits shall remain the sole and exclusive property of Seller, except to the extent of any Deposit amount that is refunded to Seller directly by Landlord.

The Purchase Price plus the Additional Amounts together shall constitute the “**Closing Amount**”.

- c) IRS Form 8594. Seller and Purchaser shall each be solely responsible for, and assume all risk and liability relating to, the preparation and timely filing of its own Internal Revenue Service (“IRS”) Form 8594 in connection with the transactions contemplated by this Agreement, including with respect to the allocations reported thereon. Purchaser and Seller shall each promptly deliver to the other: (i) a copy of its IRS Form 8594 filed in connection with the transactions contemplated by this Agreement; and (ii) any adjustments to the allocation reported on such IRS Form 8594 from and after its filing. Any adjustment to the Purchase Price shall be allocated as provided by Treasury Regulation §1.1060-1(c).

2.06 Deliveries by Seller. On the Closing Date, Seller shall deliver (or cause to be delivered) the following to Purchaser:

- a) A duly-executed counterpart of each of the Subleases (whether by Seller or by one of Seller’s Affiliates);
- b) A duly-executed counterpart of each of the Assignments (whether by Seller or by one of Seller’s Affiliates);
- c) A duly-executed counterpart of each of the other Ancillary Agreements, except to the extent that the process for delivering any Ancillary Agreement by Seller is otherwise expressly set forth in this Agreement; and
- d) All other such documents, agreements, instruments, writing and certificates as Purchaser may reasonably request and that are necessary for Seller to satisfy any of its obligations under this Agreement.

2.07 Deliveries by Purchaser. On the Closing Date, Purchaser shall deliver (or cause to be delivered) the following to Seller:

- a) The Closing Amount by wire transfer of immediately-available funds in accordance with the Closing Statement, and per the written instructions provided by Seller prior to the Closing;

- b) A duly-executed counterpart of each of the Subleases, together in each case with a duly-completed Electronic Funds Transfer (“EFT”) Form;
- c) A duly executed counterpart of each of the Assignments;
- d) A duly-executed counterpart of each of the other Ancillary Agreements;
- e) Evidence that is reasonably satisfactory to Seller that Purchaser has complied with its obligations under **Section [x] [“Covenants of the Parties” > “Utilities”]** and **Section [x] [“Covenants of the Parties” > “Cash Safes”]**;
- f) The Insurance Certificates referenced in **Section [x] [“Covenants of the Parties” > “Insurance”]**;
- g) A duly-executed counterpart of the Closing Statement; and
- h) All such other documents, agreements, instruments, writings and certificates as Seller may reasonably request and that are necessary for Purchaser to satisfy any of its obligations under this Agreement.

2.08 Deliveries by Guarantors. On the Closing Date, the Guarantors shall deliver (or cause to be delivered) the following to Seller:

- a) A duly-executed original copy of the Guaranty;
- b) A duly-executed counterpart of each of the Subleases;
- c) A duly executed Head Lease Guaranty (as hereinafter defined) for each of the Seller Obligated Leases;
- d) A duly-executed counterpart of each of the Franchise Documents, and any other Ancillary Agreement for which Seller, in its discretion, requires a personal guaranty; and

- e) All such other documents, agreements, instruments, writings and certificates as Seller may reasonably request and that are necessary for any Guarantor to satisfy any of its obligations under this Agreement.

ARTICLE III.

(Related Matters)

- 3.01 Physical Inventory.** On the night immediately preceding the Effective Time, a representative of Seller and, if requested by Purchaser, a representative of Purchaser shall: (a) complete a physical inventory of all food, beverages, paper inventory and cleaning supplies that are located at the Restaurants and saleable and usable in the ordinary course of business (the “**Inventory**”); and (b) count the cash to be left in the Cash Bank at each Restaurant. The value of the Inventory shall be based upon Seller’s actual costs, and the value of the cash shall be valued at the face amount thereof. For purposes of the Closing, the Cash Banks and Inventory will be assumed to have a value equal to the amount specified in **Section 2.05(a)(ii) [“Consideration” > Cash Banks]** and **Section 2.05(a)(iii) [“Consideration” > Inventory]**, which estimated values shall be subject to adjustment following the Closing in accordance with **Section 3.03(b) [“Apportionments” > “Reconciliation”]**.
- 3.02 Franchise Documents.** Seller will, prior to the Closing, deliver to Purchaser and each Guarantor a copy of the Franchise Documents. Notwithstanding anything in this Agreement to the contrary, within seven (7) Business Days following the Closing Date, Seller shall countersign the Franchise Documents delivered by Purchaser and each Guarantor at Closing and deliver fully-executed copies thereof to Purchaser.
- 3.03 Apportionments.**
- a) Items to be Apportioned. As of the Effective Time, Purchaser and Seller shall apportion the following obligations, expenses and prepayments with respect to the Leased Property,

Business and Assets (subject to subsequent adjustment pursuant to **Section 3.03(b) ["Apportionments" > "Reconciliation"]**):

- i) If arrangements cannot be made for separate billing, any utility charges and any other charges that are properly apportionable in accordance with the terms of this Agreement;
 - ii) Prepayments under the Assigned Contracts assumed by Purchaser, and any other prepayments exclusively related to the Restaurants (including marketing and other expenses as of the Closing); and
 - iii) Rent and other charges due under the Head Leases, real property taxes, personal property taxes and all other charges, expenses and assessments relating to the use and occupancy of the Leased Property and Assets.
- b) Reconciliation. Not later than ninety (90) days after the Closing Date (or if such date is not a Business Day, then the first Business Day occurring thereafter), Seller shall prepare and furnish to Purchaser a reconciliation that shall set forth the actual amounts of the Cash Banks and Inventory located in the Restaurants as of the Effective Time and the proration of all obligations, expenses and prepayments in respect of the Restaurants as of the Effective Time (including those contemplated by **Section 3.03(a) ["Apportionments" > "Items to be Apportioned"]** above). Rent and other charges due under the Head Leases, real property taxes, other taxes, and all other expenses and charges relating to the use and occupancy of the Leased Property and Assets (except for the Deposits) shall be shared on a pro rata basis proportionate to the period of occupancy by Seller, on the one hand, and Purchaser, on the other hand. Purchaser shall review such reconciliation and shall notify Seller, in writing, of any objections to any amounts shown within fifteen (15) days after receipt. If such reconciliation provides that Purchaser owes Seller any amount, then Purchaser shall pay such amount within thirty (30) days after the later to occur of (i) receipt by Purchaser of the reconciliation, or (ii) resolution of all objections timely raised by Purchaser to the reconciliation. If such reconciliation provides that Seller owes Purchaser any amount, then Seller shall pay such amount within thirty (30) days after the later to occur of (A) receipt by

Purchaser of the reconciliation, or (B) resolution of all objections timely raised by Purchaser to the reconciliation.

- c) Other Payments. In addition to the adjustments and payments contemplated above, with respect to the amount of any adjustments or apportionments to be made under this **Section 3.03** that are not correctly ascertainable pursuant to the foregoing subsections set forth herein, Seller and Purchaser agree to make the appropriate payments on a timely basis as the correct amount of such apportionments or adjustments are ascertained.

3.04 Cash & Cash Equivalents. As soon as possible after the Effective Time, Seller shall cause all cash to be removed from the Restaurants. Purchaser shall not withdraw or remove any cash from the Cash Safes until Seller has caused such cash to be collected. Purchaser shall reasonably cooperate with Seller to facilitate such collection. For the avoidance of doubt, all cash in the Cash Safes as of the Effective Time shall remain the property of Seller.

- a) Gift Certificates. Purchaser shall honor all gift certificates, gifts cards and coupons presented for payment at the Restaurants that were issued for use at the Restaurants prior to the Effective Time. Following the Effective Time, Purchaser will be required to participate in Seller's gift card program in accordance with the terms set forth in the Franchise Documents.

ARTICLE IV.

(Representations & Warranties of Seller)

Seller hereby represents and warrants to Purchaser the following, as of the date of this Agreement and as of the Closing Date:

4.01 Seller's Organization. Seller is a limited liability company duly incorporated and in good standing under the Laws of the State of New York, and is duly qualified and authorized to do business as a

foreign corporation in good standing in each other state or states in which any of the Business Locations are located.

- 4.02 Authority.** Seller has full power and authority, in accordance with its articles of organization and other organizational documents, to conduct the Business as it is now being transacted, and to enter into and perform its obligations under this Agreement and the other Transaction Documents and to carry out the transactions contemplated hereby or thereby. All entity action on the part of Seller necessary for the authorization, execution and delivery of this Agreement and other Transaction Documents and the performance of all obligations of Seller hereunder and thereunder has been duly taken or will be taken prior to the execution by Seller of each Transaction Document.
- 4.03 Validity.** This Agreement has been, and the other Transaction Documents to which Seller is a party when executed and delivered by Seller will be, duly executed and delivered by Seller and, assuming the due execution and delivery of such agreements by the other parties thereto, constitute the legal, valid and binding obligations of Seller enforceable in accordance with their respective terms.
- 4.04 No Defaults.** Except as otherwise expressly disclosed in this Agreement, neither the execution and delivery of this Agreement nor the other Transaction Documents nor the consummation of the transactions contemplated hereby or thereby will: (a) violate any provision of the articles of organization or other organizational documents of Seller; (b) to the actual knowledge of Seller, materially violate or conflict with, or constitute a material default (or constitute an event that, with notice or lapse of time or both, would constitute a material default) under, or give rise to any substantial monetary penalty, right of termination, cancellation or acceleration under, any Contract that has a material impact on any critical function of the Business being transacted at any of the Restaurants; (c) violate any law, regulation or ordinance that is applicable to either Seller or any of the Assets; or (d) require any notice to, filing with, or authorization, consent or approval of any governmental authority to be made or obtained by Seller prior to the Closing Date except, in the case of this subsection (d), for such notices, filings, authorizations, consents or approvals as will have been made or obtained, as applicable, on or before the Closing Date.

- 4.05 Title to Assets.** Seller either has valid freehold or leasehold title to, or as of the Closing will have valid freehold or leasehold title to, all of the Assets free and clear of any Liens except the Permitted Liens. As of the Effective Time, Seller will convey to Purchaser the Assets free and clear of all Liens except the Permitted Liens.
- 4.06 Permits.** As of the Effective Date, Seller has all material Permits as are necessary to conduct the Business as presently conducted. To Seller's actual knowledge, all such Permits are valid, in full force and effect, and not subject to any pending action seeking the revocation, termination or material modification thereof.
- 4.07 Compliance with Applicable Law.** As of the Effective Date, to the actual knowledge of Seller, Seller has received no written notices or communications that (a) it is not in compliance in all material respects with all laws applicable to the Business, or (b) the present operation of the Restaurants violates any such laws in any material respect. To the actual knowledge of Seller, Seller is in compliance in all material respects with all laws applicable to Seller's operation of the Restaurants or ownership or use of the Assets.
- 4.08 Bulk Sales.** Seller represents that there are no creditors whose claims against Seller will affect the assets of this sale. To the extent any "bulk sales" laws apply to the transactions contemplated under this Agreement, the parties hereto will do all that is necessary and required to comply with such laws, however, the parties agree that Seller shall not furnish a list of creditors, nor deliver any notification to creditors in connection with this transaction. In the event any creditor makes claim, demand or suit against Purchaser or against any of the assets subject to this transaction with regard to the activities of Seller prior to Closing (including, without limitation, sales tax) Purchaser shall promptly notify Seller and Seller's attorney. Seller shall thereafter resolve such claim within the term of sixty (60) days. In the event that Purchaser shall become liable to any debt, obligation or tax imposed against Seller and claimed against Purchaser, and provided Purchaser bears no responsibility for same, following final adjudication by a court having competent jurisdiction or in the event that Seller neglects to defend any such action or claim, then, in such event, Seller shall indemnify and hold Purchaser harmless with respect to same, including reasonable attorneys' fees. Seller reserves the right to defend any and all claims and/or actions, and Purchaser agrees to fully cooperate in connection therewith.

ARTICLE V.
(Representations & Warranties of Purchaser)

Purchaser and each Guarantor, jointly and severally, hereby represent and warrant to Seller the following, as of the Effective Date and as of the Closing Date:

- 5.01 Purchaser's Organization.** Purchaser is a [ENTITY TYPE] duly organized, validly existing and in good standing under the laws of the State of [STATE], and is duly qualified and authorized to do business (whether as a domestic or foreign [ENTITY TYPE]) in good standing in each state in which any of the Restaurants are located.
- 5.02 Authority.** Purchaser has the full power and authority, in accordance with its articles of organization and other organizational documents, to carry out its business as presently conducted, to enter into and perform its obligations under this Agreement and the other Transaction Documents and to carry out the transactions contemplated hereby or thereby. All entity actions on part of Purchaser necessary for the authorization, execution and delivery of this Agreement and the other Transaction Documents and the performance of all of Purchaser's obligations hereunder or thereunder have been duly taken. Each Guarantor is an individual over the age of eighteen (18) years with the legal capacity to (a) enter this Agreement and the other Transaction Documents to which he is a party, and (b) consummate and perform the transactions contemplated hereby and thereby.
- 5.03 Validity.** This Agreement has been, and the other Transaction Documents will be (as their execution and delivery comes due in accordance with the terms set forth in each), duly executed and delivered by Purchaser and each Guarantor and constitute the legal, valid and binding obligations of Purchaser and each Guarantor, each being enforceable in accordance with their respective terms.
- 5.04 No Defaults.** Except as set forth in [Schedule [x]] ["No Defaults by Purchaser or Guarantors"], neither the execution and delivery of this Agreement, nor the execution and delivery of the other Transaction Documents, nor the consummation of the transactions contemplated hereby or

thereby will: (a) violate any provision of the articles of organization or other organizational documents of the Purchaser; (b) violate, conflict with, or constitute a default (or constitute an event that, with notice or lapse of time or both, would constitute a default) of, or give rise to any right of termination, cancellation or acceleration under, any Contract to which Purchaser and/or all or any of the Guarantors is a party or by which Purchaser, all or any of the Guarantors or any of their respective assets may be bound; or (c) violate any governmental law, regulation or ordinance that is applicable to Purchaser, all or any of the Guarantors, or any of their respective assets.

5.05 Financial Capabilities. Purchaser has as of the Effective Date, and Purchaser will have as of the Closing Date, sufficient funds to pay the Closing Amount due at Closing under the terms of this Agreement.

5.06 Consents & Approvals. Except for those registrations, licenses and approvals that are required for Purchaser to conduct business at the Restaurants after the Effective Time, no consent, approval or authorization of, or declaration, filing or registration with, any governmental authority is required by Purchaser or any of the Guarantors in connection with the execution, delivery and performance of this Agreement or the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby. Purchaser holds (or will hold as of the Closing Date) all sales tax certificates of authority and other tax registration and certificates required to collect and remit sales tax in connection with the operation of the Restaurants.

5.07 Seller Disclosure. Neither Purchaser nor any of the Guarantors has received or relied upon any representation, warranty or guarantee, whether oral or written, express or implied, as to the potential value, volume, profits or success of the Business or any single Restaurant. Purchaser and each of the Guarantors have previously received from Seller a copy of the current Sbarro Franchise Co., LLC Franchise Disclosure Document and have signed and delivered to Seller the attached Acknowledgement of Receipt.

5.08 Knowledge. To the actual knowledge of Purchaser, there are no facts or circumstances relating to Purchaser or any of the Guarantors that would materially adversely affect the ability of Purchaser or any of the Guarantors to perform their respective obligations under this Agreement or under any of the other Transaction Documents.

- 5.09 Compliance with Franchise Agreements.** Purchaser represents and warrants that at all times, it will operate the Restaurants in compliance with the terms set forth in the Franchise Documents and in conformity with the guidelines established by Seller, from time to time, for the use, operation, training and management of Sbarro restaurants.

ARTICLE VI.
(Covenants of the Parties)

In addition to any other covenant, agreement, promise or obligation set forth in this Agreement, the Parties expressly make the following covenants regarding the transactions contemplated hereby.

- 6.01 Condition of the Assets.** EXCEPT AS EXPRESSLY SET FORTH HEREIN, PURCHASER AND EACH GUARANTOR ACKNOWLEDGE AND AGREE THAT THE ASSETS ARE BEING CONVEYED AND SOLD ON AN “AS IS,” “WHERE IS,” “WITH ALL FAULTS” BASIS IN RELIANCE ON PURCHASER’S AND EACH OF THE GUARANTOR’S OWN INSPECTIONS AND EXAMINATIONS. EXCEPT AS EXPRESSLY SET FORTH IN **ARTICLE IV [“Representations and Warranties of Seller”]** OF THIS AGREEMENT, PURCHASER AND EACH GUARANTOR ACKNOWLEDGE AND AGREE THAT NEITHER SELLER NOR ANY OF ITS AFFILIATES NOR ANY OF THE RESPECTIVE REPRESENTATIVES HAS MADE ANY REPRESENTATIONS OR WARRANTIES, WHETHER DIRECT OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE BUSINESS, THE RESTAURANTS, THE LEASED PROPERTY OR THE ASSETS OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. FURTHER, PURCHASER AND EACH GUARANTOR ACKNOWLEDGE AND AGREE THAT NEITHER PURCHASER NOR ANY OF THE GUARANTORS HAS RELIED UPON ANY REPRESENTATIONS OR WARRANTIES (WHETHER EXPRESS OR IMPLIED, INCLUDING FOR A PARTICULAR USE OR PURPOSE AND MERCHANTABILITY) REGARDING THE CONDITION (FINANCIAL OR OTHERWISE) OF THE BUSINESS, THE RESTAURANTS, THE LEASED REAL PROPERTY OR THE ASSETS, EXCEPT FOR, IN EACH CASE, THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH IN **ARTICLE IV [“Representations and Warranties of Seller”]** OF THIS AGREEMENT. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH IN **ARTICLE IV [“Representations and Warranties of Seller”]** OF THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED.

a) Casualty or Fire. If any of the Assets are destroyed or damaged by fire or other casualty prior to Closing (a “**Casualty Damage**”), Seller shall notify Purchaser within five (5) days of such event. If Seller reasonably determines that the aggregate costs of repairing or replace a Casualty Damage at a particular Restaurant would exceed Five Thousand Dollars (\$5,000.00), Seller shall, in its sole discretion, (i) agree to either repair or replace the Casualty Damage in question, in which case Purchaser shall cooperate with Seller in prosecuting such work to completion, (ii) assign and transfer to Purchaser on the Closing Date, without warranty or recourse, all of Seller’s rights to the insurance proceeds payable to Seller on account of such Casualty Damage, together with the amount of any applicable deductible under Seller’s insurance policy, or (iii) remove the Assets affected by the Casualty Damage from the transaction contemplated by this Agreement, and adjust the Purchase Price by an amount mutually agreeable to both Parties, who agree to act reasonably and in good faith with respect to such determination. For the avoidance of doubt, if Seller reasonably determines that the aggregate costs of repairing or replacing a Casualty Damage at a particular Restaurant would be less than Five Thousand Dollars (\$5,000.00), then Seller shall not be responsible for repairing or replacing such Casualty Damage, and there will be no adjustment to the Purchase Price.

6.02 Transfer Fees. All sales, transfer, recording, escrow, filing and similar taxes and fees (including any penalties or interest) incurred in connection with this Agreement and the transactions contemplated hereby (collectively, the “**Transfer Fees**”) shall be borne by Purchaser. Purchaser shall timely remit to the appropriate governmental authority all Transfer Fees, including any sales or transfer tax that may be due at the Closing. The Parties will use commercially reasonable efforts to assist each other in the filing of all necessary tax returns and other documentation with respect to all such Transfer Fees and, if required by applicable law, will join in the execution of any such tax returns or other documentation. If any Transfer Fees are based on the amount of the Purchase Price or an allocation of the Purchase Price and the Purchase Price or allocation thereof is adjusted after the Closing pursuant to the terms hereof, such Transfer Fees shall be recalculated using the adjusted amounts and Purchaser shall file any required amendments or other documents with the applicable governmental authorities and, if additional Transfer Fees are due, Purchaser shall timely remit such additional Transfer Fees to such governmental

authority. Promptly upon the remittance of any Transfer Fees to the applicable governmental authority, Purchaser shall provide evidence to Seller reasonably satisfactory to Seller that such Transfer Fees were properly and timely remitted.

6.03 Expenses. Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses, whether or not the transactions contemplated hereby are consummated.

6.04 Notices. Between the Effective Date and the Closing Date, each Party shall promptly inform the other Parties in writing of the occurrence of any events or the existence of any circumstances, the effect of which would constitute a breach by such Party of any of its covenants or agreements set forth in this Agreement, or which would result in any of its representations or warranties in this Agreement being or becoming untrue or inaccurate.

6.05 Utilities. Purchaser shall assume responsibility for all obligations owed to the Utility Providers after the Effective Time. Without limiting the generality of the immediately preceding sentence, the Parties specifically agree to the following with respect to the Utility Providers:

a) **Supply Agreements.** Seller may have entered into agreements with telecommunications, data, electric energy, gas and water suppliers (collectively, the “**Utility Providers**”) for the provision of pertinent services to the Restaurants (such agreements, the “**Supply Agreements**”). Purchaser agrees to assume the Supply Agreements, if any, and all liabilities arising thereunder (including, without limitation, breakage fees or other payments associated with early termination of any Supply Agreement that is not assigned to Purchaser). As of the Effective Time, Purchaser shall execute whatever instruments, and provide whatever records or documentation, as may be reasonably requested or required by the Utility Providers for Purchaser to assume Seller’s rights and obligations under the Supply Agreements. In furtherance of the foregoing, if any Supplier determines based on its review of Purchaser’s credit that any deposits, letters of credit, guarantees or other security is required in order for Purchaser to undertake the foregoing assumption, Purchaser agrees to provide, or cause to be provided, such deposits, letters of credit, guarantees or other security as may be reasonably required by the Supplier.

- b) Services not Subject to Supply Agreement. With respect to Utility Providers that service the Restaurants without being party to a Supply Agreement, Seller and Purchaser shall (i) notify such Utility Providers that Purchaser shall be responsible for the payment of all obligations related to the supplied services that are incurred from and after the Effective Time, and (ii) to the extent practicable, cause meters to be read as of the Effective Time (or as soon as possible thereafter). Telephone service for the Restaurants, if not provided under the Supply Agreements, shall be terminated or transferred to Purchaser's account by Purchaser, with Seller's assistance, as of the Effective Time. Unless provided under the Supply Agreements, Seller's agreement for long-distance telephone service is not transferable and Purchaser shall be responsible for making its own arrangements for long-distance telephone service following the Effective Time.
- c) Reimbursement. If a Utility Provider charges any sum to Seller's account as the result of the Parties' failure to comply with the provisions set forth in **this Section 6.05**, then, promptly upon receipt of notice delivered by Seller, Purchaser shall reimburse Seller for the full amount such charges.

6.06 IT Services. The application software, programs and wireless network software used in all POS and back-of-house computer systems located in the Restaurants are licensed to Seller and shall not be transferred to Purchaser. Purchaser covenants that it will implement its own such services as of the Effective Time, in accordance with the provisions set forth in this **Section 6.06 ["IT Services"]**.

- a) Change Over. Before Purchaser may open a given Restaurant to the general public for Business, Purchaser must replace the following systems or services therein: (i) back office software to manage back-of-house functions such as inventory, food and labor; (ii) a hardware maintenance service provider for the maintenance and upkeep of all POS and back-of-house computer systems; (iii) telecommunications and wireless internet services, whether through a managed network provider or otherwise, including, without limitation, Purchaser changing over the Restaurant's telephone number; (iv) POS operating software and support services; (v) at least one desk-top computer for back-of-house systems; and (vi) all systems

and support services necessary to process the Electronic Transactions (collectively, the “**IT Services**”). With respect to any Restaurant that Purchaser opens to the general public for Business without first having replaced the IT Services in accordance with the requirements set forth in this **Section 6.06(a)**, Seller may assess a \$10,000.00 administrative fee (the “**Administrative Fee**”), payable immediately to Seller upon Purchaser’s receipt of written notice thereof. Seller may assess additional Administrative Fees every thirty (30) days for each Restaurant that remains out of compliance with any provision of this **Section 6.06(a)**. Assessment of the Administrative Fees shall not limit any remedy whatsoever that might otherwise be available to Seller.

- b) Electronic Transactions. Seller will notify its processing agents for credit card, debit card and gift card transactions (“**Electronic Transactions**”) of the change in ownership of the Restaurants. Until such time as the Purchaser replaces the software utilized in the POS systems, the integrated credit card terminals, if any, included in such POS systems may not be utilized by Purchaser to process Electronic Transactions. Before it may process any Electronic Transactions, Purchaser must (i) install and maintain stand-alone credit card terminals at each of the Restaurants, and (ii) make appropriate arrangements with its own processing agent to begin processing Electronic Transactions for Purchaser’s own account, including attaining new merchant IDs. Seller shall be entitled to retain all gross receipts deposited into Seller’s bank accounts as the result of Purchaser having processed any Electronic Transactions without satisfying the requirements set forth in this **Section 6.06(b)**. The remedy set forth in the immediately preceding sentence shall be inclusive of all other remedies whatsoever that may be available to Seller as the result of Purchaser’s failure to comply with any provision set forth in this subsection.
- c) POS Terminals. Notwithstanding anything to the contrary contained in this **Section 6.06**, the POS terminals used in any of the Restaurants by Seller before the Closing (“**Seller’s POS Terminals**”) are expressly excluded from the list of items that are subject to the transfer restrictions set forth in this **Section 6.06 [“IT Services”]**. For the avoidance of doubt, the Parties acknowledge that Seller’s POS Terminals expressly excludes the back-of-house computers, which are part of the Retained Assets. Seller will leave Seller’s POS Terminals in the Restaurants at the Closing. Purchaser, in its sole discretion, may choose whether to

retain Seller's POS Terminals for Purchaser's use in the Restaurants; provided, however, that if Purchaser chooses not to retain one or more of Seller's POS Terminals, Purchaser must deliver or cause to be delivered to Seller at the same address set forth in **Section [x]** **["Notices"]**, below, all such Seller's POS Terminals that are not retained by Purchaser, all at Purchaser's sole cost and expense. Purchaser agrees to indemnify, defend and hold Seller harmless from and against all liabilities, losses, injuries, damages, costs (including all attorneys' fees and litigation costs) and claims whatsoever arising from the loss or theft, after the Effective Time, of any financial, proprietary or other information warehoused on Seller's POS Terminals.

6.07 Insurance. Prior to the Closing Date, Purchaser shall procure and maintain in full force and effect, in accordance with the terms of the Franchise Documents, Subleases and Leases, at Purchaser's expense, the following insurance policy or policies in connection with the Restaurants, or by reason of the construction, operation or occupancy of the Restaurants. Such policy of policies shall be written by an insurance company or companies reasonably satisfactory to Seller and shall include, at a minimum, the following:

- a) Comprehensive general liability insurance, including contractual liability;
- b) All-risk property insurance with full replacement-cost limits that are sufficient to satisfy any co-insurance clause contained in the policy;
- c) If Purchaser utilizes commercial vehicles in connection with any aspect of the Business, business automobile liability insurance, that includes bodily injury and property damage coverage for all owned, non-owned and hired vehicles;
- d) Product liability coverage;
- e) Commercial umbrella liability insurance; and

- f) Statutory workers' compensation insurance and employers' liability insurance, as well as such other disability-benefits-type insurance as may be required by applicable law in the jurisdictions in which the Restaurants are located.

Purchaser shall provide to Seller at the Closing one or more certificates (the "**Insurance Certificates**") evidencing the insurance specified in this **Section 6.07 ["Insurance"]** and naming Seller and each of Seller's Affiliates, directors, agents and employees (as may be specified by Seller) as additional insureds, and, in the case of property insurance, such parties shall be named as their interest may appear. All Insurance Certificates shall expressly provide that no less than thirty (30) days' prior to written notice shall be given to Seller in the event of material alteration to, or cancellation of, or non-renewal of the coverages evidenced by the Insurance Certificates.

6.08 Efforts to Complete Transaction. After the date of execution of this Agreement until the Effective Time, subject to the terms and conditions hereof, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the Closing conditions set forth in **Article [x] ["Conditions to Obligations of Seller"]** and **Article [x] ["Conditions to Obligations of Purchaser"]** below).

6.09 Misdirected Payments. To the extent that, after the Effective Time, either Purchaser or Seller shall receive any payments from any third parties (other than the Parties to this Agreement, or their respective Affiliates) relating to the Business and attributable to the period prior to (in the case of receipt by Purchaser) or after (in the case of receipt by Seller) the Effective Time, the Party receiving the same shall promptly make delivery thereof to the applicable Party entitled to such payment.

6.10 Lease Matters. Purchaser represents that it has full knowledge of, and agrees to abide by, the terms of the Subleases, the Assignments and the Head Leases. Without limiting the generality of the immediately preceding sentence, the Parties further make the following express covenants with respect to the Head Leases, Subleases and Assignments (each as the case may be):

- a) Use. Purchaser shall not violate, nor seek to amend or modify, the “use” clause of any Head Lease. Purchaser shall use the Leased Premises for the operation of Sbarro restaurants, consistent with the terms of this Agreement, the Franchise Documents and the rest of the Ancillary Agreements.
- b) Remodel Obligations. Purchaser acknowledges that some or all of the Head Leases may contain obligations to perform improvements to the leased premises, including remodeling and upgrades (the “**Remodel Obligations**”). Purchaser covenants that it will perform all Remodel Obligations (regardless whether Purchaser’s interest in the relevant portion of the Leased Property is derived from an Assignment or a Sublease) in the condition and under the time frames required by the respective Head Leases. For Remodel Obligations that are past-due as of the Closing Date under any of the Head Leases, Purchaser covenants that such Remodel Obligations will be completed upon the earlier to occur of: (a) the date that is one (1) year after the Closing Date; or (b) upon receipt, whether by Purchaser or Seller, of a default notice issued by any Landlord with respect to any past-due Remodel Obligations.
- c) Seller Obligated Leases. Seller’s obligation to remain liable under the Seller Obligated Leases is expressly limited to the current lease terms thereof. Seller shall have no obligation to guaranty the obligations of, or otherwise remain liable under, the future extension or modification of any Head Lease. Purchaser acknowledges that: (a) It is possible that the expiry of Seller’s liability under the Seller Obligated Leases may precipitate each landlord’s decision not to renew the respective Head Leases; (b) Purchaser has duly considered such risks; and (c) notwithstanding those risks, Purchaser has freely chosen to enter into the transactions contemplated under this Agreement with full knowledge that Seller shall not retain any liability under the Head Leases after the expiration of their current terms. On a form prepared by Seller, Guarantors shall execute a separate guaranty in favor of Seller of the tenant’s obligations under each of the Seller Obligated Leases (the “**Head Lease Guaranties**”).
- d) Representations. Purchaser confirms that Seller has made no representations regarding the Head Leases, Subleases or Assignments, except for those that are expressly contained therein and in the Transaction Documents, nor has Purchaser relied on, nor been induced by, any

representation by Seller (other than what is expressly stated therein and in the Transaction Documents) in deciding to enter this Agreement. Without limiting the generality of the immediately preceding sentence, Purchaser expressly confirms that Seller has made no representation, warranty or promise whatsoever with respect to the extension of any Head Lease beyond its existing lease term. Purchaser fully understands that any or all Head Leases may terminate upon expiration of their current lease terms, and Purchaser confirms that it has entered into this Agreement only after having carefully considered such risks and deciding that the potential benefits and inducements of this Agreement justify Purchaser's assumption thereof. Purchaser confirms that it is Purchaser's sole and exclusive responsibility to negotiate and obtain desired extensions of the Head Leases, and that Seller shall have no duty, obligation or liability whatsoever with respect thereof.

- e) Release. Purchaser hereby unconditionally and irrevocably releases Seller, including Seller's Affiliates and Representatives, from all claims and liability whatsoever for any loss, damage, cost, expense or other injury resulting from: (i) termination of any or all Head Leases upon the expiration of their respective current lease terms; (ii) termination of any or all Head Leases resulting, in whole or in part, from Seller's refusal to remain liable thereunder beyond the current lease terms; (iii) the omission by Seller of any fact, disclosure, representation or statement, whether material or otherwise, pertaining or related to the Head Leases, Subleases or Assignments; and (iv) Purchaser's reliance on any statement, promise or representation made by Seller, or a Representative of Seller, with regard to the Head Leases, Subleases or Assignments, except for those statements, promises and representations that are expressly set forth in the Transaction Documents.

- 6.11 Cross Default.** The following shall trigger a Cross Default: (a) breach or default by Purchaser or any Guarantor of any covenant, term, provision or promise contained in any of the Ancillary Agreements, after the passage of applicable notice and cure periods set forth in such agreements; (b) breach or default by Purchaser or any Guarantor of any covenant, term, provision or promise contained in this Agreement, after the passage of applicable cure and notice periods set forth in this Agreement; (c) Seller being placed in default of any Head Lease by its respective landlord as the result of the breach or default by Purchaser of any obligation, covenant, term, provision or promise set forth in such Head Lease; or (d) Purchaser being placed in default of any Head Lease

by its respective landlord as the result of the breach or default by Purchaser of any obligation, covenant, term, provision or promise set forth in such Head Lease. In the event a Cross Default is triggered, Seller shall be entitled, though not required, to exercise the rights and remedies available to Seller: (i) under this Agreement for any default by Purchaser hereof; (ii) under the Ancillary Agreements for any default by Purchaser thereof; and (iii) at law or in equity with respect to a default by Purchaser of each of the respective Transaction Documents. The provisions of this **Section 6.11** shall survive the Closing.

ARTICLE VII.

(Employees)

- 7.01 Termination of Employees.** At the Closing, but effective as of the Effective Time, Seller will terminate all employees of Seller then employed at the Restaurants or whose employment is otherwise primarily related to the Business (collectively, the “**Employees**”). Seller shall be responsible for (a) compliance with all applicable laws with respect to the employment or termination of the Employees prior to the Effective Time and (b) the employment-related obligations with respect to the Employees prior to the Effective Time, including any time-off and sick or vacation amounts due or granted by Seller to any Employees prior to the Effective Time, as well as any amounts due to any Employees resulting from Seller’s existing 401(k) or stock plans; provided, however, that Purchaser shall reimburse Seller for any severance or similar costs incurred by Seller or its Affiliates as the result of Purchaser terminating any Employee.
- 7.02 Hiring of Seller’s Employees.** Prior to the Closing, Purchaser may offer employment, effective as of the Effective Time, to all Employees. All such offers of employment shall be pursuant to Purchaser’s standard employment practices and policies. Purchaser shall be responsible for compliance with applicable laws with respect to hiring the Employees and the subsequent employment of those Employees that accept employment with Purchaser (collectively, the “**Hired Employees**”). Purchaser shall be responsible for the employment-related obligations with respect to Hired Employees as of the Effective Time, including compensation for services performed for Purchaser from and after the Effective Time (and related employment and withholding taxes), benefits accrued under any Purchaser-sponsored plan or arrangement of Purchaser covering the

Hired Employees from and after the Effective Time and workers' compensation benefits with respect to injuries or accidents occurring from and after the Effective Time.

ARTICLE VIII.

(Conditions to Obligations of Seller)

Each and every obligation of Seller under this Agreement to be performed at the Closing shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions, unless waived by Seller at its sole discretion.

- 8.01 Representations & Warranties.** The representations and warranties of Purchaser and each Guarantor contained herein shall, taken as a whole, be true, complete and accurate in all material respects as of the date of this Agreement and at and as of the Closing Date as though such representations and warranties were made at and as of such date (other than representations and warranties made as of another stated date, which representations and warranties shall have been true, complete and accurate in all material respects as of such date).
- 8.02 Performance.** Purchaser and each Guarantor shall have performed, delivered and complied with all agreements, obligations and conditions required by this Agreement to be performed, delivered or complied with by purchaser and/or such Guarantor on or prior to the Closing Date.
- 8.03 No Injunction, Etc.** On the Closing Date, (a) there shall be no order of any nature issued or threatened by any court or other governmental authority of competent jurisdiction directing that any of the transactions provided for herein may not be consummated as so provided or imposing any conditions on the consummation of the transactions contemplated hereby, and (b) no action shall be pending before any court or other governmental authority of competent jurisdiction seeking such relief.
- 8.04 Consents & Approvals.** Each of the Landlord Approvals shall have been obtained and shall be in full force and effect.

- 8.05 **Permits & Licenses.** All permits and licenses necessary to operate the Restaurants shall have been obtained and received by Purchaser.
- 8.06 **Franchise Approval.** Seller shall have granted to Purchaser and each Guarantor the franchise rights to operate the Restaurants, and Purchaser and each Guarantor shall have satisfied all terms, conditions and requirements pertaining to the granting of such rights.
- 8.07 **Closing Deliverables.** Seller shall have received all of the deliverables described in **Section 2.07 and Section 2.08 [“Deliveries by Purchaser” and “Deliveries by Guarantors”]**.

ARTICLE IX.

(Conditions to Obligations of Purchaser)

Each and every obligation of Purchaser under this Agreement to be performed at the Closing shall be subject to the satisfaction, on or before the Closing Date, of each of the following conditions, unless waived in writing by Purchaser in its sole discretion.

- 9.01 **Representations & Warranties.** The representations and warranties of Seller contained herein shall, taken as a whole, be true, complete and accurate in all material respects as of the date of this Agreement and at and as of the Closing Date as though such representations and warranties were made at and as of such date (other than representations and warranties made as of another stated date, which representations and warranties shall have been true, complete and accurate in all material respects as of such date).
- 9.02 **Performance.** Seller shall have performed, delivered and complied with all agreements, obligations and conditions required by this Agreement to be performed, delivered or complied with by it on or prior to the Closing Date.
- 9.03 **No Injunction, Etc.** On the Closing Date, (a) there shall be no effective order of any nature issued or threatened by a court or other governmental authority of competent jurisdiction directing that

any of the transactions provided for herein may not be consummated as so provided or imposing any conditions on the consummation of the transactions contemplated hereby, and (b) no action shall be pending before any court or other governmental authority seeking such relief.

9.04 Franchise Approval. Seller shall have granted to Purchaser and each Guarantor the franchise rights to operate the Restaurants. Notwithstanding the foregoing sentence, nothing in **this Section 9.04** shall be construed as limiting Seller's discretion in any manner with respect to the grant of franchise rights to Purchaser and each Guarantor, which decision shall be made in Seller's sole discretion.

9.05 Closing Deliverables. Purchaser shall have received all of the deliverables described in **Section 2.06 ["Deliveries by Seller"]**.

ARTICLE X.

(Survival of Representations, Indemnification)

10.01 Survival. The representations, warranties, covenants and agreements made by the Parties in this Agreement shall survive the Closing to the extent provided for in this **Section 10.01** (the applicable survival period, the "**Survival Period**").

a) **Representations & Warranties of Seller.** All of the representations and warranties of Seller contained in this Agreement shall survive the Closing for a period of twelve (12) months following the Closing Date.

b) **Representations & Warranties of Purchaser & Guarantors.** All of the representations and warranties of Purchaser and each Guarantor contained in this Agreement shall survive until the expiration or termination of all Franchise Documents or, if earlier, until the latest date permitted by applicable law.

- c) Other Covenants & Agreements. All covenants and agreements contained in this Agreement that by their terms are to be performed at or after the Closing shall survive the Closing until fully discharged, or, if earlier, the latest date permitted by applicable law.
- d) Waiver of Claims; Claims Notice. Upon the expiration of the applicable Survival Period, the representations, warranties, covenants and agreements made by the Parties in this Agreement shall expire, and all claims for any breach of such representations, warranties, covenants or agreements shall be deemed waived unless a Claims Notice (as hereinafter defined) with respect to the breach shall have been given to the breaching Party in accordance with **Section 10.05(a) or Section 10.05(b) ["Procedures Relating to Indemnification" > (a) & (b)]**, below, prior to the expiration of such Survival Period, in which event such representations, warranties, covenants or agreements shall survive with respect to the Claim (as hereinafter defined) referred to in such notice until such Claim has been finally resolved.

10.02 Agreement of Seller to Indemnify. Subject to the terms and conditions of this **Article X**, from and after the Closing, Seller hereby agrees to indemnify, defend and hold Purchaser and each Guarantor (collectively, the **"Purchaser Indemnified Parties"**) harmless from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses including interest, penalties and attorneys' fees and litigation costs (collectively, **"Damages"**) asserted against, resulting to, imposed upon or incurred by any Purchaser Indemnified Party by reason of or resulting from: (a) a breach by Seller of any of its representations or warranties set forth in **Article IV ["Representations & Warranties of Seller"]** of this Agreement; or (b) a breach by Seller of any of its covenants or agreements contained in this Agreement.

10.03 Agreement of Purchaser and Each Guarantor to Indemnify. Subject to the terms and conditions of this **Article X**, from and after the Closing, Purchaser and each Guarantor, jointly and severally, hereby agree to indemnify, defend and hold harmless Seller, its Affiliates and the respective Representatives (collectively, the **"Seller Indemnified Parties"**) from and against all Damages asserted against, resulting from, imposed upon or incurred by any Seller Indemnified Party by reason of or resulting from: (a) the Assumed Liabilities; (b) a breach by Purchaser or any of the Guarantors of any representation or warranty of Purchaser or any of the Guarantors contained in

this Agreement; (c) a breach by Purchaser or any of the Guarantors of any covenant or agreement of Purchaser or any of the Guarantors contained in this Agreement; (d) the ownership, use or operation of the Assets or any Restaurant from and after the Effective Time; (e) the employment or termination of employment of any Hired Employees by Purchaser or its Affiliates; or (f) any Transfer Fees.

10.04 Limitation of Liability.

- a) Indemnity not Applicable. No indemnification by Seller under **Section 10.02(b) ["Agreement of Seller to Indemnify"]** shall be required to be made:
- i) With respect to Damages resulting from Claims (as hereinafter defined) as to which Seller has not received a written Claims Notice in accordance with **Section 10.05(a) or Section 10.05(b) ["Procedures Relating to Indemnification" > (a), (b)]**, below, within the applicable time period set forth in **Section 10.05(a)**; and
 - ii) Unless the aggregate amount of Damages sustained by the Purchaser Indemnified Parties with respect to indemnification claims for breaches of representations and warranties made in **Article IV** of this Agreement which are subject to indemnification by Seller under **Section 10.02(b) ["Agreement of Seller to Indemnify"]** hereof exceeds an aggregate threshold of Twenty Five Thousand Dollars (\$25,000.00), and then only with respect to that amount of Damages that exceeds Twenty Five Thousand Dollars (\$25,000.00) in the aggregate.
- b) Cap on Liability. In no event shall the aggregate liability of Seller for indemnification under **Section 10.02(a) ["Agreement of Seller to Indemnify" > breach of Article IV]** exceed One Hundred and Fifty Thousand Dollars (\$150,000.00).

10.05 Procedures Relating to Indemnification.

- a) Notice of Claims. In the event that either a Purchaser Indemnified Party or a Seller Indemnified Party desires to assert a demand, claim or circumstance that, immediately or

with the lapse of time, could give rise to a claim for indemnification pursuant to **Article X** (a **"Claim"**), such person or entity seeking indemnification (the **"Indemnitee"**) shall, as promptly as is reasonably practicable after becoming aware of the demand, claim or circumstance, deliver written notice (such notice, a **"Claims Notice"**) to the Party from whom indemnification is sought (the **"Indemnitor"**). The Claims Notice shall describe the Claim in reasonable detail and shall indicate the amount (estimated, if necessary) and nature of the Damages, and the method of computing such amount, that has been or may be suffered by the Indemnitee and the provisions of this Agreement in respect of which such right of indemnification is sought or arises.

- b) Notice of Third-Party Claims. Promptly after an Indemnitee receives notice from a third-party of any demand, claim or circumstance that, immediately or with the lapse of time, could give rise to a claim or the commencement (or threatened commencement) of any Action or investigation (a **"Third-Party Claim"**) that may result in Damage with respect to which the Indemnitee would be entitled to indemnification pursuant to this **Article X**, the Indemnitee shall deliver a Claims Notice with respect thereto together with copies of any notices or other documents (including all court papers, if any) received by the Indemnitee relating to such Third-Party Claim.
- c) Defense of Claims; Cooperation. The Indemnitor shall be entitled to settle or assume and control defense of any Third-Party Claim at its own expense and by its own counsel. If the Indemnitor elects to settle or defend such Third-Party Claim, it shall notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate in the settlement of, or defense against, such Third-Party Claim including, if appropriate, making any reasonable counterclaim against such third-party or any cross claim or third-party claim against any person related to such Third-Party Claim. Such cooperation shall also include (i) the retention of records and information that are reasonably relevant to such Third-Party Claim, (ii) promptly supplying the Indemnitor with copies of all papers, documents, and evidence in the Indemnitee's possession or control and such other information within the Indemnitee's knowledge pertinent to such Third-Party Claims, (iii) making employees available on a mutually-convenient basis to provide additional information and explanation of any information or materials provided hereunder and producing at the appropriate place or places, at reasonable times, such witnesses under the Indemnitee's control as may

reasonably be requested by the Indemnitor or its Representatives and (iv) promptly provide written notice of all material developments in connection with such Third-Party Claims. The Indemnitee shall have the right to employ, at its own expense, separate counsel in defense of any such Third-Party Claim and participate in the defense thereof (it being understood that the Indemnitor shall control such defense). The Indemnitor shall not settle or compromise any Third-Party Claim without the Indemnitee's prior written consent (not to be unreasonably conditioned, withheld or delayed), unless such settlement or compromise (A) includes complete and unconditional release of the Indemnitee in respect of such Third-Party Claim, (B) does not subject the Indemnitee to any injunctive relief or other equitable remedy and (C) there is no finding or admission of any violation of law and does not include a statement of admission of fault or culpability by or on behalf of any Indemnitee.

- d) Right of Indemnitee to Defend. If the Indemnitor, within a reasonable time after its receipt of any Claims Notice in respect of a Third-Party Claim, fails to notify the Indemnitee of its intent to settle or assume and control the defense of such Third-Party Claim, the Indemnitee shall (upon further notice to the Indemnitor) have the right to undertake the defense of such Third-Party Claim (without impairing or otherwise affecting its right to obtain indemnification pursuant to this **Article X**), subject to the right of the Indemnitor to assume the defense of such Third-Party Claim at any time prior to the final settlement or compromise thereof. Whether or not the Indemnitor assumes the defense of a Third-Party Claim, the Indemnitee shall not consent to the entry of any judgment or admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnitor's prior written consent (which consent is not to be unreasonably conditioned, withheld or delayed).

10.06 Other Indemnification Limits.

- a) To Survive Closing. The indemnities set forth in this Agreement shall survive the Closing; provided, however, that the indemnities set forth in **Section 10.02 ["Agreement of Seller to Indemnify"], Section 10.03(b) and Section 10.03(c) ["Agreement of Purchaser to Indemnify" > (b) (Breach of Reps/Warranties) > (c) (Breach of Covenant/Agreement)]** shall terminate and expire in accordance with the applicable Survival Periods prescribed by **Section 10.01 ["Survival"]**.

- b) Offsets to Indemnity Amounts. The Parties agree, for themselves and on behalf of their respective Affiliates and Representatives, that the amount of any Damages that are subject to an indemnification obligation under this **Article X** shall be reduced by the amount of any insurance proceeds or indemnity, contribution or other similar payments (collectively, the “**Offsets**”) received by the Indemnitee (after taking into account any deductibles, copayments or other cost sharing arrangements) on account of such Damages. In the event that the Indemnitee subsequently collects any Offsets after receiving any indemnification payments from the Indemnitor pursuant to this **Article X**, such Indemnitee shall promptly pay over to the Indemnitor the amount of such Offsets actually received by the Indemnitee; provided, however, that in no event shall the Indemnitee be required to pay over to the Indemnitor an amount in excess of the amount previously paid by the Indemnitor to or on behalf of the Indemnitee with respect to such Claim.
- c) Indemnitee’s Duty to Mitigate. The Parties shall cooperate with each other in good faith with respect to resolving any Claim for which an Indemnitor is or may be obligated to indemnify hereunder, including by making commercially reasonable efforts to mitigate or avoid any Damages connected therewith. Notwithstanding anything else to the contrary contained in this **Article X**, the Indemnitor shall not be required to indemnify any Indemnitee to the extent of any Damages that could have been mitigated or avoided had commercially reasonable efforts been made.

10.07 Exclusive Remedy. If the Closing occurs, this **Article X** sets forth the sole and exclusive remedy for any breach, inaccuracy, nonperformance or violation of this Agreement regardless of whether a claim or counterclaim is based in tort, contract or any other legal theory, or arises under law or in equity, except for (a) claims or counterclaims of, or causes of action arising from, fraud and (b) any rights and remedies obtainable under the Franchise Documents or in any other Transaction Document. In furtherance of the foregoing, each of the Parties hereby irrevocably waives, from and after the Closing, to the fullest extent permitted under applicable law, any and all rights, claims, counterclaims and causes of action (other than any claims or counterclaims of, or causes of actions arising from, fraud) it may have against the other Parties arising under or based upon this Agreement or the transactions contemplated hereby, except (i) pursuant to the provisions of

this **Article X** and (ii) any rights and remedies obtainable under the Franchise Documents or any other Transaction Document.

ARTICLE XI.

(Termination)

11.01 Methods of Termination. This Agreement may be terminated prior to the Closing:

- a) By mutual, written agreement of the Parties;
- b) By Seller, if the Closing has not occurred by **[DATE]**, provided that default by Seller under this Agreement is not responsible for the Closing not having occurred;
- c) By Purchaser, if the Closing has not occurred by **[SAME DATE AS ABOVE]**, provided that default by Purchaser or any of the Guarantors under this Agreement is not responsible for the Closing not having occurred;
- d) By Seller in writing if Purchaser or any of the Guarantors shall (i) fail to perform any of their respective covenants or agreements contained herein required to be performed by them prior to the date of such termination, or (ii) breach of any of their respective representations or warranties contained herein or if any such representations or warranties become inaccurate, in each case so as to cause a condition to the Closing to be incapable of satisfaction, which failure, breach or inaccuracy is not cured within fifteen (15) days after Seller has notified Purchaser in writing of its intent to terminate this Agreement pursuant to this **Section 11.01(d)**; or
- e) By Purchaser in writing if Seller shall (i) fail to perform any of its covenants or agreements contained herein required to be performed by it prior to the date of such termination, or (ii) breach any of its representations or warranties contained herein or if any such representations or warranties become inaccurate, in each case so as to cause a condition to the Closing to be incapable of satisfaction, which failure, breach or inaccuracy is not cured

within fifteen (15) days after Purchaser has notified Seller in writing of its intent to terminate this Agreement pursuant to this **Section 11.01(e)**.

11.02 Effect of Termination. If Seller or Purchaser terminates this Agreement pursuant to **Section 11.01 ["Methods of Termination"]**, (a) this Agreement shall forthwith become null and void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party; provided, however, that (i) nothing in this Section 11.02 shall relieve any Party hereto from any liability with respect to any willful or intentional breach of this Agreement prior to such termination and (ii) the provisions of **Section 6.03 ["Covenants of the Parties" > "Expenses"]**, **this Section 11.02** and **Article XII ["Miscellaneous Provisions"] (other than Section 12.12 ["Miscellaneous Provisions" > "Further Assurances"]** shall survive the termination of this Agreement and shall remain in full force and effect.

ARTICLE XII.

(Miscellaneous Provisions)

12.01 Amendments & Modifications. This Agreement may be amended, modified and supplemented only by a written instrument executed by each of the Parties.

12.02 Waivers. No waiver shall be binding on a Party unless executed in writing by the Party making the waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. The failure by any Party to enforce against another Party any term or provision of this Agreement shall not be deemed to be a waiver of such Party's right to enforce against the other Party the same or any other term or provision of this Agreement in the future.

12.03 Notices. All notices, requests, demands and other communications required or permitted by this Agreement shall be in writing and shall be deemed to have been duly given upon (a) actual delivery, if delivered by personal delivery, or (b) one (1) business day after deposit with an

overnight courier service for next day delivery, with service prepaid, or (c) actual delivery if transmitted by facsimile (including via electronic transmission such as email) during normal business hours (8:00 am to 5:00 pm) for the recipient, provided that the same notice is also deposited on the same day with an overnight courier for next-day delivery, with service prepaid:

If to Purchaser or any Guarantor, to:

[X]

Or to such other person or address as Purchaser shall furnish to Seller in writing; and

If to Seller, to:

c/o Sbarro LLC

1328 Dublin Road, Suite 200

Columbus, Ohio 43215

Attention: General Counsel

Email Address: minzetta@sbarro.com

mkaram@sbarro.com

or to such Person or address as Seller shall furnish to Purchaser in writing.

12.04 Assignment. This Agreement, and all of the provisions hereof, shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. No Party may assign this Agreement or any of its rights hereunder or delegate any of its obligations

hereunder without the prior written consent of the other Parties; provided, however, that Seller may, without the consent of Purchaser or any Guarantor, assign this Agreement or any rights hereunder, or delegate any of its obligations hereunder, to any of its Affiliates or to any successor in interest (whether by purchase, merger, consolidation, conversion or otherwise) to all or substantially all of the business operations and/or assets of Seller. Any attempt or purported assignment or delegation in contravention of the foregoing shall be void *ab initio*.

12.05 Governing Law. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, AND ALL CLAIMS AND DEFENSES ARISING OUT OF OR RELATING TO ANY SUCH TRANSACTION OR THIS AGREEMENT OR THE FORMATION, BREACH, TERMINATION, OR VALIDITY OF ANY PART OF THIS AGREEMENT, SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OHIO WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES OF SUCH STATE THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

12.06 Jurisdiction. Each Party to this Agreement hereby irrevocably and unconditionally: (a) submits itself and its property to the exclusive jurisdiction of any federal or state court sitting in the Franklin County, Ohio in any action directly or indirectly arising out of or relating to this Agreement, the transactions contemplated hereby, or the formation, breach, termination or validity of this Agreement and agrees that all claims in respect of any such action shall be heard and determined solely in such court; (b) consents that any such action shall be brought in such court and waives any objection that it may now or hereafter have to the venue or jurisdiction of any such action in such court or that such court is an inconvenient forum for the action and agrees not to assert, plead or claim the same; (c) agrees that the final judgment of such court shall be enforceable in any court having jurisdiction over the relevant Party or any of its assets; (d) agrees that service of process in any such action may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Party at its address as provided in **Section 12.03** above; and (e) agrees that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the applicable rules of procedure.

12.07 Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED

AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) IT MAKES THIS WAIVER VOLUNTARILY AND (d) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS OF THIS **SECTION 12.07**. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

12.08 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by exchange via facsimile or electronically of signature pages executed by the Parties and this Agreement shall be enforceable by the Parties upon the execution of the Agreement by each of the Parties by the exchange of such signature pages via facsimile or electronically. Any party executing this Agreement by facsimile or electronically as herein provided shall also deliver to the other party an executed original of this Agreement within three (3) business days of such facsimile or electronic delivery.

12.09 Interpretation. Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender, as the context requires; (b) references to the terms Preamble, Recitals, Article, Section, paragraph, Schedule and Exhibit are references to the Preamble, Recitals, Articles, Sections, paragraphs, Schedules and Exhibits to this Agreement unless otherwise specified; (c) references to "\$" shall mean U.S. Dollars; (d) the word "including" and words of similar import shall mean "including without limitation," unless otherwise stated; (e) the word "or" shall not be exclusive; (f) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted; (g) if a word or phrase is defined, the other grammatical forms of such word or phrase have a corresponding meaning; (h) references to any statute, listing rule, rule, standard, regulation or other law include a reference to (A) the corresponding rules and

regulations and (B) each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time; (i) references to any section of any statute, listing rule, rule, standard, regulation or other law include any successor to such section; (j) references to any entity or individual include references to such entity or individual's predecessors or successors, whether by merger, consolidation, amalgamation, reorganization or otherwise; (k) references to any contract (including this Agreement) or organizational document are to the contract or organizational document as amended, modified, supplemented or replaced from time to time, unless otherwise stated; (l) the table of contents, headings of the Sections, Articles and subsections of this Agreement and table of defined terms in **Section 1.02** are inserted for convenience only and shall not constitute a part of this Agreement or affect in any way the meaning or interpretation of this Agreement.

12.10 Entire Agreement. Except for the Ancillary Agreements, this Agreement, together with the Exhibits and Schedules attached hereto, set forth the entire understanding among the Parties concerning the subject matter of this Agreement and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, representations, warranties, conditions or understandings, either oral or written, express or implied, among the Parties or their respective Affiliates or Representatives relating to the subject matter of this Agreement, other than those set forth herein or in the Ancillary Agreements. No alteration, amendment, change or addition to this Agreement shall be binding upon any Party unless in writing and signed by all of the Parties. The submission of any unexecuted copy of this Agreement shall not constitute an offer to be legally bound by any provision of the document submitted, either currently or in the future, and no Party shall be bound by this Agreement until it is fully executed and delivered to all Parties.

12.11 Third-Parties. Except as set forth or referred to herein, nothing in expressed or implied in this Agreement is intended or shall be construed to confer upon any person or entity other than the Parties and their successors or assigns any rights or remedies under or by reason of this Agreement.

12.12 Further Assurances. Subject to the terms and conditions of this Agreement, at any time after the Closing, each Party shall take such further actions and execute such further documents as may be

necessary or reasonably requested by another Party in order to effectuate the intent of this Agreement.

12.13 Invalidity. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner adverse to any Party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually-acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible. Nothing in this **Section 12.13** shall affect a Party's right to terminate this Agreement pursuant to **Section 11.01** hereof.

12.14 Confidentiality. Whether or not the Closing occurs, except as otherwise agreed to in writing by the Parties or to the extent necessary to perform its obligations or enforce its rights under this Agreement, each Party hereto shall, and shall cause it respective Affiliates and Representatives to, keep confidential the terms and existence of this Agreement and the transactions contemplated hereby; provided, however, that if it is required by law or by virtue of any order issued by any court or tribunal of competent jurisdiction to disclose any portion of the transactions contemplated hereby, then nothing in this Agreement shall prohibit or restrict the Parties from making any such disclosure that is strictly necessary and appropriate to comply with such law or such order.

12.15 Guaranty. As a material inducement to Seller entering into this Agreement, and the Ancillary Agreements, Guarantors shall execute the Guaranty. In addition to the promises, guarantees and covenants contained in the Guaranty, Guarantors expressly make the following guaranties:

- a) **Guaranty.** Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees to Seller, as a primary obligor and not merely as a surety, the due and punctual performance and observance of, and compliance with, all covenants, agreements, liabilities, representations and warranties of Purchaser under or arising out of this Agreement from and after the Effective Date (all such obligations, the "**Guaranteed Obligations**"). The Guaranteed Obligations hereunder are joint and several. Each Guarantor further agrees that

the Guaranteed Obligations may be amended, modified, extended or renewed, in whole or in part, without notice to or further assent from the Guarantors, and that each Guarantor will remain bound upon its guarantee notwithstanding any amendment, modification, extension or renewal of any of the Guaranteed Obligations, whether or not any of the foregoing would in any way increase any Guarantor's obligations hereunder.

- b) Obligations not to be Released. The obligations of each Guarantor under this Agreement shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected, at any time, by: (i) any compromise, waiver or release in respect of any Guaranteed Obligation of Purchaser, by operation of law or otherwise; (ii) any change in the corporate existence, structure, ownership of Purchaser, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Purchaser or its assets or any resulting release or discharge of any obligation of Purchaser or any of the Guarantors contained in this Agreement; (iii) the existence of any claim, set-off or other rights that any of the Guarantors may have at any time against Seller or Purchaser, whether in connection herewith or otherwise; (iv) any invalidity or unenforceability of this Agreement relating to or against Purchaser for any reason, or any provision of applicable law purporting to prohibit the payment or performance by Purchaser at the time and place specified herein of any of the Guaranteed Obligations; or (v) any other act or omission to act or delay of any kind by Purchaser, Seller or any other person or entity, or any other circumstance whatsoever that might, but for the provisions of this paragraph, constitute a legal or equitable discharge or defense of a guarantor or surety. Each Guarantor irrevocably waives presentment, demand, protest and notice, as well as any requirement that at any time any action be taken by any person or entity against Purchaser or any other person or entity.
- c) Guaranty of Performance. Without limiting the foregoing, each Guarantor further agrees that its guarantee is a continuing guarantee of payment and performance of the Guaranteed Obligations when due (whether or not any bankruptcy, insolvency or similar proceeding under applicable law shall have stayed the accrual or collection of any of the Guaranteed Obligations or operated as a discharge thereof) and not of collection, and waives any right to require that resort be had by Seller to the Purchaser for the collection and performance of the Guaranteed Obligations. If at any time any payment of any Guaranteed Obligation by

Purchaser is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of Purchaser or otherwise, each of Guarantor's obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made.

- d) Attorneys' Fees & Costs. Each Guarantor shall indemnify and reimburse Seller for any and all costs and expenses (including all attorneys' fees and litigation costs) incurred by Seller in enforcing any right or privilege under this **Section 12.15.**

~ Signatures on Next Page ~

IN WITNESS WHEREOF, the Parties hereunto cause this Agreement to be executed as of the day and year first written above.

SELLER:
SBARRO, LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

PURCHASER:
[X]

By: _____
Name:
Title:

By: _____
Name:
Title:

GUARANTOR:

[X]

GUARANTOR:

[X]

**Exhibit C to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

SUBLEASE AGREEMENT

SUBLEASE AGREEMENT

This Sublease Agreement ("Sublease") dated as of [DATE], by and between [SBARRO TENANT ENTITY] a [STATE LLC/CORP.] ("Sublessor"), [FRANCHISEE] a [STATE LLC/CORP.] ("Sublessee" and together with Sublessor, the "Parties"), and [INDIVIDUALS] ("Guarantor").

WITNESSETH:

WHEREAS, Sublessor (as "Tenant") has entered into a lease dated [DATE] with [LANDLORD NAME], as Landlord ("Landlord") for premises located at [ADDRESS] ("Premises"). That lease being referred to herein as the "Lease", a copy of which is annexed hereto as Exhibit "A"; and

WHEREAS, Sublessor desires to sublease to Sublessee the Premises, and Sublessee desires to sublease from Sublessor the Premises; and

NOW THEREFORE, in consideration of the mutual rights, responsibilities and covenants hereinafter set forth and upon the terms covenants and conditions set forth herein, the Parties agree as follows:

ARTICLE 1 DEMISE, DELIVERY OF PREMISES

1.1 Upon and subject to the terms, covenants and conditions hereinafter set forth and for the Term hereafter described, Sublessor hereby demises and subleases to Sublessee and Sublessee hereby takes and subleases from Sublessor the Premises.

1.2 Subject to obtaining Landlord's consent if required under the Lease, Sublessor shall deliver physical possession of the Premises to Sublessee no later than the Commencement Date of this Sublease per Article 3 herein.

1.3 Sublessor has neither made nor does hereby make any representations or warranties, express or implied, with respect to the condition of the Premises or the fitness of the Premises for any particular use or with respect to zoning or any licenses, permits, certificates or similar governmental approvals required for Sublessee's use of the Premises.

1.4 The Premises are being tendered AS IS, inclusive of all furniture, fixtures, machinery and equipment located therein as of the date hereof (the "**Personalty**"). All of the Personalty is being conveyed to Sublessee pursuant to this Sublease, and all of the Personalty and any replacement of such property during the term of this Sublease shall be subject to Sublessor's lien securing compliance with the terms of this Sublease. Sublessee shall execute (or permit Sublessor) and cause to be filed where appropriate a security agreement and UCC-1 Financing Statements securing Sublessor's interest in the Personalty as set described in this Section 1.4. All Personalty shall be subject to recapture by Sublessor in the event of Sublessee's default under this Sublease and termination of Sublessee's occupancy of the Premises as per the terms of Article 14.4 herein.

1.5 The terms of the Lease, to the extent not inconsistent with the terms of this Sublease, are incorporated into this Sublease by reference as if stated in full herein. Sublessor hereunder shall be entitled to enforce against Sublessee hereunder all of the terms and provisions of the Lease, and Sublessee must comply with all obligations of the Lease, as if Sublessee were the tenant thereunder and Sublessor was the lessor thereunder.

1.6 Sublessor covenants that during the Term hereof, as defined below, and provided that Sublessor has performed and observed all the covenants and conditions on its part to be performed and observed under this Sublease and the Lease, Sublessee's quiet and peaceful enjoyment and possession of the Premises shall not be disturbed by Sublessor or persons claiming by, through or under Sublessor.

ARTICLE 2

TERM

2.1 Upon and subject to the terms, covenants and conditions hereinafter set forth, Sublessee shall have and hold the Premises for a term commencing upon the Commencement Date as defined in Article 3 herein below and expiring upon the earlier of: (1) the last day of the initial term of the Lease, unless sooner terminated as per the terms of the Lease; and (2) the expiration or termination of the Franchise Agreement (the "**Term**"). For purposes of this Sublease, the term "**Franchise Agreement**" shall mean the agreement between Sublessor and Sublessee (and/or certain affiliates of either party) through which Sublessee (or an affiliate of Sublessee) was granted the franchise rights in and to the SBARRO restaurant operating on the Premises.

2.2 If Sublessee chooses not to extend the Lease beyond its then current term, then the Parties acknowledge that the Term of the Lease may be extended by Sublessor. Upon such event, this Sublease shall terminate.

ARTICLE 3

COMMENCEMENT DATE

Contingent upon obtaining Landlord's consent to this Sublease if required under the Lease, this Sublease shall be effective upon the Commencement Date. The Commencement Date of this Sublease shall be _____.

ARTICLE 4

SUBJECT TO LEASE

4.1 Anything in any other article of this Sublease to the contrary notwithstanding, it is expressly understood and agreed by and between Sublessor and Sublessee that this Sublease is subject and subordinate to the Lease; that no right, power or privilege granted to Sublessee hereunder may be exercised or enjoyed by Sublessee, and no term, covenant or condition of this Sublease benefiting Sublessee or binding Sublessor shall be operative, if and to the extent that such exercise, enjoyment, or operation would not be permitted by or would violate or be in conflict with any term, covenant or condition of the Lease; and that, in the event of the expiration or the termination of the Lease for any reason whatsoever, this Sublease shall automatically terminate on the date of the expiration or termination of the Lease.

4.2 Sublessee covenants and agrees that Sublessee, its agents, contractors, sublessees, licensees, concessionaires and invitees will not knowingly or negligently violate or breach any of the terms, covenants or conditions of the Lease, and that Sublessee, its agents, contractors, sublessees, licensees, concessionaires and invitees will not do or permit anything which would violate, breach or be contrary to the Lease or cause the Lease to be terminated or forfeited. Sublessee shall protect indemnify, save harmless and, at Sublessor's option, defend Sublessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, judgments, costs and expenses (including, without limitation, attorneys' fees and expenses) imposed upon or incurred by or assessed against Sublessor by reason of any violation of this paragraph by Sublessee or breach of any of the terms of this Sublease or the Lease by Sublessee.

4.3 Sublessor represents and warrants that Sublessor has a good leasehold estate in the Premises under and by virtue of the Lease, and that Sublessor has the full right and lawful authority to enter into this Sublease, subject to Landlord's consent.

4.4 Sublessee acknowledges that it has received and reviewed the Lease and is fully familiar with the terms and conditions thereof, specifically as to Base Rent and Additional Rents due thereunder as well as the expiration date of the Lease. Sublessee specifically agrees to comply with and fully perform all the requirements and obligations of Sublessor under the Lease as applicable to the Premises.

4.5 Sublessor represents and warrants that to the best of its knowledge as of the date hereof (i) the Lease is in full force and effect, (ii) Sublessor is not in default, beyond any applicable notice and cure periods under the Lease, and (iii) Sublessor has not received any notice of default from the Landlord, which notice has not been cured by Sublessor.

4.6 The Parties agree to promptly give the other copies of (i) all default notices, and (ii) other notices received from the Landlord under the Lease which relate to matters which have an effect on the Parties' rights or obligations under this Sublease.

4.7 With respect to all obligations, agreements and services to be performed or furnished by the Landlord under the Lease, Sublessee shall look solely to the Landlord under the Lease for the performance thereof, and no failure on the part of the Landlord under the Lease to perform such obligations, agreements or services shall constitute a breach of the obligations of Sublessor under this Sublease or provide a basis or grounds for Sublessee not to perform any of its obligations under this Sublease or the Lease. Sublessor expressly grants to Sublessee all of Sublessor's rights and remedies under the Lease to enforce in its own name or as Sublessor's agent if necessary, at Sublessee's sole cost and expense, against the Landlord under the Lease the full compliance by the Landlord under the Lease of all its obligations thereunder to the extent applicable to the Premises.

4.8 Sublessor may not pledge, use as collateral, or hypothecate this Lease in any manner or assign same for purpose of obtaining financing. Any violation of this provision shall be a default under the terms of this Sublease.

ARTICLE 5

FIXED, ADDITIONAL AND PERCENTAGE

RENT

5.1 Sublessee covenants to pay to Landlord all base, percentage, and additional rents (the "**Rents**") as provided for by the Lease without notice or demand and without deduction or offset of any amount for any reason whatsoever. All rental amounts to be paid in amounts as may from time to time be increased by Landlord pursuant to the Lease.

5.2 Base Rent. Sublessee shall pay the base rent ("**Base Rent**") required to be paid under the Lease to Landlord each month prior to the respective due dates set forth in the Lease. Rents shall be sent to Landlord's address as reflected in the Lease, or such other place as Landlord may hereafter specify, without any right of setoff or deduction, and without any prior notice and demand, for each month during the term of this Sublease. If the Commencement Date is other than the first day of the month, the amount of Base Rent payable on the Commencement Date shall be one-thirtieth (1/30th) of the monthly Base Rent for each day prior to the first day of the next month; and if the term of this Sublease expires other than on the last day of the month, the amount of the final installment of Base Rent shall be one-thirtieth (1/30th) of the monthly Base Rent for each day then remaining in the Sublease Term.

5.3 Additional Rent. In addition to the Base Rent set forth herein, Sublessee shall pay as additional rent during the Term, any and all sums and charges required to be paid by Sublessor pursuant to

the Lease, whether designated as Additional Rent or not, including without limitation all common area charges, rent taxes and insurance charges, late fees, utility costs, Base Rent increases and maintenance fees (collectively, “**Additional Rent**”). Such sums and charges shall be collectable when due as Additional Rent as provided in the Lease and shall be paid to Landlord prior to any time period provided in the Lease, and shall be subject to all provisions of this Sublease and Lease and of law as to default in the payment of rent.

5.4 At Sublessor’s option, Sublessor may, without waiving any rights under this Sublease, direct Sublessee to make payments due under paragraphs 5.1, 5.2 and 5.3 hereof directly to Sublessor five (5) days prior to their respective due dates under the Lease, so that Sublessor can timely pay same to Landlord.

ARTICLE 6

USE

6.1 Use. Sublessee must comply with the “Use” clause as contained in Paragraph_____ of the Lease.

6.2 Compliance with Law. Sublessee shall comply with and observe all federal, state, county, city, village and other laws, statutes, rules, orders, regulations and ordinances affecting or related to the Premises, including the use thereof under the Lease and the improvements thereon, or the occupancy, operation or use thereof, and with all rules, orders and regulations of all fire departments, bureaus or other similar organizations for prevention of fire or correction of hazardous conditions. Sublessee shall comply with the requirements of all policies of public liability, fire and other insurance at any time in force with respect to the Premises.

ARTICLE 7

UTILITIES

7.1 Sublessee, at its sole cost and expense, shall arrange for its own gas, electricity, water, and other utilities, and shall pay, when billed, for all such services used in or about the Premises during the Term of this Sublease.

7.2 Sublessor shall not be liable in damages or otherwise if any utility service or other service to the Premises shall be interrupted or impaired. Sublessee agrees that Sublessor shall not be liable for any loss or damage to Sublessee, or any of its merchandise or property caused by sewerage, water, gas, electricity, steam, wind or storm, excluding Sublessor’s gross negligence, nor shall any such events excuse Sublessee’s performance under the terms of this Sublease or the Lease.

ARTICLE 8

CARE OF THE PREMISES, ALTERATIONS, SIGNS

8.1 All maintenance, repairs, upkeep, replacements, cleaning, and renovating of the Premises as required by the Lease shall be the responsibility of the Sublessee and should be carried out in accordance with the obligations as determined by the Lease.

8.2 With regard to alterations, improvements or additions to the Premises which Sublessee may wish to make from time to time during the Term of this Sublease, Sublessee shall be permitted to make all such non-structural, non-storefront alterations of less than five thousand dollars (\$5,000) without Sublessor’s prior consent provided Landlord shall approve of same, and provided any such alterations, improvements or additions shall be otherwise constructed in compliance with the terms of the Lease. All structural alterations and/or non-structural alterations to be installed at a cost exceeding five thousand dollars (\$5,000) shall require Sublessor’s and Landlord’s prior written consent.

8.3 Sublessee shall be liable to Sublessor (payable to Landlord as Additional Rent hereunder) for the cost of repair for any damage to any portion of the Premises, or shopping center of which the Premises is a part, caused by (i) Sublessee, its agents, employees or contractor's negligence, or (ii) bringing onto the Premises or shopping center any property for Sublessee's use, or (iii) associated with Sublessee's breach of its repair obligations under this Sublease.

ARTICLE 9

INSURANCE

9.1 Throughout the Term of this Sublease, Sublessee agrees to comply with all the insurance requirements and obligations of the tenant under the Lease as applicable to the Premises. In addition, Sublessee shall carry products liability/wrongful death coverage, naming Sublessor as an additional insured. Sublessee shall promptly furnish to Sublessor, Landlord and any mortgagee designated by Landlord certificates which evidence that such insurance is in effect. Sublessor and the Landlord shall be named as additional insureds under the insurance policies required to be maintained by Sublessee hereunder.

ARTICLE 10

MUTUAL INDEMNITY

10.1 Sublessee shall protect, indemnify, save harmless and defend Sublessor from and against all liabilities, obligations, claims, damages, penalties, costs and expenses of every kind and nature (including without limitation reasonable attorneys' fees) imposed upon or incurred by or asserted against Sublessor by reason of (i) any accident or injury to or death of persons or loss of or damage to property occurring in or about the Premises, or (ii) any failure of Sublessee to perform or comply with any of the terms, covenants, or obligations on its part to be kept, observed, performed or complied with under this Sublease or the Lease, or (iii) any negligence of Sublessee.

10.2 Sublessor shall protect, indemnify, save harmless and defend Sublessee from and against all liabilities, obligations, claims, damages, penalties, costs and expenses of every kind and nature (including without limitation reasonable attorneys' fees) imposed upon or incurred by or asserted against Sublessee by reason of (i) any failure of Sublessor to perform or comply with any of the terms, covenants, or obligations on its part to be kept, observed, performed or complied with under this Sublease, or (ii) any gross negligence of Sublessor.

ARTICLE 11

ASSIGNMENT AND SUBLETTING

Restriction. Sublessee agrees not to sell, assign, mortgage, pledge, franchise or in any manner transfer this Sublease or estate or interest hereunder, not to sublet the Premises or any part or parts thereof, and not to permit any licensee or concessionaire therein without the written consent of (i) Sublessor and (ii) the Landlord (to the extent required by the terms of the Lease). A transfer in any manner of (i) fifty percent (50%) or more of the ownership and/or beneficial interest of Sublessee's stock, or (ii) management control (if less than fifty percent (50%)) shall be deemed a transfer or assignment requiring Sublessor's consent. Consent by Sublessor to one assignment of this Sublease, to one subletting, sale, mortgage, pledge or other transfer, or to one license or concession shall not be a waiver of Sublessor's rights under this Article as to any subsequent similar action, nor shall any such consent relieve Sublessee from liability for payment of Rents or other sums herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Sublease.

ARTICLE 12
DAMAGE CLAUSE

12.1 In the event of damage to or destruction of the Premises by fire or other casualty, Sublessee, at its sole expense, shall promptly restore the Premises as nearly as possible to its condition prior to such damage or destruction. All insurance proceeds related to such damage or destruction shall be applied by Sublessee to the payment of such restoration, as such restoration progresses. If the proceeds of insurance are insufficient to pay the full cost of repair or restoration, Sublessee shall pay the deficiency.

12.2 Except as provided herein, if the Premises or any part thereof, or the furniture, furnishings, or fixtures therein shall be destroyed or damaged, such fact shall not affect the provisions of this Sublease, any law, rule, or regulation to the contrary notwithstanding, and Sublessee's obligations under this Sublease, including the payment of Rent, shall continue without abatement of any kind.

ARTICLE 13
SURRENDER OF PREMISES

13.1 This Sublease shall terminate at the end of the Lease term or any extension thereof without the necessity of any notice from either Sublessor or Landlord to terminate the same, and Sublessee hereby waives any requirement of notice to vacate the Premises at the expiration of the Term of this Sublease. Upon the expiration of the Sublease, either upon the expiration of the term or otherwise, Sublessee shall surrender the Premises in the condition required under the Lease and shall at its sole cost and expense remove any items of trade dress.

ARTICLE 14
DEFAULT

14.1 Any of the following occurrences or acts shall constitute an "Event of Default" under this Sublease:

(a) if Sublessee shall fail to make any payment of Base Rent or Additional Rent herein required to be paid by Sublessee within any curative period provided for herein;

(b) if Sublessee shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal bankruptcy act or under any similar federal or state law, or shall be adjudicated bankrupt or insolvent or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of Sublessee as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court, and same shall not be dismissed within 30 days of the filing thereof;

(c) if a receiver, trustee or liquidator of Sublessee, of all or substantially all of the assets of Sublessee, or of Sublessee's interest in the Premises or part thereof shall be appointed in any proceedings;

(d) if an act or omission of Sublessee, its agents, employees, contractors, sublessees, licensees, concessionaires or invitees has caused a violation or breach of any of the terms, covenants or conditions contained in the Lease and the Landlord has given Sublessee or Sublessor a notice of default therefor and (i) Sublessee, following notice thereof from Sublessor or the Landlord, has not commenced to cure such default promptly, under the circumstances, or (ii) thereafter Sublessee fails to diligently proceed to cure such default, or (iii) Sublessee fails to complete the cure of such default prior to the expiration of the applicable curative period allowed under the Lease to cure such default;

(e) all other conduct, action or inaction which if committed by Tenant under the Lease would constitute a default; or

(f) If there is a default by Sublessee or by Franchisee or any of the Franchise Principals (as such terms are defined in the Franchise Agreement) of that certain Franchise Agreement between Sublessee and Sublessor dated on or about the same date as this Sublease, or if there is a default by Sublessee or any Franchise Owner (as such term is defined in the Franchise Agreement) of any agreement between any of them and Sublessor.

14.2 Except to the extent inconsistent under the terms of the Lease, whereupon the Lease provisions shall apply, Sublessor shall give Sublessee thirty (30) days' written notice, specifying with reasonable detail the occurrence of a non-monetary default and the steps needed to be taken by Sublessee to cure the default and Sublessee shall have the period of the thirty-day notice in which to remedy the default. Sublessor agrees that, in the event of a monetary default, Sublessee shall receive written notice specifying with reasonable detail the amount of such default and Sublessee shall have a period of four (4) days from the date of the delivery of the notice in which to cure the default. Upon the curing of the default by the Sublessee, the Sublease will remain in full force and effect. If any act or omission of Sublessee constituting a default under Section 14.1(f) above results in termination of the Franchise Agreement referenced in that subsection, then Sublessor may immediately terminate this Sublease and avail itself of the remedies set forth in this Article 14 in addition to all other available remedies.

14.3 In the event of any termination of this Sublease as provided in this Article or as permitted by law, Sublessee shall quit and surrender the Premises to Sublessor, and Sublessor may without further notice enter upon, re-enter upon, possess and repossess the same by summary ejectment process and again have, repossess and enjoy the same as if this Sublease had not been made, and in any such event, neither Sublessee nor any person claiming through or under Sublessee by virtue of any law or any order of any court shall be entitled to possession or to remain in possession of the Premises but shall forthwith quit and surrender the Premises.

14.4 In the event of such termination of the Lease and possession of the Premises by Sublessor pursuant to Section 14.3 above or otherwise, all furniture, fixtures, machinery, equipment and inventory located within the Premises shall become the sole and exclusive property of Sublessor, and Sublessee shall have no interest in said property or claim for compensation against Sublessor for Sublessor's possession of same.

14.5 If Sublessor shall re-enter and obtain possession of the Premises following an Event of Default not cured within an appropriate cure period, whether or not this Sublease has been terminated as a result thereof, Sublessor may do the following:

(i) Declare the Rent for the balance of the term of this Sublease immediately due and payable, and collect the same by distress or otherwise; and/or

(ii) Terminate this Sublease;

(iii) Repossess the Premises, and with or without terminating, relet the same at such amount as Sublessor deems reasonable; and if the amount for which the Premises is relet is less than Sublessee's Rent, and all other obligations of Sublessee to Sublessor hereunder, Sublessee shall immediately pay the difference on demand to Sublessor, but if in excess of Sublessee's Rent, and all other obligations of Sublessee hereunder, the entire amount obtained from such reletting shall belong to Sublessor, free of any claim of Sublessee thereto; and/or

(iv) Avail itself of all other remedies and claim such damages as Landlord has under the Lease or at law or equity.

To the extent not recovered through excess Rent derived from reletting, all expenses of Sublessor in repairing the Premises for reletting, together with leasing fees shall be charged to and be a liability of Sublessee.

14.6 If Sublessee at any time fails to pay any Base Rent, Additional Rent, taxes, assessments, liens or any other amounts due under the Lease or Sublease, or fails to make any payment or perform any act required by this Sublease or the Lease, Sublessor, without waiving or releasing Sublessee from any obligation or default under this Sublease, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Sublessee after notice to Sublessee. All sums due or so paid by Sublessor and all costs and expenses so incurred shall accrue interest at the greater of: (i) two percent (2%) over the amount Landlord can charge Tenant for such failure to pay under the Lease, or (ii) the rate of ten (10) percent per annum. Such sums and any accumulated interest shall constitute Additional Rent payable by Sublessee under this Sublease and shall be paid by Sublessee to Sublessor upon demand.

ARTICLE 15 **GUARANTY**

15.1 Guarantee. As a material inducement to Sublessor entering into this Sublease, the Guarantors each hereby absolutely, unconditionally and irrevocably guarantees to Sublessor, as a primary obligor and not merely as a surety, the due and punctual performance and observance of, and compliance with, all covenants, agreements, liabilities, representations and warranties of Sublessee under or arising out of this Sublease from and after the Commencement Date (all such obligations, the “**Guaranteed Obligations**”). The Guaranteed Obligations are joint and several. Each Guarantor further agrees that the Guaranteed Obligations may be amended, modified, extended or renewed, in whole or in part, without notice to or further assent from the Guarantors, and each Guarantor will remain bound upon its guarantee notwithstanding any amendment, modification, extension or renewal of the Guaranteed Obligations, whether or not any of the foregoing would in any way increase the Guaranteed Obligations.

15.2 Guarantee of Performance. Without limiting the foregoing, each Guarantor further agrees that its guarantee is a continuing guarantee of payment and performance of the Guaranteed Obligations when due (whether or not any bankruptcy, insolvency or similar proceeding under applicable law shall have stayed the accrual or collection of any of the Guaranteed Obligations or operated as a discharge thereof) and not of collection, and waives any right to require that resort be had by Sublessor to Sublessee for the collection and performance of the Guaranteed Obligations. If at any time any payment of any Guaranteed Obligation by Sublessee is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of Sublessee or otherwise, each of the Guarantor’s obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made.

15.3 Attorney’s Fees & Costs. Each Guarantor shall indemnify and reimburse Sublessor for all out of pocket expenses (including attorney’s fees and litigation costs) incurred by Sublessor in enforcing its rights and privileges under this Article 15.

ARTICLE 16 **MISCELLANEOUS**

16.1 Applicable Law; Severability. This Sublease shall be construed under the laws of the State of Ohio. If any provision of this Sublease, or portion thereof, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease shall not be

affected thereby and each provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

16.2 No Partnership. Any intention to create a joint venture, partnership or agency relation between Sublessor and Sublessee is hereby expressly disclaimed.

16.3 Successors. This Sublease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Sublessee, its successors and assigns, shall be binding upon Sublessor, its successors and assigns, and shall inure to the benefit of Sublessor and only such assigns of Sublessee to whom this Sublease has been assigned by Sublessee pursuant to the terms herein.

16.4 Notice. Any notice, request or demand permitted or required to be given by the terms and provisions of this Sublease, or by any law or governmental regulation, either by Sublessor to Sublessee or by Sublessee to Sublessor, shall be in writing. Unless otherwise required by such law or regulation, such notice, request or demand shall be given, and shall be deemed to have been served and given when Sublessor or Sublessee, as the case may be, shall have received such notice, request or demand if delivered personally or by courier, or when such notice is received or refused when mailed by United States Postal Service Certified Mail, return receipt requested, postage paid addressed to Sublessor or Sublessee, as the case may be, at the following addresses is first received or refused:

If to Sublessor: **[SBARRO ENTITY LEASE TENANT]**
1328 Dublin Road
Columbus, OH 43215
ATTN: President

Copy to: **SBARRO, LLC**
1328 Dublin Road
Columbus, Ohio 43215
ATTN: Legal Department

If to Sublessee: _____

ATTN: _____

Either party may, by notice as aforesaid, designate a different address or addresses for notices, requests or demands. Notice to Sublessee shall be effective upon its receipt or refusal by addressee at Sublessee's notice address given above. Notice to Sublessee's counsel shall not constitute notice to Sublessee.

16.5 Costs. In the event Sublessor or Sublessee shall bring any action or proceeding for damages for any alleged breach of any provision of this Sublease, to recover rents, or to enforce, protect or establish any right or remedy, the prevailing party shall be entitled to recover as part of, or incident to, such action or proceeding, all reasonable attorneys' fees and other costs actually incurred in the preparation and processing of such action or proceeding.

16.6 Capitalization. Terms capitalized herein, if not otherwise defined herein, shall have the meaning assigned to that term in the Lease.

16.7 Sublessor covenants and agrees that in any action or proceeding brought on, under or by virtue of this Sublease may be instituted in the state in which the Premises are located and Sublessor shall, and does hereby waive, trial by jury and the right to assert any counterclaims or offsets against Sublessor or Landlord.

16.8 Notwithstanding anything contained in the Lease or this Sublease to the contrary, Sublessor is not assigning and is specifically retaining any and all rights it may have to any Rent credit, construction and or relocation allowance, that Sublessor was entitled, which accrued and or was contracted for prior to the Commencement Date of this Sublease.

IN WITNESS WHEREOF, Sublessor and Sublessee have caused this Sublease to be executed as of the day and year first above written.

SUBLESSOR:
[SBARRO ENTITY LEASE TENANT]

By: _____
Name: _____
Title: _____

SUBLESSEE:
[ENTITY NAME]

By: _____
Name: _____
Title: _____

GUARANTORS:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**Exhibit D to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

**CONFIDENTIALITY AGREEMENT FOR DISCLOSURE OF MANUALS
SBARRO FRANCHISE CO., LLC**

CONFIDENTIALITY AGREEMENT FOR DISCLOSURE OF MANUALS SBARRO FRANCHISE CO., LLC

In consideration of the willingness of Sbarro's Franchise Co., LLC ("Sbarro's") to permit me to review Sbarro's Confidential Manuals ("Manuals") before entering into a Franchise Agreement, the person(s) signing below ("Prospective Franchisee") agree, individually and as owner(s), officer(s), director(s), manager(s) or partner(s) of any corporation, limited liability company or partnership that may enter into an agreement with Sbarro's, as follows:

1. **Definition.** As used in this Agreement, the term "Confidential Information" means all information contained in the Manuals and all other information whether or not in written form or designated as confidential relating to Sbarro's disclosed Prospective Franchisee except: information which is now or hereafter becomes generally known (other than by unauthorized disclosure, whether deliberate or inadvertent, by Prospective Franchisee or by any other person, firm or corporation with which Prospective Franchisee is affiliated); information which was in Prospective Franchisee's possession prior to Prospective Franchisee's receipt of the Manuals; and information which comes into Prospective Franchisee's possession after the date of this Agreement from a source not under an obligation of secrecy to Sbarro's.

2. **Non-Use and Non-Disclosure.** Prospective Franchisee may use the Confidential Information solely for purposes of evaluating whether or not to pursue a franchise relationship with Sbarro's. Except as expressly authorized by Sbarro's in writing, Prospective Franchisee agrees to maintain all Confidential Information in strict confidence and not to use, or permit others to use, Confidential Information for any purpose other than evaluation of a possible franchise relationship. Prospective Franchisee shall not disclose any Confidential Information to anyone other than Prospective Franchisee's employees, and/or third parties authorized by Sbarro's to receive Confidential information, each of whom: (a) has a reasonable need to know such Confidential Information; (b) has been advised of the confidential nature of the Confidential Information; and (c) if requested by Sbarro's, has signed an agreement, in a form satisfactory to Sbarro, obligating the employee or third party to comply with all the provisions of this Agreement.

3. **Restrictions on Copying.** Prospective Franchisee shall not make any copies of any Confidential Information. Prospective Franchisee agrees not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any of the Confidential Information.

4. **Obligations Upon Termination.** If Prospective Franchisee does not enter into a franchise relationship with Sbarro's, Prospective Franchisee shall: (a) immediately cease to use the Confidential Information; (b) immediately return to Sbarro's the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (c) at the request of Sbarro's, immediately certify in writing that Prospective Franchisee has complied with subsections (a) and (b) above.

5. **Ownership of Materials.** Prospective Franchisee acknowledges that all Confidential Information, and all copies thereof (whether or not such copies were authorized), shall remain the exclusive property Sbarro's and/or its affiliates. Prospective Franchisee shall not acquire any rights in or to such materials pursuant to this Agreement.

6. **Term of Obligation.** If Prospective Franchisee does not enter into a franchise relationship with Sbarro's, Prospective Franchisee's obligations of non-use and non-disclosure with respect to particular items of Confidential Information will remain in effect for so long as Prospective Franchisee possesses, in any manner or form, Confidential Information.

7. **Notice of Loss of Confidentiality.** Prospective Franchisee shall immediately notify Sbarro's of any information that comes to its attention which indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or breach of this Agreement.

8. **Governing Law and Jurisdiction.** This Agreement and any claim or controversy arising out of or relating to this Agreement or rights and obligations of the parties under this Agreement shall be governed by and construed in accordance with the laws of the State of Ohio without regard to conflicts of laws principles. If any provision of this Agreement is deemed invalid, unreasonable or unenforceable by a court of competent jurisdiction, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court. Any claim that either party may have against the other which is not related to this Agreement will be a separate matter and will not be a defense against enforcement of this Agreement or justify any violation of this Agreement. The parties agree that, to the extent any disputes cannot be resolved directly between them, Prospective Franchisee shall file suit against Sbarro's only in the federal or state court having jurisdiction where Sbarro's principal offices are located at the time suit is filed. Sbarro's may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed or in the jurisdiction where Prospective Franchisee resides or does business or where the claim arose. Prospective Franchisee consents to the personal jurisdiction of those courts over Prospective Franchisee and to venue in those courts.

9. **Injunctive Relief.** Prospective Franchisee acknowledges and agrees that: (a) a breach of this Agreement by Prospective Franchisee, its employees or third parties to whom Prospective Franchisee has disclosed the Confidential Information would result in irreparable harm to Sbarro's, the extent of which would be difficult to ascertain; (b) monetary damages would be an inadequate remedy for such a breach; and (c) Sbarro's shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security.

10. **Indemnification and Attorneys' Fees.** Prospective Franchisee agrees to indemnify, defend and hold harmless Sbarro's and its subsidiaries, affiliates, successors and assigns and their past and present directors, officers, employees, agents and representatives from any and all claims, demands and damages (including reasonable attorneys' fees) incurred in connection with or resulting from any breach of any obligation under this Agreement by Prospective Franchisee or Prospective Franchisee's employees or agents. If Sbarro's institutes any proceedings to enforce its rights, or the obligations of Prospective Franchisee, under this Agreement, the prevailing party in such proceeding shall be entitled to recover its reasonable costs and expenses (including, reasonable attorneys' fees and expenses) incurred in connection with any such proceeding.

11. **Benefit of Agreement.** Prospective Franchisee agrees and acknowledges that Sbarro's and its affiliates shall be the beneficiary of Prospective Franchisee's obligations under this Agreement and Sbarro's and its affiliates shall be entitled to all rights and remedies conferred upon Sbarro's hereunder.

Signature

Signature

Print Name

Print Name

Date: _____

Date: _____

**Exhibit E to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

CONFIDENTIALITY AGREEMENT – EMPLOYEE

CONFIDENTIALITY AGREEMENT – EMPLOYEE

WHEREAS, the undersigned (the “**Undersigned**”) is a current or prospective Manager or other employee of one or more franchisees (each a “**Related Party**”) of Sbarro Franchise Co., LLC, a Delaware limited liability company (the “**Company**”);

WHEREAS, the Undersigned has been or may be given access to certain training, and confidential and proprietary information of the Company and/or its Related Parties previously not available to the Undersigned;

WHEREAS, the Related Party is only willing to commence or continue its relationship with Undersigned in the event Undersigned enters into this Agreement; and

WHEREAS, the Related Party signatory hereto has entered into this Agreement with the Undersigned in order to ensure the confidentiality of Proprietary Information (defined below) in accordance with the terms of this Agreement, to ensure that the Undersigned does not utilize such information to compete with the Company or unfairly disadvantage the Company, and/or to protect the investment made by the Related Party signatory hereto in the training and instruction of its employees.

NOW THEREFORE, the Undersigned hereby agrees as follows:

1. **Recitals**. The recitals set forth above are incorporated herein by this reference and shall be part of this Agreement.

2. **Proprietary Information**. As used in this Agreement, the term “**Proprietary Information**” shall mean the business concepts, information about types and suppliers of equipment, operating techniques, menu and ingredient information, marketing methods, financial information, demographic and trade area information, prospective site locations, market penetration techniques, plans, schedules, customer profiles, preferences, statistics, franchisee composition, territories, and development plans, and all related trade secrets or confidential or proprietary information treated as such by the Company and/or the Related Party signatory hereto, as the case may be, whether by course of conduct, by letter or report, by the inclusion of such information in the Company’s operations manuals or similar documents, 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 prior to or at the time any such Proprietary Information is disclosed to the Undersigned, or otherwise.

3. **Use and Disclosure of Proprietary Information**. The Undersigned shall hold all Proprietary Information in strict confidence and shall use such Proprietary Information only for the benefit of the Company and/or the Related Party. The Undersigned shall not disclose Proprietary Information to any other person or entity. The obligations hereunder to maintain the confidentiality of Proprietary Information shall not expire. However, these obligations shall not apply to any Proprietary Information received from the Company and/or the Related Party signatory hereto, as the case may be, which (a) is disclosed in a printed publication available to the public, or is otherwise in the public domain through no act of the Undersigned or any other person or entity which has received such Proprietary Information from or through the Undersigned, (b) is approved for release by written authorization of an officer of the Company, or (c) is required to be disclosed by property order of a court of applicable jurisdiction after adequate notice to the Company and/or the Related Party signatory hereto, as the case may be, sufficient to permit them to seek a protective order therefor, the imposition of which protective order the Undersigned agrees to approve and support.

4. **Return of Documents**. The Undersigned shall, upon the request of the Company and/or the Related Party signatory hereto, as the case may be, immediately return all

documents and other tangible manifestations of Proprietary Information received from the Company and/or the Related Party signatory hereto, as the case may be, including all copies and reproductions thereof.

5. **No Waiver.** No delays or omission by the Company or the Related Party signatory hereto in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Company and/or the Related Party signatory hereto, as the case may be, on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

6. **Equitable Relief.** The undersigned acknowledges that the Company and/or the Related Party signatory hereto, as the case may be, will be irreparably harmed by any breach hereof, that monetary damages would be inadequate and that the Company and/or the Related Party signatory hereto shall have the right to have an injunction or other equitable remedies imposed in relief of, or to prevent or restrain, such breach. The Undersigned agrees that the Company and/or the Related Party signatory hereto shall also be entitled to any and all other relief available under law or equity for such breach.

7. **Miscellaneous.**

(a) This Agreement shall not be construed to grant to the Undersigned any patents, licenses, or similar rights to Proprietary Information disclosed to the Undersigned hereunder, all of which rights and interests shall be deemed to reside or be vested in the Company.

(b) This Agreement does not supersede, but rather is in addition to and cumulative with, all prior agreements, written or oral, between the parties relating to the subject matter of this Agreement. This Agreement may not be modified, changed or discharged, in whole or in part, except by an Agreement in writing signed by the parties.

(c) This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) This Agreement shall be construed and interpreted in accordance with the laws of the State of Ohio, without regard to its conflicts of laws rules.

EXECUTED as of the _____ day of _____, 20__.

Sbarro Franchise Co., LLC,
a Delaware limited liability company

Related Party

By: _____
Title: _____

By: _____
Title: _____

UNDERSIGNED:

[Signature]

[Print Name]

**Exhibit F to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

STANDARD FRANCHISE APPLICATION

**Exhibit F to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

STANDARD FRANCHISE APPLICATION

Rev. 8/2014

The submission of this Franchise Application is for general information purposes and does not obligate the applicant or Sbarro LLC in any way. If you later decide to have partners, a separate application will be required from each of them. Only fully completed applications, including financial information, will be considered.

PERSONAL AND COMPANY INFORMATION (Please print)

How did you hear about the Sbarro franchise opportunity?

Date (month / day / year)

First Name

Last Name

Company Name

Job Title

Street Address

City

State

Zip Code

Business Phone

Cell phone

E-mail

TERRITORY AND RESTAURANT EXPERIENCE

Where do you want to locate your Sbarro (city and state)?

Do you already have a site or territory in mind? If yes, include the type of locations (i.e. mall food court, strip center, C-Store) and projected opening date for first unit.

Please list all Restaurant Experience

Restaurant Brand	Kind of service? Quick Serve/Family/Fine Dining	Owner/Manager	Employee	Currently here
		☐	☐	☐
		☐	☐	☐
		☐	☐	☐
		☐	☐	☐
		☐	☐	☐

Maximum number of restaurants you've supervised simultaneously:

☐ 1-5
 ☐ 11-25
 ☐ 26-50
 ☐ 51 to 100
 ☐ 100 or more

REAL ESTATE EXPERIENCE AND FUNDING EXPECTATIONS

Have you ever started your own business? Yes ____ No ____ . If yes, please describe:

Do you have any experience negotiating retail leases? Yes ____ No ____ . Please describe:

How will you finance your Sbarro project? Bank loan ____ Family/friends ____ Partners ____

Personal funds ____ . Other source of funding:

Would you like an introduction to lending sources? Yes ____ No ____

FINANCIAL DATA

ASSETS

Cash on hand and in banks.....	\$
Stocks and Bonds (can liquidate within 90 days).....	\$
Stocks and Bonds (cannot liquidate within 90 days).....	\$
Accounts/Notes Receivable	\$
Real Estate Investments.....	\$
Net Value of Business	\$
Life Insurance – Cash Value	\$
Other Assets (itemize)	
	\$
	\$
TOTAL ASSETS	\$

LIABILITIES

Bank Loan.....	\$
Bonds/Stocks.....	\$
Mortgages.....	\$
Accounts Payables	\$
Taxes Payable.....	\$
Other Liabilities (itemize)	
	\$
	\$
TOTAL LIABILITIES.....	\$

<u>SOURCE OF INCOME</u>	
Salary.....	\$
Bonuses and Commissions.....	\$
Real Estate Income.....	\$
Interest and Dividends.....	\$
Taxes Payable.....	\$
Other Income (itemize)	
	\$
	\$
TOTAL INCOME.....	\$

AS OF THE _____ DAY OF _____, 201____, I attest to the accuracy of my financial data and authorize Sbarro LLC and their authorized agent to verify all data submitted, and to conduct background and credit checks as necessary.

Signature of Applicant:

Date:

Please print your name:

PLEASE RETURN COMPLETED APPLICATION TO:

Email: wzborovsky@sbarro.com

Mail: Wendi Zborovsky, Manager, Franchise Development, Sbarro LLC, 1328 Dublin Road, Columbus, OH 43215

**Exhibit G to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

DEVELOPMENT AGREEMENT

SBARRO NON-EXCLUSIVE DEVELOPMENT AGREEMENT

This **DEVELOPMENT AGREEMENT** ("Agreement") is made and entered into as of _____ by and between **SBARRO FRANCHISE CO., LLC**, a Delaware limited liability company with its principal place of business at 1328 Dublin Road, Columbus, Ohio 43215 ("Sbarro"), and _____, a _____ corporation ("Developer") with its principal place of business at _____

W I T N E S S E T H:

WHEREAS, Sbarro, as the result of the expenditure of time, skill, effort and money, has developed and owns a unique worldwide system ("System") of franchised and company owned Italian style restaurants that offer a varied and quality menu featuring pizza products, pasta, sandwiches, salads, desserts and beverages under the "SBARRO", "SBARRO THE ITALIAN EATERY", and "SBARRO FRESH ITALIAN COOKING" marks, as described in Exhibit A hereto ("Marks"), which System includes, without limitation, a distinctive interior layout and decor; interior and exterior signage; special techniques for food preparation and management; promotion and operation; and advertising methods and programs; all of which may be changed, improved and further developed by Sbarro from time to time;

WHEREAS, Sbarro is the owner of the entire right, title and interest in and to the Marks and such other trade names, service marks, trademarks and trade dress now or hereafter designated as part of the System for the benefit and exclusive use of Sbarro and its Developers; and

WHEREAS Sbarro continues to develop, use and control the Marks for the benefit and exclusive use of itself and Developers in order to identify for the public the System, and to represent the System's high standards of quality, appearance and service; and

WHEREAS, Developer wishes to obtain certain development rights to open and operate restaurants utilizing the Marks and System in the assigned area described in Exhibit B attached hereto ("Assigned Area");

NOW, THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. GRANT

(a) Sbarro hereby grants to Developer the non-exclusive right to enter into Franchise Agreements with Sbarro pursuant to which Developer will establish and operate Restaurants (as defined below) during the Term, as hereinafter defined, at specific locations approved by Sbarro within the Assigned Area. For purposes hereof, "Franchise Agreement" means a franchise agreement in the form of Sbarro's then current standard franchise agreement conformed for use by Sbarro in the Assigned Area. The current form of Franchise Agreement is appended hereto as

Exhibit C. The schedule set forth in Exhibit D to this Agreement (“Development Schedule”) sets forth the minimum number of “Restaurants,” as hereinafter defined, to be opened (and in operation) by Developer at various stages during the Term. Each Restaurant developed hereunder shall be located within the Assigned Area.

(b) In this Agreement, “Restaurant” shall mean a food service business operated under the Marks and System but shall specifically exclude any food service business operated under the Marks and System and which is located in, on, or as part of, a U.S. military establishment, hotel chain or airport located in the Assigned Area. Restaurants located in the excluded facilities are referred to as “Excluded Restaurants.” Developer expressly acknowledges and agrees that Sbarro reserves the right to, and may, operate or franchise or license, others to operate, Restaurants and Excluded Restaurants both within and outside the Assigned Area. Except as expressly set forth in this Section, Sbarro (on behalf of Sbarro and its affiliates) retains the right, in its sole discretion and without granting any rights to Developer, to (i) operate, or grant other persons the right to operate, restaurants not operating under the Marks and System at any location and on the terms and conditions as Sbarro deems appropriate; and (ii) sell, or grant other persons the right to sell, the products and services authorized for sale at Restaurants through other channels of distribution, including mail order, internet sales or other direct marketing channels, under the Marks or otherwise, on the terms and conditions as Sbarro deems appropriate.

(c) Developer expressly acknowledges that, as between SBARRO and Developer, SBARRO is the owner of all right, title and interest in and to the Marks licensed to Developer by this Agreement, registered and unregistered. Developer acknowledges and agrees that SBARRO may be unable to or choose not to obtain registration of some or all of the Marks and that SBARRO shall incur no liability to Developer nor shall Sbarro be deemed in breach of this agreement, nor shall Developer have a right of offset or defense for any failure by Sbarro to obtain, maintain or defend such registration.

(d) This Agreement is not a license or franchise agreement and does not grant to Developer any right to use the Marks or System. Such rights will be granted pursuant to the Franchise Agreement for each approved location, if any are executed.

(e) Developer shall have no right under this Agreement to franchise or license others to use the Marks or System.

(f) Developer shall establish and operate, from time to time, the minimum number of Restaurants in the Assigned Area required in accordance with the Schedule set forth in Exhibit D (the “**Minimum Franchise Requirement**”) in order to maintain Developer’s rights under this Agreement. There shall be no limit on the maximum number of Restaurants that Developer shall be permitted to establish and operate in the Assigned Area during the Term of this Agreement and Developer shall be free in its sole discretion to establish Restaurants in the Assigned Area in excess of the Minimum Franchise Requirement, subject to the right of Sbarro to approve each such Restaurant and grant a Franchise Agreement therefor.

2. DEVELOPMENT FEE; FRANCHISE FEES

(a) Developer shall pay to Sbarro _____ U.S. dollars (U.S. \$_____) (“Development Fee”), due upon execution of this Agreement. The Development Fee shall be payable before any deduction for any withholding taxes or payments Developer is required to make to the appropriate tax authority. In addition to the Development Fee, Developer shall pay to the appropriate tax authorities, on behalf of Sbarro, any amount which Developer is required to withhold or Sbarro is required to pay under any applicable laws so that Sbarro receives the full amount of the Development Fee. Developer shall promptly transmit to Sbarro official receipt for any payment of taxes withheld.

(b) Upon execution of this Agreement, the Development Fee shall be fully earned by Sbarro and shall be non-refundable. The parties recognize that the Development Fee is intended, among other things, to reimburse Sbarro for administrative and other expenses and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

(c) Pursuant to each Franchise Agreement, Developer shall pay to Sbarro, for each Restaurant to be opened in the Assigned Area, the “Initial Franchise Fee”, as defined in the applicable Franchise Agreement, and a continuing “Royalty Fee”, as defined in said Franchise Agreement, computed as set forth in Exhibit E hereto.

3. SITE AND PLAN APPROVALS

(a) Developer shall not begin any work necessary or desirable to adapt a proposed site as a Restaurant until Sbarro shall have approved the site and the plans and specifications for the construction work thereat, including the design (interior and exterior), layout and signage of the proposed Restaurant.

(b) Upon identifying a potential site for a Restaurant, Developer shall submit to Sbarro a site selection package in such form, and containing such information, as Sbarro shall request. Sbarro, within thirty (30) days after its receipt of the site selection package, shall (i) approve the proposed site, (ii) disapprove the proposed site, or (iii) request additional information. If additional information is requested, Sbarro shall approve or disapprove the site within fifteen (15) days after receipt of such additional information.

(c) In the course of the site approval process, Sbarro shall make such on-site evaluation as Sbarro may deem advisable; provided, however, that Sbarro shall not provide on-site evaluation for any proposed site prior to receipt of a completed site selection package and letter of intent or other evidence satisfactory to Sbarro that confirms Developer’s favorable prospects for obtaining the proposed site. Sbarro shall perform one (1) site inspection for each proposed site without charging Developer any fee. For each site inspection for each proposed site thereafter, Developer shall pay to Sbarro such inspection fee as Sbarro may reasonably prescribe and shall reimburse Sbarro for its reasonable expenses, including, without limitation, the costs of travel, lodging and food, incurred in connection with such on-site evaluation.

(d) Within twenty-one (21) days after receipt by Sbarro of a Franchise Agreement for an approved site executed by Developer, as required by Section 4 hereof, Sbarro shall provide Developer with design specifications and requirements for such site including, as applicable, interior layout drawings and design specifications. Such specifications and drawings will not be construction plans and specifications. Upon receipt of such design package, Developer will prepare construction plans and specifications in compliance with applicable law and specifications in the Assigned Area and for the proposed site and, upon completion, will submit the construction plans and specifications to Sbarro for approval. Sbarro shall approve or disapprove such plans and specifications within ten (10) days after receipt thereof. If disapproved, Sbarro will indicate the reasons therefor and indicate suggestions for changes, which, if made, will make the plans and specifications acceptable.

4. MANNER OF EXERCISE OF DEVELOPMENT RIGHT

At the time Developer is sent notice of site approval, Sbarro shall submit to Developer a Franchise Agreement for the approved site, appropriately completed and setting forth, *inter alia*, Royalty Fees and Initial Franchise Fees to be paid upon execution thereof. Developer shall forward to Sbarro three (3) executed originals of the Franchise Agreement for the approved site, together with the payment due thereunder, promptly after receipt thereof. Submission of an executed Franchise Agreement and payment shall be a condition precedent to Sbarro's obligations to provide the additional services provided for herein, with respect to an approved site. Upon receipt of the executed Franchise Agreement, Sbarro shall execute the same and return a fully executed copy to Developer. Notwithstanding anything to the contrary contained herein, Sbarro shall not be required to perform any obligation hereunder, nor shall Developer be entitled to exercise its development rights, or open a new Restaurant, if at such time Developer is in breach or default of this Agreement, any Franchise Agreement or any other agreement between Developer (or any parent, subsidiary or affiliate of Developer) and Sbarro (or any parent, subsidiary or affiliate of Sbarro) or if there exists any event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default hereunder or thereunder.

5. TERM

(a) The term of this Agreement and all rights granted hereunder shall commence upon execution hereof by Sbarro and shall **expire ten (10) years thereafter**, unless sooner terminated as provided herein ("Term").

(b) Developer shall have the option to renew this Agreement, for a like term, subject to Section 1, provided:

- (1) Developer gives Sbarro written notice of its intent to renew at least one-hundred and eighty (180) days prior to the expiration of this Agreement, and
- (2) At least one-hundred and eighty (180) days prior to the expiration of this Agreement, Developer has negotiated with Sbarro a development schedule and a renewal development fee for the renewal term, and

- (3) Developer shall pay to Sbarro at least ninety (90) days prior to the expiration of this Agreement, the renewal development fee determined by Sbarro and Developer, and
- (4) Developer has executed, upon renewal, Sbarro's then-current standard form of development agreement, conformed by Sbarro for use in accordance with the laws and customs in the Assigned Area (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal and only for such renewal terms as are provided by this Agreement), which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement.

6. DEVELOPER'S COVENANTS

(a) During the Term, Sbarro will disclose to Developer certain of Sbarro's proprietary, secret and confidential information, relating to, among other things, site selection; layout and design plans and specifications; technical knowledge; food product data, plans and specifications; supplier and vendor information; know-how and other aspects of the System (collectively "Confidential Information"). Developer agrees that during the Term and at all times thereafter:

(i) It shall hold in confidence all Confidential Information, using the highest degree of care in connection therewith;

(ii) It shall use the Confidential Information only in connection with this Agreement and the development and operation of Restaurants and for no other purpose, and shall not permit the use thereof by any other person, firm, corporation, or entity ("Person");

(iii) It shall not reproduce, copy or photograph, in any manner or form, any tangible embodiment of the Confidential Information;

(iv) The Confidential Information is, and at all times shall remain, the sole and exclusive property of Sbarro; and

(v) It shall limit dissemination of the Confidential Information to those of its employees, independent contractors and agents who have a need to know such information and who have agreed in writing to be bound by the terms of this paragraph pursuant to an agreement granting Sbarro the right to enforce such agreement and a duplicate original copy thereof shall have been provided to Sbarro.

(b) During the Term and for one (1) year thereafter (or such longer period as may be provided in any other agreement between Sbarro and Developer), Developer will not, directly or indirectly, as principal, licensee, consultant, investor or in any other capacity, engage in, or have an economic interest in, any business located or operating in the Assigned Area which sells pizza or Italian entree items.

(c) Developer covenants that during the Term, except as otherwise approved in writing by Sbarro, Developer shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any Person:

(i) Divert or attempt to divert any business or customer of Sbarro 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 the Marks or the System; or

(ii) Knowingly employ, or seek to employ, any person who is at the time employed, or during the six (6) month period prior to such time was employed, by Sbarro or by any licensee or developer of Sbarro, or otherwise directly or indirectly induce, or seek to induce, such person to leave their employment thereat.

(d) Developer expressly acknowledges that the covenants contained in this Section are a material part of this Agreement and any failure by Developer to strictly adhere to the provisions of this Section will result in irreparable injury to Sbarro. Therefore, Developer agrees that, upon any breach or violation of this Section, or any threatened breach or violation of this Section, Sbarro, in addition to all other rights and remedies, all of which are reserved by Sbarro, shall be entitled to preliminary and permanent equitable relief, including an injunction, without bond, and without the need to prove irreparable harm or the inadequacy of legal remedies. If any of the covenants contained in this Section are deemed, by a court of competent jurisdiction, to be unenforceable by reason of the scope or duration thereof, such provision shall be deemed to be modified to the maximum scope or duration which such court would deem valid and enforceable, and as so modified shall be enforced by such court.

7. FAILURE TO MEET DEVELOPMENT SCHEDULE; EVENTS OF DEFAULT

Developer acknowledges that its undertaking to open Restaurants in accordance with the Development Schedule is a material inducement for Sbarro entering into this Agreement and time is of the essence as to Developer adhering to, and meeting, the Development Schedule. Therefore, each of the following events shall constitute a material event of default under this Agreement (individually, an “Event of Default,” and collectively, the “Events of Default”):

(a) Developer fails to obtain site approval or any other approval required from Sbarro prior to the commencement of construction of a Restaurant.

(b) Developer fails to adhere to the agreed Development Schedule(s) in accordance with this Agreement or fails at any time to have open and operating a number of Restaurants meeting the Minimum Franchise Requirement.

(c) Developer fails at any time to meet and satisfy fully the operational, financial and legal requirements set forth herein whether for the purpose of seeking franchise approval or in the day to day operation of a Restaurant, and does not cure such failure within thirty (30) days of receipt of written notice from Sbarro.

(d) Developer fails to pay any amount when due under this Agreement and does not cure such failure within ten (10) days of written notice from Sbarro.

(e) Dissolution, termination of existence, insolvency, or business failure of either Developer or any Developer's owners (as set forth in Exhibit "F" attached hereto, "Owners"), or the appointment of a custodian or receiver of any part of the property of Developer or any Owner, or a trust, mortgage or an assignment for the benefit of creditors is entered into by either Developer or any Owner; or the recording or existence of any lien against either Developer or any Owner for past due taxes, or the commencement by or against either Developer or any Owner of any proceeding under any bankruptcy or insolvency laws; or service on Sbarro of any writ, summons or process designed to affect any account or property of either Developer or any Owner, any of which is not released, dismissed, discharged, bonded or otherwise adequately reserved against within thirty (30) days.

(f) Developer fails to obtain or renew any licenses or permits necessary for the performance of Developer's obligations under this Agreement or any Franchise Agreement, and does not cure such failure within thirty days of written notice from Sbarro.

(g) Developer opens a Restaurant without Sbarro's approval, site approval, payment of all Initial Franchise Fees and other fees, and/or execution of a Franchise Agreement and all other agreements and documents required by Sbarro.

(h) Developer or any Owner challenges the validity of any of the Marks, other trademarks or trade names, copyrights or other intellectual property of Sbarro.

(i) Developer or any of its affiliates defaults under any Franchise Agreement or any other agreement with Sbarro or its affiliates and fails to cure such default within any applicable cure period.

(j) The occurrence of any event or governmental regulation or practice or any law which prohibits or restricts the payment to Sbarro of the amounts due to Sbarro hereunder or under the proposed or existing Franchise Agreements, or if such a restriction is in Sbarro's reasonable opinion about to be imposed or likely to be imposed within twelve (12) months.

(k) The occurrence of any event which is contrary to the provisions of Section 9 hereof.

(l) Developer or any Owner fails to comply with any of the other terms, provisions or conditions of this Agreement, and does not cure such failure within thirty (30) days of receipt of written notice of such failure from Sbarro.

Upon the occurrence of an Event of Default, in the event Developer is not then currently in compliance with the Minimum Franchise Requirement, Sbarro may elect, by notice to Developer, any or all of the following, in addition to any other rights granted to Sbarro hereunder or under law, and without affecting Developer's liabilities or obligations, monetary or otherwise, hereunder:

- (i) Reduce (to zero or otherwise) or limit the number of additional Restaurants which Developer may establish hereunder;
- (ii) (Intentionally Deleted);
- (iii) Reduce the Assigned Area;
- (iv) Accelerate the Development Schedule;
- (v) Require Developer to pay to Sbarro the unpaid Initial Franchise Fees for each Restaurant required to be opened pursuant to the Development Schedule as of the date of such Event of Default and for all periods thereafter;
- (vi) Require Developer to increase the Royalty Fee payable for each existing Restaurant by 200 basis points;
- (vii) Require Developer to pay to Sbarro an amount equal to Sbarro's estimate of twelve (12) months of Royalty Fees for each Restaurant required to be opened pursuant to the Development Schedule as of the date of such Event of Default and during all periods thereafter but not so opened;
- (viii) Require Developer to pay directly to Sbarro all monies required under the Franchise Agreements to be expended locally on advertising.

8. ADDITIONAL REMEDIES UPON AN EVENT OF DEFAULT

- (a) Sbarro may terminate this Agreement, and all rights of Developer hereunder, and/or
- (b) Sbarro may terminate all existing Franchise Agreements, and/or
- (c) Sbarro shall be entitled to all remedies provided by law for a breach, or termination after breach, of an agreement, and/or
- (d) Developer shall immediately cease, and shall not at any time thereafter, directly or indirectly, to represent to the public or hold itself out as a present or former Franchisee or Developer of Sbarro; and/or
- (e) Developer shall indemnify and hold Sbarro and Sbarro's affiliates, and their respective officers, directors, shareholders, agents, and employees harmless against any and all

claims arising directly or indirectly from, as a result of, or in connection with Developer's activities hereunder (including but not limited to the establishment and operation of Restaurants) as well as the costs, including attorneys' fees, of defending against them.

9. TRANSFER

(a) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and are granted in reliance on the business skill and financial capacity of Developer and the Persons presently owning the controlling interests in Developer. Accordingly, neither Developer, any immediate or remote successor to any part of Developer's interest in this Agreement, nor any Person who directly or indirectly controls Developer shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement; or transfer any interest in Developer or any Person that directly or indirectly controls Developer, in a transfer or series of transfers which results in a change in control of Developer, in any such case without prior written consent of Sbarro. Any such purported assignment or transfer, by operation of law or otherwise without Sbarro's prior written consent shall be null and void and shall constitute a material breach of this Agreement.

(b) Sbarro shall not unreasonably withhold its consent to any transfer requiring its consent; provided, the following conditions are met at or prior to the transfer:

(i) Developer is not in default under this Agreement or any Franchise Agreement and all of Developer's monetary obligations to Sbarro and its subsidiaries and affiliates shall have been fully satisfied under this Agreement and the Franchise Agreements;

(ii) The transferor shall have executed a general release in a form satisfactory to Sbarro of any and all claims against Sbarro and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal and local laws, rules and ordinances;

(iii) The transferee is a Person with, in Sbarro's opinion, sufficient business experience, financial resources and aptitude to develop and operate Restaurants in the Assigned Area;

(iv) The transferee or its personnel have completed Sbarro's training program to Sbarro's satisfaction and have paid Sbarro's then current training fee;

(v) The transferee must have assumed, and agreed to be bound by the terms and conditions of, this Agreement and each Franchise Agreement then in effect, for the remainder of their respective terms;

(vi) Developer or the transferee shall have paid Sbarro a transfer fee of Ten Thousand (\$10,000) dollars;

(vii) Sbarro shall have approved the material terms and conditions of such transfer, including without limitation, that the price and payment terms are not so burdensome as to adversely affect transferee's performance hereunder and under any Franchise Agreement that is in effect;

(viii) All third parties (such as landlords or governmental authorities) whose consent is required in connection with the proposed transfer shall have granted such consent;

(ix) Sbarro shall not have exercised its right of first refusal pursuant to Section 9(d) hereof; and

(x) The transferee shall have acknowledged that Sbarro's approval of the proposed transfer is based solely upon Sbarro's assessment that the proposed transferee falls within acceptable criteria as a developer in the Assigned Area and does not institute any approval of the terms of the transfer.

(c) Securities in the Developer may be offered to the public only with the prior written consent of Sbarro, which consent shall not be unreasonably withheld. All registration materials required for such offering by applicable law shall be submitted to Sbarro for review prior to their being filed with any government agency and any materials to be used in any exempt offering shall be submitted to Sbarro for review prior to their use. No public offering by the Developer shall imply (by way of use of the Marks or otherwise) that Sbarro is participating in an underwriting, issuance or public offering of the Developer's securities. Sbarro's review of any offering shall be limited solely to the subject of the relationship between the Developer and Sbarro. The Developer and the other participants in the registration shall fully indemnify Sbarro in connection with the registration. For each proposed public offering, the Developer shall reimburse Sbarro for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The Developer shall give Sbarro at least sixty (60) days prior written notice prior to the effective date of any offering.

(d) (i) In the event that (A) any transfer of an interest in Developer which will constitute a change in control of Developer, or (B) any transfer of this Agreement or any interest herein, is proposed by Developer, Sbarro shall have the right of first refusal, exercisable within thirty (30) days after receipt of written notification of such proposed transfer, to send written notice to the transferor that Sbarro intends to purchase transferor's interest on the same terms and conditions offered by the third party. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Sbarro as in the case of an initial offer. Failure of Sbarro to exercise the option afforded by this Subparagraph shall not constitute a waiver of any other provisions of this Agreement, including all of the requirements of this Section with respect to a proposed transfer.

(ii) If the consideration, terms and/or conditions offered by a third party are such that Sbarro or its nominee cannot reasonably perform, then Sbarro 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 a third party, an independent appraiser shall be designated by the parties, and its determination shall be binding.

(iii) If a proposed transfer is between any two Persons holding any interest in Developer as of the date of this Agreement, or if the proposed transferee is the spouse, son, daughter, or heir of any individual who seeks to transfer an interest in Developer, Sbarro shall not have any right of first refusal; provided, however, that all such transfers shall nevertheless be subject to Sbarro's prior approval.

(e) Sbarro's consent to a transfer of any interest in Developer or in this Agreement shall not constitute a waiver of any claims Sbarro may have against the transferring party, nor shall it be deemed a waiver of Sbarro's right to demand exact compliance with any of the terms of this Agreement by the transferee.

(f) Sbarro shall have the right to transfer, assign, or delegate all or any part of its rights or obligations herein to any Person, and Developer agrees hereby to consent to any such assignment and delegation. Developer agrees to execute any agreements requested by Sbarro in connection therewith. Any such assignment shall be binding upon and inure to the benefit of Sbarro's successors and assigns.

10. CORPORATE RESTRICTIONS

(a) Developer shall maintain stop transfer instructions against the transfer on its records of any equity securities; and each certificate representing equity ownership in Developer shall have conspicuously endorsed upon its face a statement, in a form satisfactory to Sbarro, that it is held subject to, and that further transfer or assignment thereof is subject to, all restrictions on assignments imposed by this Agreement.

(b) Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock or other voting or equity interest in Developer and shall furnish the list to Sbarro upon request. Exhibit F hereto is a true and current list of the owners of record and beneficial owner of any class of voting stock or other voting or equity interest in Developer.

11. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be mailed by certified mail, return receipt requested, or Express Mail, or sent via recognized national or international courier, postage or fees prepaid, to the other party at the following addresses unless and until a different address has been designated by similar notice:

Notice to Sbarro:	Sbarro Franchise Co., LLC
	1328 Dublin Road
	Columbus, Ohio 43215, U.S.A.
	Attention: President

with copies to

Attention: Controller
and
Attention: General Counsel
and
Attention: Franchise Department

Notice to Developer:

Either party hereto may from time to time provide additional addresses or substitute addresses as the case may be by notice pursuant to this Section. All notices permitted or required to be delivered by the provisions of this Agreement or of the Operations Manuals shall be deemed effective upon receipt or refusal.

12. INDEPENDENT CONTRACTORS

(a) This Agreement does not create a fiduciary relationship between the parties, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purposes whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Sbarro's behalf, or to incur any debt or other obligation in Sbarro's name, and that Sbarro assumes no liability for, nor shall be deemed liable by reason of, any act or omission of Developer or any claim or judgment arising therefrom. Developer shall indemnify, defend and hold Sbarro and Sbarro's officers, directors, employees and agents harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with, Developer's activities hereunder, as well as the cost, including reasonable attorney's fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks that are caused solely by actions of Sbarro or actions caused by the negligent acts of Sbarro or its agents.

13. NO WAIVER

No failure of Sbarro to exercise any power reserved to it in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Sbarro's rights to demand exact compliance with the terms of this Agreement. Waiver by Sbarro of any particular default shall not affect or impair Sbarro's right with respect to any subsequent default of the same

or of a different nature; nor shall any delay, forbearance or omission of Sbarro to exercise any power or right arising out of any breach of default by Developer of any of the terms, provisions or covenants of this Agreement affect or impair Sbarro's rights; nor shall such constitute a waiver by Sbarro of any right hereunder or rights to declare any subsequent breach or default.

14. APPLICABLE LAW; DISPUTE RESOLUTION

(a) This Agreement shall be interpreted and construed exclusively under the laws of Ohio, which laws shall prevail in the event of any conflict of law.

(b) Except as described in Section 14(c) hereof, any claim or controversy arising out of or related to this Agreement or the making, performance, or interpretation of this Agreement shall be finally settled under the Arbitration Rules of the American Arbitration Association then in force, by one arbitrator appointed by the American Arbitration Association in accordance with said rules. The place of arbitration shall be in Franklin County, Ohio. All cost of arbitration, including the arbitrator's fee, shall be borne by the losing party. The parties agree that the award of the arbitrator shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues, or accountings presented or pled to the arbitrator; that it shall be made and shall promptly be payable in U.S. dollars free of any tax, deduction or offset; and that any costs, fees, or taxes incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the party resisting such enforcement. The award shall include interest from the date of any damages incurred for breach or other violation, and from the date of the award until paid in full, at a rate to be fixed by the arbitrator, but in no event less than one and one-half percent (1.5%) per month, or part of a month, until paid.

(c) Nothing herein contained (including, without limitation, Section 14(b) hereof, regarding arbitration) shall bar Sbarro's right to obtain injunctive relief from any court having valid jurisdiction against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

(d) Developer shall pay to Sbarro all damages, costs, and expenses, including all court costs, arbitration costs, and reasonable attorney's fees, incurred by Sbarro in successfully enforcing any provision of this Agreement, including, but not limited to the obtaining of injunctive relief. Developer shall reimburse Sbarro for all of Sbarro's legal costs and expenses should Developer challenge Sbarro's interpretation of this Agreement outside of arbitration or litigation.

(e) Neither the foregoing remedies nor any other remedy exercised by either party shall be deemed exclusive but both parties shall be entitled cumulatively to exercise any and all remedies available in law or equity, and its exercise of any one right or remedy shall not preclude it from exercising any other right or remedy.

15. FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by and caused by circumstances beyond its reasonable control, including without

limiting the generality of the foregoing, act or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, and insurrections, or acts of God. If any such delay occurs, any applicable time period shall automatically be extended for a period equal to the time lost, provided 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. Notwithstanding the foregoing, the provisions of this Section shall not result in any delay in the payment of any amounts due hereunder.

16. MISCELLANEOUS

(a) Nothing in this Agreement shall confer upon any Person other than Sbarro or Developer, and such of their respective successors and assigns as may be contemplated hereby, any rights or remedies under or by reason of this Agreement.

(b) All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by those executing this Agreement on behalf of Developer.

(c) This Agreement may be executed in multiple copies or counterparts and each copy so executed shall be deemed an original and one and the same agreement.

(d) This Agreement, the documents referred to herein and the exhibits attached hereto, constitute the entire, full and complete agreement between Sbarro and Developer concerning the subject matter hereof and shall supersede any and all agreements that may have been heretofore entered into between Sbarro and Developer with respect to the subject matter hereof. No amendment, change or variances 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 and indicating an intention to modify or amend this Agreement.

17. DEVELOPER ACKNOWLEDGMENTS

(a) Developer acknowledges that the success of the business venture contemplated by this Agreement involves substantial business risks and will be largely dependent upon the ability of Developer as an independent entity. Sbarro expressly disclaims the making of, and Developer acknowledges not having received any, warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

(b) Developer acknowledges having received, read and understood this Agreement, the exhibits attached hereto and agreements relating hereto, if any, delivered simultaneously herewith; and that Sbarro has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential risks of entering into this Agreement.

(c) Developer acknowledges that it received a complete copy of this Agreement, the exhibits hereto and agreements relating hereto, if any, at least five (5) business days prior to the date on which this Agreement was executed.

18. **GUARANTY**

As an inducement to Sbarro to enter into this Agreement with Developer, the principals of Developer are concurrently entering into a guaranty agreement in form and substance appended hereto as Exhibit G (the “**Guaranty**”).

19. **ANTI-TERRORISM LAW**

(a) Developer, to the best of its knowledge, represents and warrants to Sbarro as follows:

- (i) Neither Developer, its principals, investors, affiliates, licensees, consultants, nor any of their respective agents (collectively, the “Developer Parties”) is in violation of any law relating to terrorism or money laundering, including, but not limited to, Executive Order No. 13224 on Terrorist Financing, the U.S. Bank Secrecy Act, as amended by the Patriot Act, the Trading with the Enemy Act, the International Emergency Economic Powers Act and all regulations promulgated thereunder, all as amended from time to time (collectively, “Anti-Terrorism Law”).
- (ii) No action, proceeding, investigation, charge, claim, report, or notice has been filed, commenced, or threatened against any of the Developer Parties alleging any violation of any Anti-Terrorism Law.
- (iii) None of the Developer Parties has, after due inquiry, knowledge of any fact, event, circumstance, situation or condition which could reasonably be expected to result in any action, proceeding, investigation, charge, claim, report, notice or penalty being filed, commenced, threatened or imposed against any of them relating to any violation of or failure to comply with any Anti-Terrorism Law.
- (iv) None of the Developer Parties is a “Prohibited Person”. A Prohibited Person means any of the following:
 - (1) A person or entity that is “specially designated” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control or which is owned, controlled by or acting for or on behalf of any such person or entity;
 - (2) A person or entity with whom Sbarro is prohibited from dealing by any Anti-Terrorism Law;
 - (3) A person or entity that commits, threatens, or conspires to commit or supports “terrorism”, as defined in any Anti-Terrorism Law.

(i) None of the Developer Parties:

- (1) Conducts any business or transactions or makes or receives any contribution of funds, goods, or services in violation of any Anti-Terrorism Law;
- (2) Engages in or conspires to engage in any transaction that evades or avoids, has the purpose of evading or avoiding or attempts to violate any of the prohibitions of any Anti-Terrorism Law.

(b) Developer covenants that it shall not knowingly:

- (i) Conduct any business or transaction or make or receive any contribution of funds, goods, or services in violation of any Anti-Terrorism Law;
- (ii) Engage in or conspire to engage in any transaction that evades or avoids, has the purpose of evading or avoiding or attempts to violate any of the prohibitions of any Anti-Terrorism Law.

(c) Developer agrees promptly to deliver to Sbarro (but in any event within ten (10) days of Sbarro's written request) any certification or other evidence requested from time to time by Sbarro, in its reasonable discretion, confirming Developer's compliance with the foregoing.

THIS AGREEMENT SHALL NOT BE BINDING ON SBARRO UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF SBARRO.

[BALANCE OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement. Upon signature and delivery of this Agreement by both parties, the effective date shall be the date first above written.

ATTEST:

SBARRO FRANCHISE CO., LLC

_____ By: _____
Title: _____
Date: _____

_____ (**“Developer”**)

ATTEST:

_____ By: _____
Title: _____
Date: _____

DEVELOPMENT AGREEMENT

ACKNOWLEDGMENT STATEMENT

I HEREBY ACKNOWLEDGE THAT I HAVE RECEIVED AND HAVE READ SBARRO'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST TEN (10) BUSINESS DAYS PRIOR TO THE DATE THAT I HAVE EXECUTED THIS AGREEMENT, THAT I HAVE NOT PAID ANY CONSIDERATION THEREFOR TO SBARRO, AND THAT I HAVE RECEIVED COPIES OF THIS DEVELOPMENT AGREEMENT (AND RELATED AGREEMENTS, IF ANY) TO BE EXECUTED WITH SBARRO, IF ANY, AT LEAST FIVE (5) BUSINESS DAYS BEFORE SIGNING THE SAME.

Witness

By:_____
(DEVELOPER)

Witness

By:_____
(DEVELOPER)

DEVELOPMENT AGREEMENT

DISCLAIMER STATEMENT

(California Developers shall not sign this Statement)

The undersigned having voluntarily applied for the right to develop certain franchises for the operation of RESTAURANTS, does hereby acknowledge the following:

- 1) Neither any SBARRO sales personnel nor any officer or employee of SBARRO is authorized (and indeed they are specifically directed not) to make any claims or statements as to the prospects or chances of success that your franchise can expect or that past Developers have had. No assurance or guaranty of success is either directly or indirectly given, intended, or implied by SBARRO.
- 2) Neither SBARRO nor any of its employees has made any representation or guaranty orally or in writing as to any gross sales, net profits, gross profits, revenues or other earnings that DEVELOPER can expect.
- 3) SBARRO representatives, officers, and other employees are not authorized to represent or estimate dollar volumes and they are directed to provide the names of store owners in the contemplated area so that the prospective Developer can make its own investigation and analysis.
- 4) SBARRO is not bound by any unauthorized representations as to the success or dollar volume.

Dated this ___ day of _____, 2021.

WITNESSETH:

_____ (“Developer”)

BY: _____

Signature of DEVELOPER

BY: _____

Signature of DEVELOPER

Signature of DEVELOPER’S Attorney

DEVELOPMENT AGREEMENT

EXHIBIT A

List of Proprietary Marks

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE	CLASS(ES)
SBARRO®	985,647	06/04/1974	43
SBARRO®	1,991,581	08/06/1996	30
SBARRO THE ITALIAN EATERY®	1,161,472	07/14/1981	43
LA CUCINA DI CAPRI®	2,173,621	07/14/1998	42
MAMA SBARRO®	2,622,140	09/17/2002	43
MAMA SBARRO'S PIZZERIA®	2,646,881	11/05/2002	43
MAMA MAKES IT BETTER®	2,622,141	09/17/2002	43
TONY & BRUNO'S®	2,511,105	11/20/2001	43
SBARRO FRESH ITALIAN COOKING® Stylized and Design	4,147,731	05/22/2012	43
 SBARRO NYC 1956® Stylized and Design	4,762,939	06/30/2015	43
 SBARRO NYC 1956® Horizontal Stylized and Design	4,935,193	04/12/2016	43
SBARRO®	4,982,244	06/21/2016	30
SLICE SOCIETY®	4,984,761	06/21/2016	43
	5,185,586	04/18/2017	30
	5,185,588	04/18/2017	43
SBARRO NEW YORK PIZZA®	5,626,813	12/11/2018	43
SBARRO THE ORIGINAL NEW YORK PIZZA®	5,881,174	10/08/2019	43

DEVELOPMENT AGREEMENT

EXHIBIT B

Assigned Area

Within the established and internationally recognized borders of the Demographic Marketing Area (“DMA”) _____ the pendency of this Development Agreement.

EXHIBIT C

Franchise Agreement

SBARRO FRANCHISE CO., LLC

FRANCHISE AGREEMENT

(SBARRO)

See Exhibit A to Franchise Disclosure Document

EXHIBIT D

Development Schedule

<u>By:</u>	<u>Cumulative Minimum Number of Restaurants to be Opened and in Operation:</u>
**TOTAL	

DEVELOPMENT AGREEMENT

EXHIBIT E

Initial Franchise Fees and Royalties

INITIAL FRANCHISE FEE PER UNIT

U.S. \$ per unit, with \$ per restaurant for the first () restaurants due upon execution of the Development Agreement, and the remaining \$ payable in \$ installments, each being due thirty (30) days prior to the opening of each restaurant contemplated hereunder.

ROYALTY FEE

FIVE PERCENT (5%) OF GROSS SALES (AS DEFINED IN THE APPLICABLE FRANCHISE AGREEMENT), LESS DOCUMENTED TAXES OR OTHER FEES PAID BY DEVELOPER

DEVELOPMENT AGREEMENT

EXHIBIT F

List of Owners

The owners of _____, and their respective ownership interests as of the date of the Development Agreement are:

•	_____	-	_____ %
•	_____	-	_____ %
•	_____	-	_____ %

DEVELOPMENT AGREEMENT – *USE ONLY FOR MULTIPLE GUARANTORS*

EXHIBIT G

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGEMENT

As an inducement to Sbarro Franchise Co., LLC (hereinafter referred to as “Sbarro”) to execute the Development Agreement between Sbarro and [Developer’s name], (hereinafter referred to as “Developer”) dated _____, 2020 (hereinafter referred to as the “Agreement”), the undersigned, jointly and severally, hereby unconditionally guaranty to Sbarro and its successors and assigns that all of Developer’s obligations under the Agreement will be punctually paid and performed.

Upon demand by Sbarro, the undersigned will immediately make each payment required of Developer under the Agreement. The undersigned hereby waive any right to require Sbarro to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of the undersigned under this Guaranty, Sbarro may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. The undersigned waive notice of amendment of the Agreement and notice of demand for payment by Developer, and agree to be bound by any and all such amendments and changes to the Agreement.

The undersigned agree at all times to defend at the undersigned’s own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Sbarro, and Sbarro’s officers, directors, employees and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with, Developer’s activities under the Agreement, as well as the cost, including reasonable attorney’s fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks that are caused solely by actions of Sbarro or actions caused by the negligent acts of Sbarro or its agents.

The undersigned hereby acknowledge and agree to be individually bound by all of the covenants contained in Sections 6 and 9 of the Agreement as if such covenants applied to the undersigned individually.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination or expiration shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the termination or expiration of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 14 of the Agreement, a copy of which the undersigned acknowledge having read and understood.

This Guaranty shall be interpreted and construed under the laws of the State of Ohio which laws shall prevail in the event of any conflict of laws. The other dispute resolution provisions of Section 14 of the Agreement shall apply to this Guaranty.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be mailed by certified mail return receipt requested, or Express Mail, or sent via recognized national or international courier, postage or fees prepaid to the other party at the following addresses unless and until a different address has been designated by similar notice:

Notice to Sbarro: Sbarro Franchise Co., LLC
 1328 Dublin Road
 Columbus, Ohio 43215
 Attention: President

With exact copies to: Attention: Controller
 Attention: General Counsel

Notice to Undersigned: _____

 Attention: _____

All notices shall be effective upon receipt or refusal.

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

GUARANTORS: _____
 [name of Guarantor]

 [name of Guarantor]

 [name of Guarantor]

EXHIBIT G – *USE ONLY IF SINGLE GUARANTOR*

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGMENT

As an inducement to Sbarro Franchise Co., LLC (“Sbarro”) to execute the Development Agreement between Sbarro and [Developer’s name], (“Developer”) dated _____, 2020 (the “Agreement”), the undersigned hereby unconditionally guarantees to Sbarro and its successors and assigns that all of Developer’s obligations under the Agreement will be punctually paid and performed.

Upon demand by Sbarro, the undersigned will immediately make each payment required of Developer under the Agreement. The undersigned hereby waives any right to require Sbarro to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of the undersigned under this Guaranty, Sbarro may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. The undersigned waives notice of amendment of the Agreement and notice of demand for payment by Developer, and agrees to be bound by any and all such amendments and changes to the Agreement.

The undersigned agrees at all times to defend at the undersigned’s own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Sbarro, and Sbarro’s officers, directors, employees and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer’s activities under the Agreement, as well as the cost, including reasonable attorney’s fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks that are caused solely by actions of Sbarro or actions caused by the negligent acts of Sbarro or its agents.

The undersigned hereby acknowledges and agrees to be individually bound by all of the covenants contained in Sections 6 and 9 of the Agreement as if such covenants applied to the undersigned individually.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination or expiration shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the termination or expiration of the Agreement shall remain in force according to their terms. Upon the death of the guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 14 of the Agreement, a copy of which the undersigned acknowledges having read and understood. This Guaranty shall be interpreted and construed under the laws of the State of Ohio which laws shall prevail in the event of any conflict of laws. The other dispute resolution provisions of Section 14 of the Agreement shall apply to this Guaranty.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be mailed by certified mail return receipt requested, or Express Mail, or sent via recognized national or international courier, postage or fees prepaid to the other party at the following addresses unless and until a different address has been designated by similar notice:

Notice to Sbarro: Sbarro Franchise Co., LLC
 1328 Dublin Road
 Columbus, Ohio 43215
 Attention: President

With exact copies to: Attention: Controller
 Attention: General Counsel

Notice to Undersigned:

All notices shall be effective upon receipt or refusal.

IN WITNESS WHEREOF, the undersigned has signed this Guaranty as of the date of the Agreement.

GUARANTOR: _____

[name of Guarantor], Individually

**Exhibit H to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with 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 review, registration and oversight of franchises in these states:

STATE	AGENCY
California	Department of Financial Protection and Innovation Office of the Ombuds 2101 Arena Boulevard Sacramento, CA 95834 866-275-26771-866-275-2677 <i>Los Angeles</i> 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 <i>Sacramento</i> 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 <i>San Diego</i> 1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 525-4233 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565
Delaware	Corporate Creations Network Inc. 3411 Silverside Road, #104 Rodney Building Wilmington, Delaware 19810
Illinois	Illinois Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Franchise Section Indiana Securities Division Secretary of State 302 W. Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6532

STATE	AGENCY
Michigan	Consumer Protection Division, Franchise Unit Michigan Department of Attorney General G. Mennen Williams Bldg. 525 W. Ottawa Street, 6 th Floor Lansing, Michigan 48913 (517) 373-7117
Minnesota	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
Ohio	Corporate Creations Network Inc. 119 E. Court Street Cincinnati, Ohio 45202
Oregon	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter St. NE, Rm. 410 Salem, Oregon 97301-3881 (503) 378-4140
Rhode Island	Department of Business Regulation Securities Division Bldg. 69, First Floor, John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401)462-9527
Virginia	Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9051
Washington	Department of Financial Institutions Securities Division - 3 rd Floor 150 Israel Road, SW Turnwater, Washington 98507 (360) 902-8760

STATE	AGENCY
Wisconsin	Division of Securities Department of Financial Institutions 201 W. Washington Ave. Madison, Wisconsin 53703 (608) 267-9140

**Exhibit I to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

STATE REGULATORY AUTHORITIES

STATE REGULATORY AUTHORITIES

California

Department of Financial Protection and
Innovation
2101 Arena Boulevard
Sacramento, CA 95834
(213) 576-7500 or (866) 275-2677

Connecticut

Principal Securities Examiner
44 Capitol Avenue
Hartford, CT 06106
(860) 240-8100

Florida

Dept. of Agriculture and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, FL 32399-0800
(904) 487-4177

Hawaii

Director of Department of Commerce &
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, IL 60601
(217) 782-4465

Indiana

Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6688

Iowa

Iowa Securities Bureau
Second Floor
Lucas State Office Building
Des Moines, IA 50319
(515) 281-4441

Kentucky

Office of Attorney General
1024 Capital Center Drive
Frankfort, KY 40602
(502) 564-7600

Maryland

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6532

Michigan

Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 Ottawa Street
Lansing, MI 48913
(517) 373-7117

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
(651) 539-1500

Nebraska

Nebraska Dept. of Banking & Finance Bureau of
Securities
1200 N. Street, Suite 311
Lincoln, NE 68509-5006
(402) 471-3445

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236 (Phone)

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capital – Fifth Floor
Bismarck, ND 58505
(701) 328-4712

Oregon

Department of Consumer and
Business Services Securities Section
21 Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 277-3048

South Dakota

Department of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre SD 57501
(605) 773-4823

Texas

Secretary of State Statutory Document
Section
1019 Brazos
Austin, TX 78711
(512) 463-5701

Utah

Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, UT 84145-0804
(801) 530-6601

Virginia

State Corporation Commission
Division of Securities & Retail
Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98504
(360) 902-8760

Wisconsin

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 266-8559

**Federal Trade Commission Bureau of Consumer
Protection**

Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania Avenue at 6th Street, NW
Washington, DC 20580
(202) 326-3128

**Exhibit J to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

LIST OF OUTLETS

FRANCHISE OUTLETS

1/2/2022

As of January 1, 2023

State	Address	Franchisee	Phone Number
ALABAMA - 3			
	GRAND RIVER MALL 6200 GRAND RIVER BLVD EAST SUITE 362 LEEDS, AL 35094	SEVEN HILLS INC	205-699-0456
	TOM THUMB – GULF SHORES 7074 STATE HIGHWAY 59 GULF SHORES, AL 36480	SPIZZA-REST LLC	251-943-2784
	TOM THUMB-ORANGE BEACH 23679 CANAL ROAD ORANGE BEACH, AL 36501	SPIZZA-REST LLC	251-943-2784
ARIZONA - 4			
	ELOY AZ SBARRO 2949 SOUTH TOLTEC ROAD ELOY, AZ 85231	TRAVEL CENTERS OF AMERICA	520-466-7363

State	Address	Franchisee	Phone Number
	ARIZONA MILLS 5003 S. ARIZONA MILLS CIRCLE SUITE FC-1 TEMPE, AZ 96393	VIRTUAL HOSPITALITY GROUP-WEST LLC	480-491-7300
	TUCSON MALL 4750 N. DIVISION STREET TUCSON, AZ 99207	AIK PIZZA LLC	951-317-0929
	TRAVEL CENTERS OF AMERICA 19210 N. US HIGHWAY 93 WHITE HILLS, AZ 86445	LVP FOOD SERVICE CONCEPT LLC	702-522-8513
ARKANSAS - 1			
	DK EXPRESS – PALESTINE 1011 N. MAIN STREET PALESTINE, AR 72372	SOUTHWEST CONVENIENCE STORES INC	432-580-8850
CALIFORNIA - 13			
	PARKWAY PLAZA EL CAJON 689 PARKWAY PLAZA EL CAJON, CA 92020	JACE GROUP LLC	801-860-9059

State	Address	Franchisee	Phone Number
	CALIFORNIA STATE UNIVERSITY LONG BEACH 1212 BELLFLOWER BLVD LONG BEACH, CA 90815	FAMNIK LLC	562-498-3737
	LA CITY MALL 201 NORTH LOS ANGELES STREET SUITE 22A LOS ANGELES, CA 90012	SHAWN DAVOOD	213-437-0707
	FASHION SQUARE MALL 14006 RIVERSIDE DRIVE SHERMAN OAKS, CA 91423	INVESTMENT AH LLC	954-716-9217
	VICTORIA GARDENS 12434 NORTH MAIN STREET #101 RANCHO CUCAMONGA, CA 91739	GOTHAM COOKIES INC.	909-646-9663
	DESERT HILLS PREMIUM OUTLETS 48400 SEMINOLE PARKWAY UNIT 210F CABAZON, CA 92230	JANA FOODS INC.	760-835-5666

State	Address	Franchisee	Phone Number
	LAS AMERICAS PREMIUM OUTLETS 4211 CAMINDO DE LA PLAZA SUITE 158D SAN DIEGO, CA 92173	LASB LLC	818-246-3000
	PROMENADE TEMECULA 40820 WINCHESTER ROAD SUITE FC-1 TEMECULA, CA 92591	TEMSB LLC	951-383-8036
	GALLERIA AT TYLER 2249 GALLERIA AT TYLER SUITE FC03 RIVERSIDE, CA 92503	TYLSB LLC	951-977-5438
	NORTHRIDGE FASHION CENTER 9301 TAMPA AVENUE SUITE F-C4 NORTHRIDGE, CA 91324	AIK PIZZA LLC	951-317-0929
	CAMARILLO PREMIUM OUTLETS 740 VENTURA BLVD. CAMARILLO, CA 93010	INVESTMENTS AH LLC	(57) 3176444658

State	Address	Franchisee	Phone Number
	THE MALL OF VICTOR VALLEY 14400 BEAR VALLEY ROAD SUITE 753 VICTORVILLE, CA 92392	AIK PIZZA LLC	951-317-0929
	FRESNO FASHION FAIR 521 E. SHAW AVENUE SUITE 102 FRESNO, CA 93710	SHAKAR BABA INC	818-632-6080
COLORADO – 5			
	TOWN CENTER AT AURORA 14200 E. ALAMEDA AVENUE SUITE 2074 AURORA, CO 80012	HV PIZZA LLC	303-360-0611
	PARK MEADOWS 8401 PARK MEADOWS CENTER DRIVE LONE TREE, CO 80124	HV PIZZA LLC	303-792-2999
	SOUTHWEST PLAZA 8501 W. BOWLES AVENUE LITTLETON, CO 80123	HV PIZZA LLC	720-500-8794

State	Address	Franchisee	Phone Number
	LOAF N JUG 43 PARKER CO 9364 JORDAN ROAD PARKER, CO 80134	SPIZZA-REST LLC	303-840-3792
	LOAF N JUG ALAMOSA 10 102 HIGHWAY 160 EAST ALAMOSA, CO 81101	SPIZZA-REST LLC	303-840-3792
CONNECTICUT – 6			
	DARIEN TRAVEL PLAZA NORTH ONE CONNECTICUT TURNPIKE EAST DARIEN, CT 06820	SEVEN HILLS INC	203-406-7724
	CONNECTICUT POST 1201 BOSTON POST ROAD MILFORD, CT 06460	ROLL AND TWIST INC.	203-783-1404
	MILFORD I-95 NORTH ONE CONNECTICUT TURNPIKE EAST MILFORD, CT 06460	SEVEN HILLS INC	203-283-3712
	MILFORD I-95 SOUTH ONE CONNECTICUT TURNPIKE WEST MILFORD, CT 064640	SEVEN HILLS INC	203-406-7724

State	Address	Franchisee	Phone Number
	UNION RAIL STATION 50 UNION AVENUE NEW HAVEN, CT 06519	UNION PIZZA LLC	203-773-1220
	AMERICAN AUTO STOP 273 CLARKS FALL ROAD NORTH STONINGTON, CT 06359	TINACO PLAZA LLC	860-599-2020
DISTRICT OF COLUMBIA - 1			
	WASHINGTON DC CONVENTION CENTER 1104 7TH STREET NW WASHINGTON, DC 20010	BEST FRANCHISE TWO LLC	240-671-4970
FLORIDA - 25			
	BOYNTON BEACH 801 N. CONGRESS AVENUE BOYNTON BEACH, FL 33426	SOUTH FLORIDA NIEVES HOLDINGS LLC	561-734-8013
	CORAL SQUARE 9411 W. ATLANTIC BLVD CORAL SPRINGS, FL 33065	VIVARIA FLORIDA LLC	786-239-1079

State	Address	Franchisee	Phone Number
	FORT MYERS INTERNATIONAL AIRPORT SOUTHWEST FLORIDA INT'L AIRPORT 11000 TERMINAL ACCESS ROAD FORT MYERS, FL 33913	HMSHOST MARRIOTT SERVICES	239-482-3507
	JACKSONVILLE INTERNATIONAL AIRPORT 2400 YANKEE CLIPPER DRIVE JACKSONVILLE, FL 32034	HMSHOST MARRIOTT SERVICES	904-741-0040
	THE AVENUES 10300 SOUTHSIDE BLVD. SUITE 301 JACKSONVILLE, FL 32256	CENTRAL FLORIDA NIEVES HOLDINGS LLC	904-363-2670
	TREASURE COAST 3274 NEW FEDERAL HIGHWAY JENSEN BEACH, FL 34957	SOUTH FLORIDA NIEVES HOLDINGS LLC	772-692-3654
	MERRITT SQUARE MALL 777 E. MERRITT CASEWAY MERRITT ISLAND, FL 32952	B.V.S. FOODS INC	407-453-8151

State	Address	Franchisee	Phone Number
	DOLPHIN MALL 11401 NW 12TH STREET SUITE 118 MIAMI, FL 33172	VIVARIA FLORIDA LLC	786-239-1079
	ORLANDO AIRPORT CENTRAL TERMINAL 9333 AIRPORT BLVD ORLANDO, FL 32827	HMSHOST MARRIOTT SERVICES	407-844-2817
	FLORIDA MALL 8001 S ORANGE BLOSSOM TRAIL SUITE FC09 ORLANDO, FL 32809	CENTRAL FLORIDA NIEVES HOLDINGS LLC	407-857-5594
	PRIME OUTLETS OF ORLANDO 4969 INTERNATIONAL DRIVE ORLANDO, FL 32819	CENTRAL FLORIDA NIEVES HOLDINGS LLC	407-351-8447
	MALL AT MILLENIA 4200 CONROY ROAD SUITE 255 ORLANDO, FL 32839	CENTRAL FLORIDA NIEVES HOLDINGS LLC	407-345-8555
	THE GARDENS 3010 PGA BLVD PALM BEACH GARDENS, FL 33410	SOUTH FLORIDA NIEVES HOLDINGS LLC	561-425-6020

State	Address	Franchisee	Phone Number
	WELLINGTON GREEN MALL 16535 SW FREEWAY SUITE 430 SUGARLAND, TX 77479	VIVARIA FLORIDA LLC	786-239-1079
	SAWGRASS HURRICANE 12801 W. SUNRISE BLVD SUNRISE, FL 33323	SOUTH FLORIDA NIEVES HOLDINGS LLC	954-846-2573
	PALM BEACH OUTLETS 1741 PALM BEACH LAKES BLVD WEST PALM BEACH, FL 33401	SOUTH FLORIDA NIEVES HOLDINGS LLC	561-697-7744
	PADDOCK MALL 3100 SW COLLEGE ROAD SPACE 202-2 OCALA, FL 34474	YJ2 BUCKEYE LLC	352-236-8801
	WESTLAND MALL 1675 WEST 49TH STREET HIALEAH, FL 33012	SOUTH FLORIDA NIEVES HOLDINGS LLC	305-821-1795

State	Address	Franchisee	Phone Number
	JACKSON MEMORIAL HOSPITAL 1611 NW 12TH AVENUE, PARK PLAZA WEST SUITE E MIAMI, FL 33139	VIVARIA FLORIDA LLC	305-890-2991
	ORANGE PARK MALL 4910 WELLS ROAD SUITE FC-15 ORANGE PARK, FL 32073	CENTRAL FLORIDA NIEVES HOLDINGS LLC	904-375-2102
	TAMPA PREMIUM OUTLETS 2382 GRAND CYPRESS DRIVE SPACE 989 LUTZ, FL 33559	PETROLA ALENCAR LLC	813-949-2211
	SBARRO HIGH SPRINGS 3790 NE CR 340 HIGH SPRINGS, FL 32643	HUDSON FOOD STORES	386-454-2117
	FUN SPOT ORLANDO 5700 FUN SPOT WAY ORLANDO, FL 32819	FUN SPOTS OF FLORIDA INC.	407-363-3867

State	Address	Franchisee	Phone Number
	ROCKLEDGE 1990 VIERA BLVD. ROCKLEDGE, FL 32955	SPIZZA-REST LLC	206-747-5207
	FLATWOODS MARATHON 17519 BRUCE B. DOWNS BLVD. TAMPA, FL 33647	APEC FOODS LLC	813-681-4279
GEORGIA - 4			
	NORTH GEORGIA OUTLETS 800 HWY 400 SOUTH DAWSONVILLE, GA 30534	MSE BRANDED FOODS INC	706-216-4131
	SOUTHLAKE MALL 1000 SOUTHLAKE MALL MORROW, GA 30260	OHM FOOD LLC	404-358-5004
	HARTSFIELD-JACKSON ATLANT INT'L AIPORT 600 N. TERMINAL PARKWAY CONCOURSE- C ATLANTA, GA 30320	MASTER CONCESSIONAIR ATL LLC	470-440-5352

State	Address	Franchisee	Phone Number
	SUGARLOAF MILLS 5900 SUGARLOAF PARKWAY SUITE FC-03 LAWRENCEVILLE, GA 30043	CONSORTIUM FOOD GROUP LLC	678-847-5000
IDAHO – 1			
	BOISE TOWN SQUARE 350 MILWAUKEE STREET SUITE 02016 BOISE, ID 83704	BOISE PI LLC	208-972-0699
ILLINOIS – 17			
	BELVIDERE OASIS TRAVEL PLAZA 210 PEARL STREET BELVIDERE, IL 61008	BELVIDERE LATUS LLC	847-735-9900
	DE PAUL CENTER MUSIC MART 333 S. STATE STREET CHICAGO, IL 60604	RAMP D INC.	847-735-1941
	HARLEM-IRVING PLAZA 4202A N. HARLEM AVENUE CHICAGO, IL 60634	FRANJO LLC	708-362-0109

State	Address	Franchisee	Phone Number
	ILLINOIS UNIVERSITY 1717 W. POLK STREET CHICAGO, IL 60635	F&S FOODS INC	312-355-1420
	MERCHANDISING MART – TONY & BRUNOS 222 MERCHANDISE MART PLAZA UNIT #FC-5 CHICAGO, IL 60654	RAD INC	708-362-0109
	DEKALB OASIS 2700 CREGO ROAD DEKALB, IL 60015	DEKALB LATUS LLC	847-404-1942
	EFFINGHAM TRAVEL CENTER I57 & I70 STATE RT 32 & 33, EXIT 160 EFFINGHAM, IL 62401	TRAVEL CENTERS OF AMERICA	217-347-7183
	ST. CLAIRE SQUARE 226 ST. CLAIRE SQUARE HIGHWAY 50 AND 159 FAIRVIEW HEIGHTS, IL 62232	ROBERT BARBEIRI	618-632-1880
	LAKE FOREST OASIS TRAVEL PLAZA 13783 W OASIS SERVICE ROAD LAKE FOREST, IL 60045	LAKE FOREST LATUS LLC	847-735-9900

State	Address	Franchisee	Phone Number
	YORKTOWN CENTRE 114 YORKTOWN ROAD LOMBARD, IL 60108	MARIO AND ADELE ARMOCIDA	630-495-2755
	NORTHBROOK COURT TONY & BRUNOS 2274 NORTHBROOK COURT NORTHBROOK, IL 60062	PETER OF NORTHBROOK INC	708-498-4510
	ROSEMONT OUTLET MALL 5220 FASHION OUTLET WAY ROSEMONT, IL 60502	MARIO AND ADELE ARMOCIDA	847-928-9660
	FULLERTON NEIGHBORHOOD SBARRO 5554 FULLERTON AVENUE CHICAGO, IL 60639	PLENA LLC	847-928-9660
	LINCOLN OASIS TRAVEL PLAZA 700 EAST TRI-STATE TOLL ROAD SOUTH HOLLAND, IL 60473	LINCOLN LATUS LLC	847-928-9660

State	Address	Franchisee	Phone Number
	HAWTHORNE SQUARE 907 HAWTHORNE SQUARE SHOPPING CENTER VERNON HILLS, IL 60061	RAD INC	708-362-0109
	MILLENIUUM TRAIN STATION 151 N. MICHIGAN AVENUE CHICAGO, IL 60601	AMG PIZZA LLC	312-496-3782
	UNION STATION 225 S. CANAL STREET CHICAGO, IL 60606	PIZZA PLENA UNION STATION IL LLC	847-928-9660
HAWAII - 1			
	PEARL RIDGE SHOPPING CENTER 98-10058 MOANALUA ROAD AIEA, HI 96701	GOTHAM COOKIES INC	562-552-5800
INDIANA - 11			
	GLENBROOK SQUARE 4201 COLDWATER ROAD FORT WAYNE, IN 46805	F&S FOODS INC	219-483-4969

State	Address	Franchisee	Phone Number
	KNUTE ROCKNE TRAVEL PLAZA 6776 CR 425 EAST ROLLING PRARIE, IN 46371	HMS HOST TOLLROADS	219-778-7000
	WILBUR SHAW TRAVEL PLAZA 4004 E CR 700 N ROLLING PRARIE, IN 46371	HMS HOST TOLLROADS	219-778-7015
	GENE STRATTON PORTER TRAVEL PLAZA 7065 N 475 EAST HOWE, IN 46746	HMS HOST TOLLROADS	260-638-5902
	ERNIE PYLE TRAVEL PLAZA 5000 E 750 N HOWE, IN 46746	HMS HOST TOLLROADS	260-638-5893
	VILLAGE PANTRY – CONNERSVILLE 513 W. 3RD STREET CONNERSVILLE, IN 47331	VILLAGE PANTRY LLC	765-827-3087
	VILLAGE PANTRY- MUNCIE 3301 NORTH MORRISON ROAD MUNCIE, IN 47304	VILLAGE PANTRY LLC	765-827-3087

State	Address	Franchisee	Phone Number
	VILLAGE PANTRY-WEST LAFAYETTE 1800 US 52 WEST LAFAYETTE, IN 47906	VILLAGE PANTRY LLC	765-827-3087
	VILLAGE PANTRY- INDIANPOLIS 9225 CORPORATE DRIVE INDIANPOLIS, IN 46256	VILLAGE PANTRY LLC	765-827-3081
	VILLAGE PANTRY 5631 GREENFIELD 990 S. STATE STREET GREENFIELD, IN 46140	VILLAGE PANTRY LLC	765-827-3081
	VILLAGE PANTRY WABASH 204 STITT STREET WABASH, IN 46992	VILLAGE PANTRY LLC	765-827-3081
	VILLAGE PANTRY 5611 INDIANAPOLIS 5601 GUION ROAD INDIANAPOLIS, IN 46254	VILLAGE PANTRY LLC	765-827-3081
IOWA – 2			

State	Address	Franchisee	Phone Number
	JORDAN CREEK TOWN CENTER 101 JORDAN CREEK PARKWAY SUITE 12500 WEST DES MOINES, IA 50266	PIZZA PLENA JORDAN CREEK IA LLC	551-444-8010
	CORAL RIDGE MALL 1451 CORAL RIDGE AVENUE SUITE 612 CORALVILLE, IA 52241	PIZZA PLENA CORAL RIDGE IA LLC	319-899-8604
KANSAS - 8			
	EG – TOPEKA 3706 SW BURLINGAME ROAD TOPEKA, KS 66609	SPIZZA-REST LLC	206-747-5207
	KWIKSHOP WICHITA 514 S. OLIVER STREET WICHITA, KS 67218	SPIZZA-REST LLC	206-747-5207
	KWIKSHOP LAWRENCE #798 2100 W. 25 TH STREET LAWRENCE, KS 66047	SPIZZA-REST LLC	206-747-5207

State	Address	Franchisee	Phone Number
	KWIKSHOP SALINA #793 1727 W. CRAWFORD STREET SALINA, KS 67401	SPIZZA-REST LLC	206-747-5207
	KWIKSHOP WICHITA #746 4802 E. 21 ST STREET N. WICHITA, KS 67208	SPIZZA-REST LLC	316-370-2200
	KWIKSHOP WICHITA #754 4811 S. SENECA STREET WICHITA, KS 67217	SPIZZA-REST LLC	316-867-4888
	KWIKSHOP VALLEY CENTER 771 110 E. 5 TH AVENUE VALLEY CENTER, KS 67147	SPIZZA-REST LLC	316-857-4888
	KWIKSHOP HAYSVILLE 7150 S. MERIDIAN AVENUE HAYSVILLE, KS 67050	SPIZZA-REST LLC	316-857-4888
KENTUCKY - 3			

State	Address	Franchisee	Phone Number
	ASHLAND TOWN CENTER 500 WINCHESTER AVENUE ASHLAND, KY 41101	MOTZARONI LLC	606-231-1140
	NORTHERN KENTUCKY UNIVERSITY 20 KENTON DRIVE HIGHLAND HEIGHTS, KY 41076	COMPASS GROUP USA INC	859-572-6014
	FLORENCE MALL 2028 FLORENCE MALL FLORENCE, KY 41042	JSAVANT LLC	517-458-4054
MAINE - 1			
	KENNEBUNK TRAVEL PLAZA MAINE TURNPIKE SOUTH MILE 25 SOUTH HANOVER, MD 21076	HMS HOST TOLLROADS	207-985-4817
MARYLAND - 2			
	ARUNDEL MILLS MALL 7000 ARUNDEL MILLS CIRCLE HANOVER, MD 21076	CONSORTIUM FOOD GROUP LLC	972-393-8088

State	Address	Franchisee	Phone Number
	TANGER OUTLETS NATIONAL HARBOR 6800 OXON HILL ROAD OXON HILL, MD 20745	REDDINGTON PARTNERS LLC	614-734-8375
MASSACHUSETTS – 2			
	BOSTON LOGAN INTERNATIONAL AIRPORT TERMINAL A BOSTON, MA 02128	BANGEL GROUPS INC	617-569-5409
	HOLYOKE MALL 50 HOLYOKE STREET HOLYOKE, MA 01040	BANGEL GROUPS INC	413-322-9622
MICHIGAN - 7			
	TWELVE OAKS MALL 27298 NOVI ROAD SPACE 105A NOVI, MI 48377	JSAVANT LLC	248-347-6162
	SOMERSET COLLECTION 2800 W. BIG BEAVER ROAD SPACE 4327 TROY, MI 48084	JSAVANT LLC	248-816-1918

State	Address	Franchisee	Phone Number
	FAIRLANE TOWN CENTER 18900 MICHIGAN AVENUE DEARBORN, MI 48126	JSAVANT LLC	313-271-7230
	GREAT LAKES CROSSING 4002 BALDWIN ROAD AUBURN HILLS, MI 48326	JSAVANT LLC	248-573-3777
	BIRCHWOOD MALL 4350 24TH AVENUE SUITE 712 FORT GRATIOT, MI 48059	JSAVANT LLC	810-294-8793
	OAKLAND MALL 412 WEST 14 MIILE ROAD SPACE 498B TROY, MI 48083	PIZZA PLENA OAKLAND MALL MI LLC	847-854-7066
	FORWARD MIDLAND 11 E. ISABELLA ROAD MIDLAND, MI 48640	FORWARD ENTERPRISES INC	989-832-2491
MISSOURI - 1			
	STRAFFORD TRAVEL CENTER 325 EVERGREEN DRIVE STRAFFORD, MO 65757	STRAFFORD SAMRA INC	818-219-3080

State	Address	Franchisee	Phone Number
NEBRASKA - 1			
	OMAHA BLONDO 2202 N. 90 TH STREET OMAHA, NE 68134	SPIZZA-REST LLC	206-747-5207
NEVADA - 5			
	SHOWCASE MALL 3785 S LAS VEGAS BLVD LAS VEGAS, NV 89109	SEVEN HILLS INC	717-755-6798
	MEADOWS MALL 4300 MEADOWS LANE SUITE 5060 LAS VEGAS, NV 89107	GOTHAM COOKIES INC	702-877-0077
	RAILROAD PASS 1500 RAILROAD PASS CASINO RD HENDERSON, NV 89015	CG ENTERPRISES INC	702-625-6329
	FASHION SHOW MALL 3200 LAS VEGAS BLVD. LAS VEGAS, NV 89109	GOTHAM COOKIES INC	702-904-7040
	BOULDER STATION FOOD COURT 4111 BOULDER HIGHWAY LAS VEGAS, NV 89121	GUARAV GOYAL LLC	702-767-4050
NEW JERSEY – 4			

State	Address	Franchisee	Phone Number
	JERSEY GARDENS MALL 1 651 KAPKOWSKI ROAD ELIZABETH, NJ 07201	HMSHOST MARRIOTT SERVICES	908-282-4800
	RUTGERS UNIVERSITY LIVINGSTON LIVINGSTON COLLEGE STUDENT CENTER 84 JOYCE KILMER AVENUE PISCATAWAY, NJ 08854	RUTGERS UNIVERSITY	732-445-2779
	CHEESEQUAKE TRAVEL PLAZA GARDEN STATE PARKWAY MILE POST 124 SOUTH AMBOY, NJ 08879	HMS HOST TOLLROADS	732-525-0306
	DELAWARE WATER GAP TRAVEL PLAZA 19 SIMPSON ROAD COLUMBIA, NJ 07832	HMS HOST TOLLROADS	908-496-7001
NEW MEXICO – 1			
	THE INN OF THE MOUNTAIN GODS RESORT AND CASION 287 CARRIZO CANYON ROAD MESCALERO, NM 88340	THE INN OF THE MOUNTAIN GODS RESORT AND CASINO	575-464-7842

State	Address	Franchisee	Phone Number
NEW YORK - 2			
	KINGS PLAZA 2509 FLATBRUSH BROOKLYN, NY 11234	BUKHARI GROUP LLC	718-258-3869
	COLONIE CENTER 131 COLONIE CENTER, FC-04A ALBANY, NY 12205	ELIAS MALL PIZZA INC	518-482-2499
NORTH CAROLINA - 2			
	WELLS FARGO CHARLOTTE 1525 WEST WT HARRIS BLVD CHARLOTTE, NC 28262	COMPASS GROUP USA INC	704-590-4737
	CHARLOTTE PREMIUM PIZZA 5404 NEW FASHION WAY CHARLOTTE, NC 28278	CHARLOTTE PREMIUM PIZZA INC	704-595-3352
OHIO – 16			
	COMMODORE PERRY TRAVEL PLAZA 888 NORTH COUNTY ROAD 260 CLYDE, OH 43410	HMS HOST TOLLROADS	419-547-4717

State	Address	Franchisee	Phone Number
	ERIE ISLAND TRAVEL PLAZA OHIO TURNPIKE 1012 NORTH COUNTY ROAD 260 CLYDE, OH 43410	HMS HOST TOLLROADS	419-547-4409
	HEBRON TRAVEL CENTER 10672 LANCASTER RD, SE HEBRON, OH 43235	TRAVEL CENTERS OF AMERICA	614-467-2900
	FRANKLIN PARK SHOPPING CENTER 5001 MONROE STREET SUITE FC6 TOLEDO, OH 43623	SB4919 LLC	925-984-9303
	INDIAN MEADOW TRAVEL PLAZA 21738 CO RD M-50 WEST UNITY, OH 43570	HMS HOST TOLLROADS	419-924-2393
	TIFFIN RIVER TRAVEL PLAZA 21747 CO RD M WEST UNITY, OH 43570	HMS HOST TOLLROADS	419-924-5389

State	Address	Franchisee	Phone Number
	TURKEY HILL- JOHNSTOWN ROAD 9880 JOHNSTOWN ROAD NEW ALBANY, OH 43054	SPIZZA-REST LLC	206-747-5207
	CINCINNATI PREMIUM OUTLETS 400 PPREMIUM OUTLET DRIVE SUITE 992 MONROE, OH 45050	JSAVANT LLC	513-539-9859
	TURKEY HILL – CLEVELAND AVENUE 6195 CLEVELAND AVE COLUMBUS, OH 43231	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – URBANCREST 3000 CENTERPOINT DRIVE URBANCREST, OH 43123	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – DELAWARE 2740 STRATFORD ROAD DELAWARE, OH 43015	SPIZZA-REST LLC	206-747-5207

State	Address	Franchisee	Phone Number
	TURKEY HILL – LEWEIS CENTER 8490 GREEN MEADOWS DRIVE N. LEWIS CENTER, OH 43035	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – TUTTLE CROSSING 5350 TUTTLE CROSSING BLVD. DUBLIN, OH 43016	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – FINDLAY 1705 TIFFIN AVENUE FINDLAY, OH 45840	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – BLACKLICK 930 N. WAGONNER ROAD BLACKLICK, OH 43004	SPIZZA-REST LLC	206-747-5207
	TURKEY HILL – AVERY ROAD 6231 AVERY ROAD DUBLIN, OH 43016	SPIZZA-REST LLC	206-747-5207
OKLAHOMA - 1			

State	Address	Franchisee	Phone Number
	PENN SQUARE MALL 1901 NW EXPRESSWAY SUITE 2041 OKLAHOMA CITY, OK 73214	AIK PIZZA LLC	951-317-0929
PENNSYLVANIA - 12			
	SOUTH MIDWAY TRAVEL PLAZA PENNSYLVANIA TURNPIKE EXIT 146 EASTBOUND MILEPOST 147.3 BEDFORD, PA 15522	HMS HOST TOLLROADS	814-612-8011
	CAPITAL CITY MALL 3449 CAPITAL MALL DRIVE CAMP HILL, PA 17011	SEVEN HILLS INC	717-763-9101
	SBARRO WESTMORELAND MALL 5256 RTE. 30, SP F-2 GREENSBURG, PA 15601	OBTREE LLC	724-961-4552
	PHILADELPHIA AIRPORT TERMINAL F 8000 ESSINGTON AVENUE PHILADELPHIA, PA 19153	SEVEN HILLS LLC	267-307-8635

State	Address	Franchisee	Phone Number
	PHILADELPHIA MILLS MALL FOOD COURT 1455 FRANKLIN MILLS CIRCLE FC #1 PHILADELPHIA, PA 19154	CONSORTIUM FOOD GROUP LLC	215-637-4729
	PENN STATE-HUB- ROBESON CENTER 28 HUB-ROBESON CENTER UNIVERSITY PARK, PA 16802	THE PENNSYLVANIA STATE UNIVERSITY	814-865-7623
	TANGER OUTLETS PITTSBURGH 2200 TANGER BLVD, SUITE 325 WASHINGTON, PA 15301	OBTREE LLC	724-229-8766
	BLUE MOUNTAIN SERVICE PLAZA EXIT 201 WESTBOUND, MILEPOST 202.5, 203 BLUE MOUNTAIN PLAZA NEWBURG, PA 17204	HMS HOST TOLLROADS	717-423-0089
	SOUTH SOMERSET TAVEL PLAZA EXIT 110 EASTBOUND, MILEPOST 112.3, 327 INDUSTRIAL PARK ROAD SOMERSET, PA 15501	HMS HOST TOLLROADS	414-444-9764

State	Address	Franchisee	Phone Number
	PHILADELPHIA PREMIUM OUTLETS 18 W. LIGHTCAP ROAD FOODCOURT SPACE 1045 POTTSTOWN, PA 19464	SEVEN HILLS INC	610-816-9586
	PARK CITY CENTER 142 PARK CITY CENTER LANCASTER, PA 17601	PIZZA PLENA PARK CITY PA LLC	717-607-6743
	PHILADELPHIA INTERNATIONAL AIRPORT TERMINAL A WEST 8500 ESSINGTON AVENUE PHILADELPHIA, PA 19153	SEVEN HILLS INC	610-816-9586
RHODE ISLAND - 2			
	TWIN RIVER CASINO 1ST FLOOR 100 TWIN RIVER ROAD LINCOLN, RI 02865- 4835	SAPTAGIRI LLC	401-475-6755
	PROVIDENCE MALL ONE PROVIDENCE PLACE PROVIDENCE, RI 02903	PIZZA PLENA PROVIDENCE RI LLC	847-854-7066

State	Address	Franchisee	Phone Number
SOUTH CAROLINA - 3			
	GRAND COASTAL MALL 2000 GRAND COASTAL CIRCLE MYRTLE BEACH, SC 29577	MSE BRANDED FOODS INC	843-445-2587
	NORTHWOODS 2150 NORTHWOODS BLVD. NORTH CHARLESTON, SC 29406	NYC PIZZA LLC	843-640-3178
	SCOTCHMAN 3225 MYRTLE BEACH 4101 POSTAL WAY MYRTLE BEACH, SC 29579	GPM SOUTHEAST LLC	804-730-1568
TENNESSEE - 1			
	COMMERCE STREET 200 COMMERCE STREET NASHVILLE, TN 37201	F&S FOODS INC	615-256-7393
TEXAS – 12			
	SAN ANTONIO INTERNATIONAL AIRPORT 9800 AIRPORT BLVD SAN ANTONIO, TX 78216	SEVEN HILLS INC	210-265-3946

State	Address	Franchisee	Phone Number
	FIRST COLONY MALL 16535 SW FREEWAY SUITE 430 SUGARLAND, TX 77479	GRIFFIN RESTAURANTS INC V	281-265-4447
	MEMORIAL CITY MALL 303 MEMORIAL CITY WAY SUITE 395C HOUSTON, TX 77024	GRIFFIN RESTAURANTS INC V	281-846-6008
	HOUSTON GALLERIA 5085 WESTHEIMER STREET ROOM A1350 HOUSTON, TX 77056	GRIFFIN RESTAURANTS INC V	832-491-0090
	OUTLET SHOPPES AT EL PASO 7051 S. DESERT BLVD SPACE FC-485 CANUTILLO, TX 79835	GUERRA RESTAURANT ENTERPRISES INC	915-243-7040
	CIELO VISTA MALL 8401 GATEWAY BLVD. SPACE L03 EL PASO, TX 79925	GUERRA RESTAURANT ENTERPRISES INC	915-308-7460

State	Address	Franchisee	Phone Number
	HULEN MALL 4800 S. HULEN STREET SPACE VC06 FORT WORTH, TX 76132	BIG TEX PIZZA PARTY LLC	817-782-9961
	DEL VALLE MARKET 3132 HWY 71 EAST DEL VALLE, TX 78617	DEL VALLE MARKET LLC	512-382-0056
	GPM TEXARKANA 6424 RICHMOND ROAD TEXARKANA, TX 75503	GPM SOUTHEAST LLC	804-730-1568
	GPM KILGORE 4525 FM 349 KILGORE, TX 75662	GPM SOUTHEAST LLC	804-730-1568
	NORTH EAST MALL 1101 MELBOURNE ROAD HURST, TX 76053	BIG TEX PIZZA PARTY LLC	817-782-9961
	E-Z MART 4462 WAKE VILLAGE 102 REDWATER ROAD WAKE VILLAGE, TX 75501	GPM SOUTHEAST LLC	903-838-9410
UTAH – 1			

State	Address	Franchisee	Phone Number
	THE SHOPS AT SOUTH TOWN 10450 S. STATE STREET FC-01 SANDY, UT 84070	PLENA UTAH SOUTH TOWN LLC	801-576-9366
VIRGINIA - 12			
	MANASSAS MALL 8300 SUDLEY ROAD MANASSAS, VA 20109	BEST FRANCHISE LLC	571-229-9187
	SOUTHPARK MALL 230 SOUTHPARK CIRCLE SUITE B-05 COLONIA HEIGHTS, VA 23834	REDDINGTON PARTNERS LLC	804-520-9777
	MACARTHUR TOWN CENTER 300 MONTICELLO AVENUE SUITE 305 NORFOLK, VA 23510	REDDINGTON PARTNERS LLC	757-578-9765
	APPLE BLOSSOM MALL 1850 APPLE BLOSSOM MALL UNIT F109 WINCHESTER, VA 22601	ZESIMA LLC	540-431-5254

State	Address	Franchisee	Phone Number
	PATRICK HENRY MALL 12300 JEFFERSON AVENUE UNIT 732 NEWPORT, NEWS, VA 23602	REDDINGTON PARTNERS LLC	757-872-2232
	PETRO 72 12433 MAPLE STREET GLADE SPRING, VA 24340	REDDINGTON PARTNERS LLC	276-429-2250
	LYNNHAVEN MALL 701 LYNNHAVEN PARKWAY SUITE FC 20 VIRGINIA BEACH, VA 23452	REDDINGTON PARTNERS LLC	757-937-1645
	FAS MART GLEN ALLEN #30 11390 NUCKOLS ROAD GLEN ALLEN, VA 23059	GPM INVESTMENTS LLC	804-730-1568
	FAS MART 86 RICHMOND 5200 HULL STREET ROAD RICHMOND, VA 23224	GPM INVESTMENTS LLC	804-232-5878

State	Address	Franchisee	Phone Number
	FAS MART MECHANICSVILLE 26 6675 COLD HARBOR ROAD MECHANICSVILLE, VA 23111	GPM INVESTMENTS LLC	804-730-9023
	FAS MART 53 RICHMOND 2600 E. MAIN STREET RICHMOND, VA 23233	GPM INVESTMENTS LLC	804-730-9023
	FAS MART 14 ASHLAND 10300 SLIDING HILL ROAD ASHLAND, VA 23005	GPM INVESTMENTS LLC	804-730-9023
WASHINGTON - 1			
	NORTHTOWN MALL 1750 N. DIVISION STREET SPACE 2162 SPOKANE, WA 99207	GOTHAM COOKIES INC	562-552-5800
WEST VIRGINIA – 3			
	BECKLEY TRAVEL PLAZA WEST VIRGINIA TURNPIKE MILEMAKER 45 SOUTH BECKLEY, WV 25801	HMS HOST TOLLROADS	304-255-6773

State	Address	Franchisee	Phone Number
	MORGANTOWN CENTER 9500 MALL ROAD WESTOVER, WV 26505	GROVERS INC	304-983-6729
	HUNTINGTON MALL 500 BARBOURSVILLE ROAD BARBOURSVILLE, WV 25504	SLICE OF HEAVEN LLC	304-736-6717

Franchise Agreements Signed But Outlet Not Opened:

GPM Investments, LLC (2)
8565 Magellan Parkway, Suite 400, Richmond, VA 23227
Unit location: Indiana (1); Texas (1)

SPizza-Rest, LLC (4)
165 Flanders Rd, Westborough MA 01581
Unit location: Pennsylvania (2); Ohio (1); Florida (1)

Gotham Cookies, Inc. (1)
65 Pine Avenue, Suite 870, Long Beach, CA 90802
Unit location: California

Rama Management, Inc. (1)
381 E. Alessandro Blvd., Riverside, CA 92507
Unit location: California

GR Veterans, Inc. (1)
381 E. Alessandro Blvd., Riverside, CA 92507
Unit location: California

LVP Food Service Concept, LLC (1)
4465 Sunset Road, Las Vegas, NV 89118
Unit location: Arizona

Excel Food Mart, Inc. (1)
4015 N. Penn, Oklahoma City, OK 73112
Unit location: Michigan

111 QSR Food Products LLC (1)
409 Montbrook Lane, Knoxville, TN 37919
Unit location: Tennessee

Vivaria Florida, LLC (1)
2100 E. Sample Road, Suite 202, Lighthouse Point, FL 33064
Unit location: Florida

**Exhibit K to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

LIST OF CLOSED OUTLETS

CLOSED OUTLETS

The name and last known home address and telephone number of every Franchisee within the United States who has had an outlet terminated, canceled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with Sbarro within 10 weeks of the date of this Disclosure Document is listed below.

Store Name	Franchisee Address	Franchisee	Phone Number	Transfer Date, if Applicable
STRATFORD SQUARE	1590 W. ALGONQUIN ROAD SUITE 225 HOFFMAN ESTATES, IL 60192	MARIO AND ADELE ARMOCIDA	847-854-7066	
CENTRAL PIEDMONT COMMUNITY COLLEGE	10612-D PROVIDENCE ROAD SUITE 563 CHARLOTTE, NC 28271	FAW ENTERPRISES, INC	704-579-1939	
PHILADELPHIA AIRPORT TERMINAL E	5010 LENKER STREET SUITE 100 MECHANICSBURG, PA 17050	SEVEN HILLS, INC	717-909-0580	

Store Name	Franchisee Address	Franchisee	Phone Number	Transfer Date, if Applicable
WASHINGTON CROWN CENTER	250 TURKEYFOOT ROAD VENETIA, PA 15367	OBTREE LLC	412-913-8110	
TURKEY HILL - MORSE ROAD	1465 FLANDERS ROAD WESTBOROUGH, MA 01581	SPIZZA-REST LLC	508-270-8396	
TWIN RIVER CASINO, 2 ND FLOOR	5010 LENKER STREET SUITE 100 MECHANICSBURG PA 17050	SATPAGIRI LLC	717-909-0580	
WEST RANDOLPH	1590 W. ALONGQUIN ROAD SUITE 225 HOFFMAN ESTATES, IL 60192	MATER, INC.	847-854-7066	
JOYCE KILMER TRAVEL PLAZA	6905 ROCKLEDGE DRIVE BETHESDA, MD 20817	HMS HOST TOLLROADS	866-467-4672	

Store Name	Franchisee Address	Franchisee	Phone Number	Transfer Date, if Applicable
MIAMI INTERNATIONAL AIRPORT	6905 ROCKLEDGE DRIVE BETHESDA, MD 20817	HMSHOST USA, LLC	866-467-4672	
DARIEN SOUTH TRAVEL PLAZA	5010 LENKER STREET SUITE 100 MECHANICSBURG, PA 17050	SEVEN HILLS, INC.	717-909-0580	
SLOATSBURG TRAVEL PLAZA	6905 ROCKLEDGE DRIVE BETHESDA, MD 20817	HMS HOST TOLLROADS, INC.	866-467-4672	
CONOCO AT BLUE DIAMOND	219 PEBBLE CANYON DRIVE LAS VEGAS, NV 89123	GAURAV GOYAL LLC	702-767-4050	

**Exhibit L to
Sbarro Franchise Co., LLC
Franchise Disclosure Document
FINANCIAL STATEMENTS**

2023 Unaudited Financial Statements
(for the fiscal period ending October 1, 2023)

This exhibit also contains the unaudited financial statements of Sbarro Holdings, Inc. for the fiscal period ending October 1, 2023 (Q3 2023). These financial statements have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no independent certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF OCTOBER 1, 2023
AND JANUARY 1, 2023
(In thousands)

	Unaudited October 1, 2023	Audited January 1, 2023
Current assets:		
Cash and cash equivalents	\$15,072	\$15,161
Receivables, net:		
Franchise	2,066	2,663
Other	1,569	1,639
	<u>3,636</u>	<u>4,302</u>
Inventories	1,391	1,530
Prepaid expenses	2,280	790
Current Portion of Deferred Assets	90	90
Total current assets	<u>22,468</u>	<u>21,873</u>
FISCAL PERIOD ENDED JULY 2, 2023	34,311	32,308
Property and equipment, accum	<u>(24,084)</u>	<u>(22,765)</u>
Property and equipment, net	10,227	9,543
Intangible assets		
Trademarks, cost	135,100	135,100
Trademarks, accum	<u>(128,329)</u>	<u>(126,766)</u>
Trademarks, net	6,771	8,334
Other intangible cost	20,450	20,450
Other Intangible accum	<u>(17,283)</u>	<u>(16,533)</u>
Other intangible assets	3,167	3,917
Deferred expenses, net of current portion	427	399
Operating right-of-use assets	45,851	39,532
Finance right-of-use assets	367	480
Other assets	<u>125</u>	<u>128</u>
Total assets	<u><u>89,402</u></u>	<u><u>84,206</u></u>
Current liabilities:		
Accounts payable	\$1,134	\$1,159
Accrued expenses	7,669	8,265
Accrued interest payable	268	257
Current portion of deferred fran rev	550	554
Current portion of long term debt	1,688	1,000
Current portion of operating lease liab	13,808	12,699
Current portion of finance lease liab	153	152
Other current liabilities	<u>50</u>	<u>48</u>
Total current liabilities	25,320	24,133
Deferred franchise revenue	755	755
Deferred rent & other	1,976	1,976
Long-term debt	20,265	22,500
Operating lease liabilities	34,319	27,700
Finance lease liabilities	<u>221</u>	<u>337</u>
Total liabilities	82,855	77,400
Shareholder's equity:		
Additional paid-in capital	98,738	98,738
Accumulated deficit	<u>(92,252)</u>	<u>(91,993)</u>
Non-controlling interests	61	61
Total shareholder's equity/(deficit)	<u>6,547</u>	<u>6,805</u>
Total liabilities and shareholder's equity	<u><u>89,402</u></u>	<u><u>84,206</u></u>

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR FISCAL YEAR TO DATE OCTOBER 1, 2023 AND OCTOBER 2, 2022
(In thousands)

	Unaudited Year to Date October 1, 2023	Audited Year to Date October 2, 2022
Revenues:		
Restaurant sales	\$ 88,694	\$ 82,609
Royalties	8,072	6,342
Marketing Fund	578	457
Fees	792	653
Total revenues	<u>98,135</u>	<u>90,062</u>
Costs and expenses attributable to EBITDA:		
COGS	16,646	16,395
Labor	29,221	27,576
FISCAL PERIOD ENDED JULY 2, 2023	11,360	10,638
Store occupancy	20,836	20,115
General and administrative	13,317	12,373
Other Inc/Exp	(217)	(234)
Total Costs and Expenses attributable to EBITDA	<u>91,164</u>	<u>86,864</u>
EBITDA from Operations	6,971	3,198
Costs and Expenses Other		
Straight line rent	0	(331)
Equity-based compensation	0	0
(Gain)/Loss on disposal	247	205
Impairment	(0)	0
Depreciation and amortization	4,345	4,254
Total costs and expenses other	<u>4,593</u>	<u>4,128</u>
Operating Income (loss)	2,379	(930)
Other (expense)/income:		
Interest expense	(2,244)	(1,826)
Casualty Loss	(57)	11
(Gain)/Loss on extinguishment of debt	(70)	0
(Gain)/Loss on insurance proceeds	104	35
Net other expense	<u>(2,267)</u>	<u>(1,780)</u>
Profit (Loss) before income taxes and equity investments	111	(2,710)
Income tax expense	<u>(370)</u>	<u>(324)</u>
Income (loss) from continuing operations	(259)	(3,034)
Loss from discontinued operations	<u>0</u>	<u>0</u>
Net profit (loss)	(259)	(3,034)
Less: Net income attributable to noncontrolling interests	<u>0</u>	<u>0</u>
Net profit (loss) attributable to New Sbarro Finance, Inc. and Subsidiaries	<u><u>(\$259)</u></u>	<u><u>(\$3,034)</u></u>

SBARRO HOLDINGS, INC. AND SUBSIDIARIES (See Note 1)
Columbus, Ohio

Consolidated Financial Statements
For the years ended January 1, 2023 and January 2, 2022
And Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sbarro Holdings, Inc. and Subsidiaries
Columbus, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Sbarro Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of January 1, 2023 and January 2, 2022 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sbarro Holdings, Inc. and Subsidiaries as of January 1, 2023 and January 2, 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. 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 Sbarro Holdings, Inc. and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sbarro Holdings, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Sbarro Holdings, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sbarro Holdings, Inc. and Subsidiaries' 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.

Schneider Downs & Co., Inc.

Columbus, Ohio
March 31, 2023

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SBARRO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 1, 2023	January 2, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,161,490	\$ 18,331,819
Accounts receivable - trade, net	2,662,961	2,442,167
Accounts receivable - other	1,639,486	1,165,863
Inventories	1,529,603	999,939
Prepaid expenses	789,885	2,283,664
Current portion of deferred expenses	89,541	41,989
Total Current Assets	21,872,966	25,265,441
PROPERTY AND EQUIPMENT, net	8,851,146	9,917,533
OTHER ASSETS		
Construction in progress	691,956	102,546
Intangible assets, net	12,250,570	15,333,878
Deferred expenses, net of current portion	399,139	257,264
Other assets	128,054	124,035
Operating right-of-use asset	39,531,661	-
Finance right-of-use asset	480,392	-
Total Other Assets	53,481,772	15,817,723
Total Assets	\$ 84,205,884	\$ 51,000,697

	January 1, 2023	January 2, 2022
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 1,159,310	\$ 2,037,612
Accrued expenses and liabilities	8,866,439	10,002,432
Accrued interest payable	257,175	366,546
Current portion of debt, net	999,633	1,242,008
Current portion of operating lease liabilities	12,699,217	-
Current portion of finance lease liabilities	151,566	-
Total Current Liabilities	24,133,340	13,648,598
LONG-TERM LIABILITIES		
Debt, net	22,500,000	23,330,740
Deferred revenue, net of current portion included in accrued expenses and liabilities	754,768	760,371
Deferred rent	-	1,959,137
Deferred lease incentives	-	740,436
Other liabilities	1,975,749	2,158,635
Operating lease liabilities, net of current portion	27,699,902	-
Finance lease liabilities, net of current portion	336,613	-
Total Long-Term Liabilities	53,267,032	28,949,319
Total Liabilities	77,400,372	42,597,917
STOCKHOLDERS' EQUITY		
Common stock - authorized 12,000,000 shares; \$.0001 par value issued and 10,039,092 shares outstanding at January 1, 2023 and January 2, 2022	-	-
Additional paid-in capital	98,737,681	98,737,681
Accumulated deficit	(91,993,379)	(90,130,371)
Total Stockholders' Equity	6,744,302	8,607,310
Noncontrolling interests	61,210	(204,530)
Total Stockholders' Equity Including Noncontrolling Interests	6,805,512	8,402,780
Total Liabilities And Stockholders' Equity	\$ 84,205,884	\$ 51,000,697

See notes to the consolidated financial statements.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JANUARY 1, 2023 AND JANUARY 2, 2022

	January 1, 2023	January 2, 2022
OPERATING REVENUES		
Restaurant sales, net	\$ 116,129,138	\$ 103,643,931
Franchise-related income	10,445,069	7,626,816
	<u>126,574,207</u>	<u>111,270,747</u>
REVENUE FROM GOVERNMENT GRANTS	-	2,190,000
Total Revenues	<u>126,574,207</u>	<u>113,460,747</u>
OPERATING COSTS		
Food and beverage costs, net	22,906,284	19,219,222
Supplier rebates	(608,299)	(511,082)
Wages, payroll taxes and benefits	37,876,715	32,348,138
Direct operating expenses	14,601,394	12,456,439
Occupancy	26,306,850	20,699,397
General and administrative expenses	17,814,169	15,720,064
Impairment of property and equipment	228,156	43,984
Loss on disposal of property, equipment and inventory	256,409	577,304
Depreciation and amortization	5,780,656	5,785,491
Pre-opening expenses	41,045	6,624
	<u>125,203,379</u>	<u>106,345,581</u>
Operating Income	1,370,828	7,115,166
OTHER EXPENSE, NET		
Other income (expense), net	72,321	(1,042,915)
Interest expense	(2,596,665)	(2,645,791)
	<u>(2,524,344)</u>	<u>(3,688,706)</u>
(Loss) Income From Operations Before Income Taxes	(1,153,516)	3,426,460
INCOME TAXES	443,752	308,949
Net (Loss) Income	(1,597,268)	3,117,511
Net Income attributable to noncontrolling interest	265,740	205,351
Net (Loss) Income Attributable To Sbarro Holdings, Inc. And Subsidiaries	<u>\$ (1,863,008)</u>	<u>\$ 2,912,160</u>

See notes to the consolidated financial statements.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 1, 2023 AND JANUARY 2, 2022

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interests	Total
BALANCE, January 3, 2021	-	\$ 91,237,681	\$ (93,042,531)	\$ (409,881)	\$ (2,214,731)
Net income	-	-	2,912,160	205,351	3,117,511
Contributions	-	7,500,000	-	-	7,500,000
BALANCE, January 2, 2022	-	98,737,681	(90,130,371)	(204,530)	8,402,780
Net loss	-	-	(1,863,008)	265,740	(1,597,268)
BALANCE, January 1, 2023	-	\$ 98,737,681	\$ (91,993,379)	\$ 61,210	\$ 6,805,512

See notes to the consolidated financial statements.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 1, 2023 AND JANUARY 2, 2022

	January 1, 2023	January 2, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (1,597,268)	\$ 3,117,511
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	5,654,237	5,785,491
Paid-in-kind interest	-	28,955
Bad debt expense	391,267	643,191
Impairment of property and equipment	228,156	43,984
Loss on disposal of property, equipment and inventory	266,136	577,304
Loss on extinguishment of debt	-	1,071,043
Amortization of debt issuance costs	168,893	190,451
Lease incentive accretion	-	(384,020)
Deferred rent accretion	-	(103,648)
Stock based compensation	606,401	201,267
Amortization of finance lease right-of-use assets	126,419	-
Amortization of operating lease right-of-use assets	16,520,021	-
(Increase) decrease in:		
Accounts receivable	(1,085,684)	(1,936,087)
Inventories	(529,664)	(326,817)
Prepaid expenses	(6,221)	(1,623,983)
Deferred expenses	(189,427)	(7,085)
Other assets	(4,019)	39,860
(Decrease) increase in:		
Accounts payable, accrued expenses and liabilities	(2,065,898)	(5,301,084)
Other liabilities	-	461,724
Accrued interest payable	(109,371)	137,018
Operating lease liability	(17,641,423)	-
Net Cash Provided By Operating Activities	<u>732,555</u>	<u>2,615,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	125,000	-
Purchases of property and equipment, including investment in construction in progress	(2,667,244)	(881,757)
Net Cash Used In Investing Activities	<u>(2,542,244)</u>	<u>(881,757)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions	-	7,500,000
Payment of debt issuance costs	-	(406,923)
Principal payments on term loan	(1,242,008)	-
Principal payments on finance lease liabilities	(118,632)	-
Net Cash (Used In) Provided By Financing Activities	<u>(1,360,640)</u>	<u>7,093,077</u>
Net (Decrease) Increase In Cash	(3,170,329)	8,826,395
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>18,331,819</u>	<u>9,505,424</u>
End of year	<u><u>\$ 15,161,490</u></u>	<u><u>\$ 18,331,819</u></u>

	January 1, 2023	January 2, 2022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 2,530,000</u>	<u>\$ 2,289,000</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Operating right-of-use assets of approximately \$45,406,000 were obtained in exchange for operating lease liabilities of approximately \$46,547,000 as a result of the implementation of ASC 842		
Operating right-of-use assets obtained in exchange for new operating lease liabilities as a result of new and amended leases entered into during 2022 were approximately \$12,993,000		
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	<u>\$ 46,000</u>	<u>\$ 46,000</u>
Finance right-of-use asset obtained in exchange for new finance lease liabilities as a result of new leases entered into during 2022	<u>\$ 607,000</u>	<u>-</u>

See notes to the consolidated financial statements.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 1 - ORGANIZATION

The consolidated financial statements of Sbarro Holdings, Inc. and Subsidiaries include the following companies which are majority owned by Sbarro Holdings, Inc.

- New Sbarro Intermediate Holdings, Inc.
- Sbarro, LLC
- New Sbarro Finance, Inc.
- Sbarro Franchise Co., LLC
- Sbarro America, Inc.
- Cucinova Holdings, LLC

New Sbarro Intermediate Holdings, Inc. (the Borrower) and Sbarro, LLC. comprise the operating company (together, the Company or Sbarro), and record all activity of the Borrower and of its subsidiaries. Sbarro, LLC and Sbarro America operate the company-owned units, and Sbarro Franchise Co., LLC operates the franchised units. New Sbarro Finance, Inc. and Cucinova Holdings, LLC have no operating activities. New Sbarro Finance, Inc. is a wholly owned subsidiary of Sbarro Holdings, Inc. (an entity formed in November 2011), which owns 100% of the Company's outstanding common stock. The Company has eliminated all intercompany accounts and transactions. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

In February 2021, the Company approved the sale and issuance of 7,500,000 shares of Common Stock, par value, \$0.0001 per share at a purchase price of \$1.00 per share, which raised a total of \$7,500,000.

As of January 1, 2023, the Company had a global base of 661 locations in 26 countries, with 149 company-owned units and 512 franchised units. As of January 2, 2022, the Company had a global base of 591 locations in 22 countries, with 152 company-owned units and 439 franchised units. Sbarro eateries feature a menu of handmade pizzas and strombolis that are made with dough made in-house daily, sauce made from San Marzano tomatoes, and whole-milk Mozzarella shredded in-house. The eateries also feature a selection of pasta dishes, salads, drinks and desserts.

The company-owned eateries are all located in North America, with locations in 36 states in the United States and the District of Columbia and are comprised of 129 "food court" eateries, 14 "in-line" eateries, three convenience store eateries, two "neighborhood" eateries, and one location in the National Zoo as of January 1, 2023. Food court locations are primarily located in areas designated by the location's landlord exclusively for food service and share a common dining area provided by the landlord. The Company's franchise locations are located primarily in shopping malls, airports, college campuses, travel centers, convenience stores and other high-pedestrian-traffic areas.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

Reporting Period - The Company's fiscal year is the 52- or 53-week period ending on the Sunday closest to December 31. The 2022 fiscal year ended on January 1, 2023, and the consolidated financial statements are for the year from January 3, 2022 to January 1, 2023 (2022) and include 52 weeks. The 2021 fiscal year ended on January 2, 2022, and the consolidated financial statements are for the year from January 4, 2021 to January 2, 2022 (2021) and include 52 weeks.

Cash and Cash Equivalents - The Company considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also include approximately \$1,605,000 and \$1,101,000 as of January 1, 2023 and January 2, 2022, respectively, of amounts due from commercial credit card companies, which are generally received within a few days of the related transactions. The Company's cash is maintained in accounts with various banking institutions, which at time may exceed the limit insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on these balances.

Accounts Receivable - Trade and Other - Accounts receivable primarily consist of amounts due from franchisees, primarily for royalties, and vendor rebates. The Company reports receivables at net realizable value.

The Company monitors the financial condition of its franchisees and records provisions for estimated losses from receivables when it believes that its franchisees are unable to make their required payments. While the Company uses the best information available in making its determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond its control. The allowance for doubtful accounts amounted to approximately \$749,000 and \$763,000 at January 1, 2023 and January 2, 2022, respectively.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. At times, cash balances held at financial institutions were in excess of federally insured limits; however, the Company primarily places its cash and cash equivalents with high-credit quality financial institutions. The Company has not experienced any losses on its deposits of cash or cash equivalents.

Concentration of credit risk with respect to accounts receivable is generally limited to franchise fees and royalties. Prior to the Company entering into an agreement with a new franchisee, an evaluation of its financial position and creditworthiness is completed. The Company has established an allowance for doubtful accounts based upon factors surrounding the credit risk of certain franchisees and other information.

The Company had one customer account for 11% and two customers account for 25% net accounts receivable - trade, at January 1, 2023 and January 2, 2022, respectively. No one customer accounted for more than 10% of net revenues for 2022 or 2021.

Inventories - Inventory consisting of food and beverages is carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are stated at acquisition cost less accumulated depreciation and amortization and any impairments.

Furniture, fixtures, equipment and leasehold improvements are depreciated and amortized using the straight-line method based on the following estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the life of the lease, including renewal options as determined by management, or the estimated life of the asset. Routine expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for renewals and betterments, which materially extend the useful lives of assets or increase their productivity, are capitalized.

Estimated useful lives for purposes of depreciation and amortization are as follows:

	<u>Estimated Useful Lives (In Years)</u>
Kitchen and eatery equipment	5-10
Furniture and fixtures	5-10
Office and other equipment	3-7
Leasehold improvements	Shorter of economic life or lease term

Leasehold improvements financed by the landlord through construction allowances are capitalized as leasehold improvements with the construction allowances recorded as deferred lease incentives. Depreciation of the leasehold improvements is included in depreciation and amortization expense in the consolidated statements of operations.

Management reviews property and equipment for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset and during the fourth quarter of each fiscal year or when a triggering event occurs. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified, which is generally at the eatery level. For 2022 and 2021, an impairment charge of approximately \$228,000 and \$44,000, respectively, was recorded in the fourth quarter of each year due to store underperformance.

Construction in Progress - The Company capitalizes eatery construction costs in construction in progress until such eatery opens, at which time the capitalized costs are transferred to property and equipment and depreciated over their estimated useful lives. Interest costs and wages directly related to the construction of new eateries incurred during an eatery's construction period are capitalized. For the years ended January 1, 2023 and January 2, 2022, there were approximately \$692,000 and \$103,000, respectively, of capitalized costs in construction in progress.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exit or Disposal Cost Obligations - The Company accounts for exit or disposal activities, including eatery closures, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 420-10, Exit or Disposal Cost Obligations. Such costs include the cost of disposing of the assets and liabilities as well as other facility-related expenses from previously closed eateries. These costs are generally expensed as incurred. Additionally, at the date the Company ceases using property under an operating lease, the Company records a liability for the net present value of any remaining lease obligations, net of estimated sublease income, or any lease buyout amount agreed upon by the Company and lessor, which would release the Company from any future lease obligations. Any subsequent adjustments to that liability, as a result of lease termination or changes in estimates of sublease income, are recorded in the period incurred. There were no liabilities related to exit or disposal cost obligations as of January 1, 2023 and January 2, 2022.

Debt Issuance Costs and Discounts - Debt issuance costs and discounts are capitalized in the consolidated balance sheets and are reported net within debt. The Company amortizes its debt discounts to interest expense over the term of the related debt.

Intangible Assets - Identifiable intangible assets consist of trademarks and franchise relationships and agreements, which are amortized on a straight-line basis over their estimated useful life. The Company evaluates its trademarks and other definite-lived intangible assets whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable or impairment indicators exist. The resulting impairment charges are included in the consolidated statements of operations. Management determined no impairment of intangible assets was present during 2022 or 2021; thus, no impairment charge was recorded.

Other Assets - Other assets primarily consist of deposits with landlords on various eatery locations and with utility providers.

Taxes Collected from Customers - The Company collects sales tax from its customers on product sales that is remitted to various state governmental authorities when due. The Company's policy is to record sales taxes collected from customers on a net basis.

Leases - Leases are recognized under ASC 842, Leases (Topic 842). The Company determines whether a contract contains a lease at contract inception and classifies it as either finance or operating. A contract contains a lease if there is an identified asset and the Company has the right to control the asset.

Finance leases are generally those that allow the Company to substantially utilize or pay for the entire asset over its estimated useful life. Finance leases are recorded in property, plant and equipment, net, and finance lease liabilities within current maturities of long-term debt and long-term debt on the consolidated balance sheets. Finance lease right-of-use assets are amortized in operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term, with the interest component for lease liabilities included in interest expense and recognized using the effective interest method over the lease term.

Operating lease right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating leases are recorded in operating lease right-of-use assets, other current liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheet. In the consolidated statements of operations, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Topic 842 allows lessees an option to not recognize right-of-use assets and lease liabilities arising from short-term leases. A short-term lease is defined as a lease with an initial term of 12 months or less. The Company elected to not recognize short-term leases as right-of-use assets and lease liabilities on the consolidated balance sheets. All short-term leases that are not included on the Company's balance sheet will be recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal will need to be assessed in order to determine if the lease qualifies for the short-term lease exception. If the option is reasonably certain to be exercised, the lease does not qualify as a short-term lease.

Finance and operating lease right-of-use assets and lease liabilities are recognized at possession date based on the present value of lease payments over the lease term. The Company's lease liabilities are recognized based on the present value of the remaining fixed lease payments, over the lease term, using a discount rate. For the purpose of lease liability measurement, the Company considers only payments that are fixed and determinable at the time of commencement. Some leasing arrangements require variable payments that are dependent upon usage or output, or may vary for other reasons, such as insurance or tax payments. Any variable payments are expensed as incurred. The Company uses the risk-free rate at the possession date in determining the present value of the lease payments for all asset classes, unless the implicit rate is readily determinable. The Company's lease terms may include options to extend or terminate the lease and are recognized when it is reasonably certain that the Company will exercise that option. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all classes of leased assets for which the Company is the lessee. Right-of-use assets are tested for impairment in the same manner as long-lived assets used in operations.

Stock-Based Compensation - On June 2, 2014, the Company approved the 2014 Equity Incentive Plan (2014 Plan). The Company used the Black-Scholes option-pricing model to determine the fair value of stock options at date of grant. The determination of the grant date fair value of options using an option-pricing model is affected by the stock price as determined by the Board of Directors as well as assumptions regarding a number of complex and subjective variables. The award was recognized as expense ratably on a straight-line basis over the vesting period. The 2014 Plan was terminated during 2021.

On December 21, 2021, the Company approved the stock appreciation rights (SAR) plan (SAR Plan). The Company uses a valuation method based on the adjusted EBITDA, as defined by the plan document, to determine the fair value of the SAR. The determination of the fair value of the SAR using the valuation model is affected by the valuation multiple and certain balance sheet accounts defined in the plan document. The SAR is adjusted to fair market value and recognized as expense when vested.

Revenue Recognition - The Company presents revenue recognition under ACS 606, Revenue from Contracts with Customer (Topic 606).

Restaurant Sales - Revenue from restaurant sales is recognized at a point in time when food and beverage are sold at the point of sale and the performance obligation is satisfied and is presented net of customer and employee meals and discounts.

Royalty and Advertising Fees - The Company recognizes revenues from royalties and advertising fees at a point in time in the month they are earned based on franchisee sales, which are included in franchise-related income on the consolidated statements of operations.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise Fees - The Company generates revenues from franchising through individual franchise agreements. In consideration for the payment of an initial franchise fee, continuing royalties and other amounts specified in the franchise agreement, the Company grants new franchisees the use of the Sbarro trademarks, systems, training and store operation assistance.

In accordance with Topic 606, the Company satisfies the performance obligation related to the franchise agreement over the term of the related agreement, which is typically 10 years. Payment for the franchise agreement consists of three components, a fixed-fee related to the franchise agreement, a sales-based royalty fee, and a sales-based advertising fee. The fixed fee, as determined by the signed franchise agreement, is nonrefundable and due at the time the franchise agreement is entered into, and/or when the franchise agreement is signed. Revenue related to these franchise agreements, less separate standalone performance obligations, is recognized on a straight-line basis over the respective term upon adoption of Topic 606, which typically begins the date the franchise agreement is entered.

The Company has identified three separate performance obligations under the franchise agreement that the franchisee benefits from on its own and is distinct within the franchise agreement: design and architecture services, project management and construction supervision, and certain components of training.

Design and architecture services are offered by the Company under the franchise agreement. These services were determined to be general and distinct from the brand. Consideration for these services is provided by the franchise fee; however, the standalone selling price of these services is reduced from the franchise fee and recognized at a point in time when the services have been fully rendered to the franchisee.

Under the franchise agreement, franchisees can elect for the Company to provide project management and construction services. These services were determined to be general and distinct from the brand. Consideration for these services is provided by the franchise fee. The Company reduces the standalone selling price of these services from the franchise fee and recognizes them at a point in time upon providing the services.

Training is provided to all new franchise locations. Both general restaurant industry training and Company-specific training are provided. General training is considered distinct from the brand. Company-specific training was determined to be highly interrelated to the brand. The Company reduces the standalone selling price of the general training from the franchise fee and recognizes revenue at a point in time upon completion of the training. Company-specific training is not considered separately identifiable from the brand and is recognized within the franchise fee on a straight-line basis over the term of the franchise agreement.

During the year ended January 1, 2023, the Company recognized revenue of approximately \$126,251,000 at a point in time and \$323,000 over time. During the year ended January 2, 2022, the Company recognized revenue of approximately \$110,826,000 at a point in time and \$445,000 over time.

Accounting for Vendor Rebates - The Company accounts for vendor rebates and vendor discounts related to the usage of the products for which rebates are received in Company-owned locations as a reduction of the cost of food and beverage products. The rebates are recognized as earned based on usage, which approximates the volume purchased of the related products. These rebate amounts are included as a reduction in food and beverage costs in the consolidated statements of operations.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue and Deferred Expenses - The Company's deferred revenue consists of fees from franchisees upon execution of their respective franchise agreements. The amounts received are recorded as deferred revenue until the Company satisfies requirements under the franchise agreements. Revenue from franchise agreements considered to be interrelated to the brand is recognized on a straight-line basis over the term of the agreement as the underlying performance obligation is satisfied. Deferred revenue for the years ended January 1, 2023 and January 2, 2022 was approximately \$1,309,000 and \$1,272,000, respectively. The future estimated revenue to be recognized related to deferred revenue for the next five years is on average \$227,000 per year.

Incremental direct costs, such as commissions, are deferred and recognized over the life of the related term of the agreement. Deferred costs for the years ended January 1, 2023 and January 2, 2022 were approximately \$489,000 and \$299,000, respectively. The future estimated expense to be recognized related to deferred expenses for the next five years is on average \$64,000 per year.

Advertising, Marketing and Promotion Costs - Advertising, marketing and promotion costs are expensed as incurred. Advertising, marketing and promotion expense was approximately \$810,000 and \$536,000 for 2022 and 2021, respectively, and included in direct operating expenses as well as general and administrative expenses in the accompanying consolidated statements of operations.

Pre-Opening Expenses - Pre-opening costs are expensed as incurred. These include costs associated with the opening and organizing of new eateries. All rent incurred during the construction period is expensed and classified as a component of pre-opening expenses.

Noncontrolling Interests - The Company presents noncontrolling interests in its consolidated subsidiaries in the stockholder's equity section of its consolidated balance sheets. Related net income or loss attributable to noncontrolling interests is presented separately in the Company's consolidated statements of operations.

Variable Interest Entities - The Company has evaluated its business relationships with franchisees for which it provided a lease guarantee (see Note 14) to identify potential variable interest entities and has concluded that consolidation is not required for the periods presented as a result of the adoption of Accounting Standards Update (ASU) 2014-07.

Income Taxes - The Company files a consolidated U.S. federal income tax return. The Company accounts for income taxes under an asset and liability approach. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance related to the deferred income tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company accounts for uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities in its income tax provision. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's activities, the Company believes its tax payments are current based on recent facts and circumstances.

It is the policy of the Company to include in its consolidated statements of operations, when necessary, penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in the consolidated statements of operations for 2022. The Company recognized interest from taxing authorities of \$173,000 in the consolidated statements of operations during 2021. The Company did not recognize any penalties from taxing authorities during 2021.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates include: allowance for doubtful accounts, the useful lives of intangibles and long-lived assets, estimates of accrued expenses, the lease terms utilized for the Company's operating leases, and the realization of deferred tax assets. Actual results could materially differ from those estimates.

Recent Accounting Pronouncements - In February 2016, the FASB issued new guidance on leasing standards for both lessee and lessors, ASU 2016-02, Leases (Topic 842). Under its core principle, a lessee will recognize lease assets and liabilities on the consolidated balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with current U.S. GAAP. In June 2020, the FASB issued ASU 2020-05, a deferral on the implementation date, and this guidance was effective for annual reporting periods beginning after December 15, 2021. The Company adopted this standard on January 3, 2022 and has elected to utilize the optional transition method. (See Note 9.)

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326) (ASU 2016-13). The amendments in this ASU will replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for annual reporting periods beginning after December 15, 2022. Early application is permitted. The Company is assessing the impact that ASU 2016-13 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), which provides optional expedients to ease the potential burden of accounting for the effects of reference rate reform as it pertains to contract modifications of debt and lease contracts and derivative contracts identified in a hedging relationship. The amendments of ASU 2020-04 are effective beginning on March 13, 2020 through December 31, 2022. The Company adopted ASU 2020-04 with no significant impact on its consolidated financial statements.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - Subsequent events are defined as events or transactions that occur after the consolidated balance sheets date, but before the consolidated financial statements are issued or available to be issued. Management has evaluated subsequent events through March 31, 2023, the date that the consolidated financial statements were available to be issued, and determined that, other than the debt amendment disclosed in Note 10, there were no additional events that occurred that would require adjustments to the disclosures in the consolidated financial statements.

NOTE 3 - PREPAID EXPENSES

Prepaid expenses consist of the following as of:

	<u>January 1,</u> <u>2023</u>	<u>January 2,</u> <u>2022</u>
Prepaid rent	\$ 239,377	\$ 1,878,680
Prepaid insurance	180,501	229,159
Prepaid occupancy	38,078	30,688
Other	<u>331,929</u>	<u>145,137</u>
Total Prepaid Expenses	\$ <u>789,885</u>	\$ <u>2,283,664</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	<u>January 1,</u> <u>2023</u>	<u>January 2,</u> <u>2022</u>
Leasehold improvements	\$ 18,061,120	\$ 17,833,047
Furniture, fixtures and equipment	<u>13,554,813</u>	<u>12,757,922</u>
	31,615,933	30,590,969
Less: Accumulated depreciation and amortization	<u>22,764,787</u>	<u>20,673,436</u>
Total Property And Equipment, Net	\$ <u>8,851,146</u>	\$ <u>9,917,533</u>

For 2022 and 2021, depreciation and amortization of property and equipment were approximately \$2,571,000 and \$2,702,000, respectively.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 5 - INTANGIBLE ASSETS

Intangible assets at January 1, 2023 are summarized below:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Trademarks	\$ 36,292,000	\$ 27,958,097	\$ 8,333,903
Franchise relationships and agreements	<u>15,000,000</u>	<u>11,083,333</u>	<u>3,916,667</u>
	<u>\$ 51,292,000</u>	<u>\$ 39,041,430</u>	<u>\$ 12,250,570</u>

Intangible assets at January 2, 2022 are summarized below:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Trademarks	\$ 36,292,000	\$ 25,874,789	\$ 10,417,211
Franchise relationships and agreements	<u>15,000,000</u>	<u>10,083,333</u>	<u>4,916,667</u>
	<u>\$ 51,292,000</u>	<u>\$ 35,958,122</u>	<u>\$ 15,333,878</u>

The Company performs an impairment test on the trademark and other definite-lived intangible assets whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable or impairment indicators exist. Management determined no impairment indicators were present during 2022 and 2021.

The trademark is a definite-lived intangible asset and is amortized over an estimated life of 13 years. Amortization expense was approximately \$2,083,000 for both 2022 and 2021. Franchise relationships are definite-lived intangible assets and are amortized over a period of 15 years. Amortization expense was \$1,000,000 for both 2022 and 2021.

The following table summarizes the expected amortization expense for definite-lived intangible assets:

<u>Year Ending:</u>	<u>Amount</u>
2023	\$ 3,083,308
2024	3,083,308
2025	3,083,308
2026	<u>3,000,646</u>
	<u>\$ 12,250,570</u>

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 6 - GOVERNMENT ASSISTANCE

The Company was a recipient of Paycheck Protection Program (PPP) loans with a bank, granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Company received \$2,000,000 in 2021. Under the program terms, PPP loans were forgiven and recognized as income if the loans proceeds were used to maintain compensation costs and employee headcount and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the loans. The SBA guaranteed the loans and ultimately determined the amount of forgiveness. The \$2,000,000 PPP loan was evidenced by a promissory note, which bore interest at a fixed annual rate of 1.00%, with the first 10 and six months of interest deferred, respectively. The Company received full forgiveness of the PPP loan, which was recognized as revenue from government grants in the amount of \$2,000,000 on the consolidated statements of operations in 2021.

In 2021, the Company applied for and received a \$190,000 grant from the Ohio Department of Development. The amount was received from the Food and Beverage Establishment Grant program, which provided individual grants to eligible businesses that experienced at least a 10% reduction in revenue in 2020 at one or more Ohio locations as a result of COVID-19. The Company recognized this amount as revenue from government grants on the consolidated statements of operations in 2021.

In 2020, the Company had deferred payment of approximately \$852,000 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. Fifty percent of the deferred tax credit was paid by December 31, 2021, and the remainder was recorded as a liability in accrued expenses and liabilities as of January 2, 2022. This amount was paid, and the liability was relieved during the year ended January 1, 2023.

NOTE 7 - RELATED PARTIES

Effective August 2014, the Company entered into a lease agreement with Cedar Real Co. LTD, an entity of which the Company's majority owner and Chief Executive Officer (the CEO), has an ownership interest. The agreement provided for monthly rent in the amount of approximately \$12,373 over the five-year base term to be paid by the tenant to the landlord to occupy office space in Columbus, Ohio. The lease agreement contained three separate one-year renewal options. The lease agreement contained a termination clause in which if there is a change of control or the CEO exits the Company, the tenant may terminate upon 60 days' written notice and pay a termination fee, which is the lesser of 12 month's rent or rent owed for the remainder of the term if less than 12 months.

In October 2022, the Company entered into a new lease agreement with Cedar Real Co. LTD. The new agreement provided for a term of five years to October 2027 and contained two separate three-year renewal options. Monthly rent payments in the amount of approximately \$13,047 are due for the first year and escalate each year thereafter.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 8 - ACCRUED EXPENSES AND LIABILITIES

Accrued expenses and liabilities consist of the following as of:

	<u>January 1, 2023</u>	<u>January 2, 2022</u>
Accrued payroll and benefits	\$ 4,025,113	\$ 2,356,470
Rent and related costs	2,153,329	4,301,098
Payroll, sales and other taxes	1,124,369	1,471,409
Other	962,173	1,354,113
Current deferred franchise development revenues	<u>601,455</u>	<u>519,342</u>
Total Accrued Expenses And Liabilities	\$ <u>8,866,439</u>	\$ <u>10,002,432</u>

NOTE 9 - LEASES

All of the Company's locations are in leased facilities. Most of the leases provide for the payment of base rents plus real estate taxes, utilities, insurance, common area charges and certain other expenses. Some of the leases have percentage rents, in lieu of base rents, generally ranging from 10% to 20% of net eatery sales in excess of stipulated amounts.

In December 2020, the Company engaged Hilco Real Estate (Hilco) to negotiate rent reductions or concessions from landlords. Through the Company's own efforts and Hilco's assistance, approximately \$1,968,000 of accrued rent costs at January 2, 2022 and \$5,290,000 of accrued rent costs at January 3, 2021 were reversed as the lease negotiations became fully executed in 2022 and 2021. As a result, a reduction in occupancy of approximately \$1,968,000 and \$5,290,000 is recognized in occupancy expense on the consolidated statements of operations, respectively.

Consistent with guidance in the FASB Staff Q&A regarding lease concessions related to the effects of the COVID-19 pandemic, the Company has made the election to treat all lease concessions as though the enforceable rights and obligations existed in each contract and, therefore, has not applied the lease modification guidance in ASC 840 and 842. As such, these concessions have had no impact to the straight-line rent expense.

On January 3, 2022, the Company adopted Topic 842 using the "comparatives under 840 option" as amended by ASU 2018-11. The reported results for the year ended January 1, 2023 reflect the application of Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with historical accounting under Topic 840.

The Company elected the practical expedient package permitted under the transition approach. As such, the Company did not reassess whether any expired or existing contracts are or contain leases, did not reassess historical lease classification, and did not reassess initial direct costs for any leases that existed prior to January 3, 2022.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 9 - LEASES (Continued)

As of the date of adoption, the Company recognized operating lease right-of-use assets and liabilities of approximately \$45,406,000 and \$46,547,000, respectively, on the consolidated balance sheet.

The Company has operating leases for corporate office and stores.

The consolidated balance sheet components of the leases at January 1, 2023 were as follows:

	January 1, 2023
Operating leases:	
Operating right-of-use assets	\$ 39,531,661
Other current liabilities	\$ 12,699,217
Long-term operating lease liabilities	27,699,902
Total Operating Lease Liabilities	\$ 40,399,119
Finance leases:	
Finance right-of-use asset	\$ 606,811
Accumulated amortization	(126,419)
Finance Right-Of-Use Asset, Net	\$ 480,392
Current portion of finance lease liabilities	\$ 151,566
Finance lease liabilities, net of current portion	336,613
Total Finance Lease Liabilities	\$ 488,179

The components of lease expense within the consolidated statements of operations were as follows for the year ended January 1, 2023:

	January 1, 2023
Finance lease cost:	
Amortization of finance leases	\$ 126,419
Interest on lease liabilities	7,057
Total Finance Lease Cost	133,476
Operating lease cost	16,520,021
Short-term lease cost	69,948
Total Operating Lease Cost	\$ 16,589,969

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 9 - LEASES (Continued)

The cash flow components of the leases were as follows for the year ended January 1, 2023:

	January 1, 2023
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ (17,641,423)
Operating cash flows from finance leases	(7,057)
Financing cash flows from finance leases	(118,632)
Right-of-use assets obtained in exchange for new lease liabilities as a result of new and amended leases entered into during 2022:	
Operating leases	12,993,307
Finance leases	606,811
Total Right-of-Use Assets Obtained In Exchange For New Lease Liabilities	\$ <u>13,600,118</u>

The weighted-average remaining lease term (in years) and discount rate were as follows for the periods presented:

	January 1, 2023
Operating lease weighted-average remaining lease term	3.83
Operating lease weighted-average discount rate	2.05%
Finance lease weighted-average remaining lease term	3.25
Finance lease weighted-average discount rate	1.56%

As of January 3, 2023, estimated annual maturities of lease liabilities for the subsequent years were as follows:

Year Ending	Operating Leases	Finance Leases	Total
2023	\$ 13,408,924	\$ 157,896	\$ 13,566,820
2024	10,373,714	157,896	10,531,610
2025	7,771,451	157,896	7,929,347
2026	5,224,149	26,316	5,250,465
2027	3,598,266	-	3,598,266
Thereafter	1,809,039	-	1,809,039
Total Minimum Lease Payments	42,185,543	500,004	42,685,547
Less: Amounts representing interest	(1,786,424)	(11,825)	(1,798,249)
Present Value Of Total Lease Liabilities	\$ <u>40,399,119</u>	\$ <u>488,179</u>	\$ <u>40,887,298</u>

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 9 - LEASES (Continued)

As of January 2, 2022, approximate future minimum rental required under noncancelable operating leases, including any modifications entered into subsequent to year-end and agreements entered into to open eateries subsequent to year-end, were as follows:

<u>Year Ending:</u>	<u>Amount</u>
2022	\$ 14,612,000
2023	9,231,000
2024	5,466,000
2025	3,771,000
2026	2,306,000
Thereafter	<u>1,967,000</u>
	\$ <u>37,353,000</u>

Occupancy expenses under operating leases for 2021, as accounted for under previous guidance, were as follows:

	<u>2021</u>
Minimum rentals	\$ 10,558,542
Percentage rent	2,345,568
Common area charges	<u>7,898,935</u>
Total Occupancy Expense	\$ <u>20,803,045</u>

Prior to the adoption of ASC 842, the Company accounted for deferred rent and deferred lease incentives as noted below:

Deferred Rent - Rent expense on noncancelable leases containing known future scheduled rent increases or free-rent periods was recorded on a straight-line basis over the respective lease term. The lease term began when the Company had the right to control the use of the leased property and included the initial noncancelable lease term plus any periods covered by renewal options that the Company considered reasonably assured of exercising. The difference between rent expense and rent paid was accounted for as deferred rent and was amortized over the lease term.

In accordance with its policy, the Company reviewed the estimated useful lives of its leases on an ongoing basis. This review indicated that the Company felt it was reasonably certain of extending for at least one additional term through either an option per leases agreement at inception or renegotiated terms to better reflect the expected period of time the Company would occupy the leased real estate.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 9 - LEASES (Continued)

Deferred Lease Incentives - The Company received cash allowances from landlords for leasehold improvements, which were deferred and accreted on a straight-line basis over the lesser of the lease life or lease term as a reduction of rent expense.

NOTE 10 - DEBT

In July 2019, the Company obtained a \$25,000,000 Term Loan Facility (the Term Loan), of which the full amount was drawn, by and among the borrower, Gordon Brothers Finance Company, as administrative agent and lender. The proceeds from the 2019 Term Loan were used to extinguish a prior Term Loan and provide additional operating capital. The amount outstanding, net of debt issuance costs as of January 1, 2023 and January 2, 2022, is \$23,500,000 and \$24,573,000, respectively. Debt issuance costs related to the 2019 Term Loan in the amount of \$1,274,000 were capitalized and were reflected as a reduction of the principal balance.

On May 1, 2020, the Company amended the Term Loan with Gordon Brothers Finance Company (the First Amendment). As a result of the First Amendment, the margin on the interest rate was adjusted, and may range from 9.0% to 11.0%, depending on certain circumstances related to debt availability, as defined by the Term Loan Agreement. The amended 2019 Term Loan incurred interest at the LIBOR rate with a floor of 1.75% plus an applicable margin of 9% to 11%. In addition, principal payments were deferred until February 1, 2021. Debt issuance costs related to the amendment of \$139,000 were capitalized and are reflected as a reduction of the principal balance. The Term Loan agreement was amended to allow for additional funding through a capital infusion (see Note 1) or funding through the PPP program. (See Note 6.)

On January 15, 2021, the Company entered in a Forbearance Agreement (the Forbearance Agreement) with Callodine Commercial Finance (Callodine), the successor company to Gordon Brothers Finance Company, due to failure of specific covenants. The Company requested from Callodine and received a forbearance from exercising the rights and remedies granted pursuant to the financing agreement and other loan documents. Subsequent to the forbearance agreement, an amendment to the Term Loan was entered into, which included a waiver of covenant violations at January 3, 2021.

On February 26, 2021, the Company entered into the second amendment on the Term Loan with Callodine (the Second Amendment). In accordance with the Second Amendment, the Term Loan bore interest at the LIBOR rate with a floor of 1.0% plus an applicable margin of 7.5%. The term loan borrowing base and advance rate were also eliminated through this amendment, and the minimum franchise income requirement was waived until December 31, 2021. In addition, principal payments were deferred until August 1, 2022. Starting August 1, 2022, the Company will make quarterly principal payments of \$621,000 through May 1, 2023. All principal and accrued interest are due through a balloon payment on June 30, 2023. Debt issuance costs related to the Second Amendment in the amount of \$407,000 were capitalized and are reflected as a reduction of the principal balance. The Second Amendment resulted in a debt extinguishment loss of approximately \$1,071,000 in accordance with ASC 470 Debt in 2021 and was recorded as other expense on the consolidated statement of operations for the year ended January 2, 2022.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 10 - DEBT (Continued)

On March 8, 2023, the Company entered into the third amendment on the Term Loan with Callodine (the Third Amendment). In accordance with the Third Amendment, the Term Loan bears interest at the Secured Overnight Financing Rate (SOFR) plus SOFR adjustment of 0.15% with a floor of 2% plus an applicable margin of 8.25%. The Term Loan Commitments are reduced to \$22,500,000 and the maturity date is extended to March 8, 2026. Starting January 1, 2024, the Company will make quarterly principal payments of \$562,500 through January 1, 2026. All principal and accrued interest are due through a balloon payment on March 8, 2026. The classification of debt on the consolidated balance sheets as of January 1, 2023 has been adjusted to reflect the effects of this amendment.

The Term Loan contains a number of customary negative covenants that, among other things, limit or restrict the ability of Borrower and its subsidiaries to incur additional indebtedness (including guarantee obligations), liens and other restrictions. There are certain affirmative covenants that require the delivery of certain periodic financial information as well as audited consolidated financial statements. The amendments resulted in adjustments to financial covenants. In accordance with the Third Amendment, the Company is required to maintain franchise-related income of \$9,000,000 from March 8, 2023 through December 31, 2023, \$12,000,000 from January 1, 2024 through December 31, 2024, and \$14,000,000 thereafter and through the maturity of the agreement. In addition, the Company was required to maintain liquidity (as defined in the Term Loan agreement) of \$3,500,000 through March 8, 2023 and \$4,000,000 thereafter and through the maturity of the agreement. As of January 1, 2023 and January 2, 2022, the Company was compliant with its financial covenants.

Voluntary prepayments are permitted without penalty. Collateral includes all business assets, excluding certain equipment and exempt deposit accounts as described in the security interest agreement.

Debt issuance costs related to debt financings are amortized over the term of the debt agreement using the straight-line method, which approximates the interest method, and are recorded as a component of interest expense. During 2022 and 2021, the Company recorded amortization of debt issuance costs of approximately \$169,000 and \$190,000, respectively.

The aggregate principal maturities of long-term obligations, less debt issuance costs, for each of the years subsequent to January 1, 2023, as dictated by the Third Amendment executed in March 2023 as further described above, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2023	\$ 1,098,154
2024	2,250,000
2025	2,250,000
2026	<u>18,000,000</u>
	23,598,154
Less: Debt issuance costs	<u>98,521</u>
	<u>\$ 23,499,633</u>

SBARRO HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 11 - FAIR VALUE MEASUREMENT

The following disclosure enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Certain assets and liabilities must be carried at fair value and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company believes that these fair value determinations still follow appropriate methodology, even given recent changes in the overall financial markets. The Company generally applies fair value techniques on a nonrecurring basis associated with (1) valuing potential impairment loss related to trademarks and definite-lived intangible assets and (2) valuing potential impairment loss related to property and equipment. These assets are recognized at fair value when they are determined to be other-than-temporarily impaired.

During 2022 and 2021, the Company recognized fair market value adjustments with a charge to earnings from assets measured at fair value (Level 3) on a nonrecurring basis. In accordance with the provisions of FASB ASC 360, Property, Plant and Equipment, property and equipment held and used were written down to their fair value, resulting in an impairment charge during 2022 and 2021 of approximately \$228,000 and \$44,000, respectively.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 12 - INCOME TAXES

The components of the deferred tax assets and liabilities are as follows:

	January 1, 2023	January 2, 2022
Assets		
Accruals and reserves	\$ 858,757	\$ 1,587,240
Net operating loss carryforwards (NOL)	29,815,615	31,658,384
Tax credits	2,593,125	2,565,275
Depreciation and amortization	1,309,845	1,211,833
Intangible assets	268,887	107,710
Interest expense	2,295,873	1,998,650
Operating lease liabilities	11,593,174	-
	48,735,276	39,129,092
Valuation allowance	(34,613,002)	(35,580,651)
Total Deferred Tax Assets		
	14,122,274	3,548,441
Liabilities		
Deferred expenses	134,665	87,268
Intangible assets	2,618,687	3,461,173
Operating right-of-use assets	11,368,922	-
Total Deferred Tax Liabilities		
	14,122,274	3,548,441
Total Net Deferred Tax Liability		
	-	-
	2022	2021
Current		
Federal	-	-
State and local	\$ 122,431	\$ 99,869
Foreign	321,321	209,080
Total Current		
	443,752	308,949
Deferred		
Federal	-	-
State and local	-	-
Total Deferred		
	-	-
Total Income Tax Provision		
	\$ 443,752	\$ 308,949

The significant differences between the reported amount of income tax expense attributable to loss from operations before income taxes and the expected amount of income tax benefit that would result from applying domestic federal statutory tax rates to pre-tax income are primarily state and local taxes, permanent nondeductible tax items, and the change in the valuation allowance.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 12 - INCOME TAXES (Continued)

As of January 1, 2023 and January 2, 2022, the Company has approximately \$126,400,000 and \$129,400,000, respectively, of Federal and various state net operating loss carry-forwards. These carry-forwards will begin to expire in or around the year 2032, depending on jurisdiction.

As of January 1, 2023 and January 2, 2022, there were no reserves for uncertain tax positions or any accrued interest or penalties related to unrecognized tax benefits.

NOTE 13 - STOCK-BASED COMPENSATION

On December 21, 2021, the Company approved the SAR Plan, which provides for the granting of SAR to consultants, directors, key management and highly compensated employees of the Company as selected by the Board of Directors. The SAR vests in four equal 25% installments on December 31st of each calendar year, beginning with the year within which the qualification date occurs. The qualification date can occur prior to the adoption of the plan and is defined by the SAR agreement. All vested SAR may be exercised on the earlier of the fifth anniversary of the participant's grant date, a change in control, or the participant's separation from service. Upon the exercise of the SAR, the participant shall be entitled to a cash payment equal to the appreciation value of the participant's vested SAR, subject to withholdings under applicable laws. The exercise price of the SAR shall not be less than 100% of the SARs fair market value on the grant date as defined in the plan document. The fair value of the SAR are estimated using the valuation method as described in Note 2. The Company recognized a SAR liability in other liabilities in the consolidated balance sheets. As of January 2, 2022, the Company had issued 445,000 SARs, with a grant value per SAR of \$1.00 and fair value of \$369,000, of which 387,500 SARs were vested. During the year ended January 1, 2023, the Company issued 20,000 additional SARs, with a grant value per SAR of \$1.95. As of January 1, 2023, the Company had issued 465,000 SARs in total with a fair value of \$976,000, of which 418,750 SARs were vested.

The Company realized shared-based compensation expense of approximately \$606,000 and \$369,000, that is recognized in general and administrative expenses in the consolidated statement of operations for the years ended January 1, 2023 and January 2, 2022, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Company has sold various units to unrelated parties. In connection with the sale, the Company provided lease guarantees on each unit. These guarantees extend through 2029 (the latest lease expiration date on the sold stores). The maximum potential commitment that exists under these guarantees as of January 1, 2023 is approximately \$6,066,000. No liability was recorded on the consolidated balance sheets for these guarantees as of January 1, 2023 and January 2, 2022.

Other Contracts - From time to time, the Company enters into commitments to purchase certain commodities, most notably cheese and flour, at a set price for a given period of time. The Company does not expect to incur any losses under these contracts.

SBARRO HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 1, 2023 AND JANUARY 2, 2022

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Product Purchase Distribution Arrangement - The Company has a contractual arrangement with a national independent wholesale distributor until July 2023, which requires the Company to purchase 90% of its food ingredients and product requirements for its Company-owned eateries from this wholesale distributor, except for produce and small wares. The agreement does not require the Company to purchase any specific fixed quantities. The agreement does call for certain set commodity prices for a given period of time; however, the Company does not expect to incur any losses under this agreement. Among the factors that will affect the dollar amount of purchases the Company makes under the contract are:

- Number of Sbarro locations open during the term of the contract;
- Level of sales made at Sbarro locations;
- Market price of mozzarella cheese and other commodity items;
- Price of diesel fuel; and
- Mix of products sold by Sbarro locations.

Legal Proceedings - From time to time, the Company may be subject to lawsuits and other charges from customers and employees, which are typical within the industry. In the opinion of management, the resolution of any open matters will not have a material effect upon the consolidated financial position, results of operations or cash flows of the Company other than the ongoing litigation discussed below.

The Company has estimated \$1,000,000 in legal reserves associated with ongoing litigation filed by a former employee and is included in other liabilities on the consolidated balance sheets as of January 1, 2023 and January 2, 2022. Management's estimate is based reasonable outcomes from the facts and circumstances established as of the issue date of this report.

NOTE 15 - EMPLOYEE BENEFIT PLAN

Defined Contribution Plan - The Company participates in a defined contribution retirement plan (Plan) for all qualified employees. Under the Plan, eligible employees may contribute a portion of their salary until retirement, and the Company matches 50% of the employee contribution up to \$1,500 per year. Effective for the 2022 Plan Year, the Company matches 100% of employee contributions, up to 4% of each employee's eligible pay. For 2022 and 2021, the Company made approximately \$305,000 and \$72,000, respectively, in employer contributions to the Plan.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

Columbus, Ohio

Consolidated Financial Statements
For the years ended January 2, 2022 and January 3, 2021

And Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Sbarro Finance, Inc. and Subsidiaries
Columbus, Ohio

Opinion

We have audited the accompanying consolidated financial statements of New Sbarro Finance, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of January 2, 2022 and January 3, 2021 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the fiscal years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Sbarro Finance, Inc. and Subsidiaries as of January 2, 2022 and January 3, 2021, 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 New Sbarro Finance, Inc. and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Sbarro Finance, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 New Sbarro Finance, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Sbarro Finance, Inc. and Subsidiaries' 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.

Schneider Downs & Co., Inc.

Columbus, Ohio
March 31, 2022

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NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 2, 2022	January 3, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,331,819	\$ 9,505,424
Accounts receivable - trade, net	2,442,167	1,650,302
Accounts receivable - other	1,165,863	664,832
Inventories	999,939	756,615
Prepaid expenses	2,283,664	659,681
Current portion of deferred expenses	41,989	96,361
Total Current Assets	25,265,441	13,333,215
PROPERTY AND EQUIPMENT, net	9,917,533	12,278,751
OTHER ASSETS		
Construction in progress	102,546	53,549
Trademarks, net	10,417,211	12,500,519
Franchise relationships and agreements, net	4,916,667	5,916,667
Deferred expenses, net of current portion	257,264	195,807
Other assets	124,035	163,895
Total Other Assets	15,817,723	18,830,437
Total Assets	<u>\$ 51,000,697</u>	<u>\$ 44,442,403</u>

	January 2, 2022	January 3, 2021
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 2,037,612	\$ 1,387,027
Accrued expenses and liabilities	10,002,432	15,738,390
Accrued interest payable	366,546	229,528
Current portion of debt	1,242,008	-
Total Current Liabilities	13,648,598	17,354,945
LONG-TERM LIABILITIES		
Debt, net of current portion	23,330,740	23,689,222
Deferred revenue, net of current portion included in accrued expenses and liabilities	760,371	930,082
Deferred rent	1,959,137	2,062,785
Deferred lease incentives	740,436	1,124,456
Other liabilities	2,158,635	1,495,644
Total Long-Term Liabilities	28,949,319	29,302,189
Total Liabilities	42,597,917	46,657,134
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - authorized 12,000,000 and 4,000,000 shares; \$.0001 par value issued and 10,039,092 and 2,539,092 shares outstanding at January 2, 2022 and January 3, 2021, respectively	-	-
Additional paid-in capital	98,737,681	91,237,681
Accumulated deficit	(90,130,371)	(93,042,531)
Total Stockholders' Equity (Deficit)	8,607,310	(1,804,850)
Noncontrolling Interests	(204,530)	(409,881)
Total Stockholders' Equity (Deficit) Including Noncontrolling Interests	8,402,780	(2,214,731)
Total Liabilities And Stockholders' Equity	\$ 51,000,697	\$ 44,442,403

See notes to the consolidated financial statements.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JANUARY 2, 2022 AND JANUARY 3, 2021

	January 2, 2022	January 3, 2021
OPERATING REVENUES		
Restaurant sales, net	\$ 103,643,976	\$ 61,197,736
Franchise-related income	7,626,816	4,368,421
	111,270,792	65,566,157
REVENUE FROM GOVERNMENT GRANTS	2,190,000	9,707,000
Total Revenues		
	113,460,792	75,273,157
OPERATING COSTS		
Food and beverage costs, net	19,219,222	12,250,034
Supplier rebates	(511,082)	(386,049)
Wages, payroll taxes and benefits	32,348,138	20,746,528
Direct operating expenses	12,456,484	12,270,157
Occupancy	20,803,045	28,051,840
Straight-line rent adjustment	(103,648)	(343,795)
General and administrative expenses	15,720,064	12,919,940
Impairment of property and equipment	43,984	996,591
Loss on disposal of property, equipment and inventory	577,304	807,711
Depreciation and amortization	5,785,491	6,137,145
Pre-opening expenses	6,624	20,341
	106,345,626	93,470,443
Operating Income (Loss)		
	7,115,166	(18,197,286)
OTHER EXPENSE, NET		
Other expense, net	(1,042,915)	(3,827)
Interest expense	(2,645,791)	(3,373,545)
	(3,688,706)	(3,377,372)
Income (Loss) From Continuing Operations Before Income Taxes		
	3,426,460	(21,574,658)
INCOME TAXES	308,949	285,479
Net Income (Loss) From Continuing Operations	3,117,511	(21,860,137)
Net income (loss) attributable to noncontrolling interest	205,351	(470,043)
Net Income (Loss) Attributable To New Sbarro Finance, Inc. and Subsidiaries		
	\$ 2,912,160	\$ (21,390,094)

See notes to the consolidated financial statements.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED JANUARY 2, 2022 AND JANUARY 3, 2021

	Common Units	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interests	Total
BALANCE, December 29, 2019	-	\$ 91,069,600	\$ (71,652,437)	\$ 60,162	\$ 19,477,325
Net loss	-	-	(21,390,094)	(470,043)	(21,860,137)
Stock-based compensation	-	168,081	-	-	168,081
BALANCE, January 3, 2021	-	91,237,681	(93,042,531)	(409,881)	(2,214,731)
Net income	-	-	2,912,160	205,351	3,117,511
Contributions	-	7,500,000	-	-	7,500,000
BALANCE, January 2, 2022	-	\$ 98,737,681	\$ (90,130,371)	\$ (204,530)	\$ 8,402,780

See notes to the consolidated financial statements.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 2, 2022 AND JANUARY 3, 2021

	January 2, 2022	January 3, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 3,117,511	\$ (21,860,137)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,785,491	6,137,145
Paid-in-kind interest	28,955	123,708
Bad debt expense	643,191	846,240
Impairment of property and equipment	43,984	996,591
Loss on disposal of property, equipment and inventory	577,304	807,711
Loss on extinguishment of debt	1,071,043	-
Amortization of debt issuance costs	190,451	294,473
Lease incentive accretion	(384,020)	174,878
Deferred rent accretion	(103,648)	343,795
Stock-based compensation	-	168,081
(Increase) decrease in:		
Accounts receivable	(1,936,087)	251,701
Inventories	(326,817)	(341,730)
Prepaid expenses	(1,623,983)	2,624,247
Deferred expenses	(7,085)	10,567
Other assets	39,860	239,938
(Decrease) increase in:		
Accounts payable, accrued expenses and liabilities	(5,301,084)	6,172,472
Other liabilities	662,991	1,495,644
Accrued interest payable	137,018	5,421
Net Cash Provided By (Used In) Operating Activities	<u>2,615,075</u>	<u>(1,509,255)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including investment in construction in progress	<u>(881,757)</u>	<u>(1,156,550)</u>
Net Cash Used In Investing Activities	<u>(881,757)</u>	<u>(1,156,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions	7,500,000	-
Payment of debt issuance costs	(406,923)	(139,016)
Principal payments on term loan	<u>-</u>	<u>(312,500)</u>
Net Cash Provided By (Used In) Financing Activities	<u>7,093,077</u>	<u>(451,516)</u>
Net Increase (Decrease) In Cash	8,826,395	(3,117,321)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>9,505,424</u>	<u>12,622,745</u>
End of year	<u><u>\$ 18,331,819</u></u>	<u><u>\$ 9,505,424</u></u>

	January 2, 2022	January 3, 2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 2,289,000</u>	<u>\$ 3,374,000</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES

The Company incurred approximately \$46,000 in accounts payable related to purchases of construction in progress in 2021.

See notes to the consolidated financial statements.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 1 - ORGANIZATION

The consolidated financial statements relate to the accounts of New Sbarro Finance, Inc., its wholly owned subsidiaries, including New Sbarro Intermediate Holdings, Inc. (the Borrower) and Sbarro LLC., as the operating company (together, the Company or Sbarro), which records all activity of the Borrower and of its subsidiaries and the accounts of those joint ventures of which the Company is the primary beneficiary. New Sbarro Finance, Inc. is a wholly owned subsidiary of Sbarro Holdings, Inc. (an entity formed in November 2011), which owns 100% of the Company's outstanding common stock. The Company has eliminated all intercompany accounts and transactions. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

In February 2021, the Company approved the sale and issuance of 7,500,000 shares of Common Stock, par value, \$0.0001 per share at a purchase price of \$1.00 per share, which raised a total of \$7,500,000.

As of January 2, 2022, the Company had a global base of 591 locations in 22 countries, with 152 company-owned units, and 439 franchised units. As of January 3, 2021, the Company had a global base of 566 locations in 23 countries, with 164 company-owned units, and 402 franchised units. Sbarro eateries feature a menu of handmade pizzas and strombolis that are made with dough made in-house daily, sauce made from San Marzano tomatoes, and whole-milk Mozzarella shredded in-house. The eateries also feature a selection of pasta dishes, salads, drinks and desserts.

The company-owned eateries are all located in North America, with locations in 36 states in the United States and the District of Columbia and are comprised of 132 "food court" eateries, 16 "in-line" eateries, two "neighborhood" eateries, one convenience store eatery and one location in the National Zoo as of January 2, 2022. Food court locations are primarily located in areas designated by the location's landlord exclusively for food service and share a common dining area provided by the landlord. These locations generally occupy between 500 and 1,000 square feet (unaudited), contain only kitchen and service areas, serve 50 to 250 customers per day and employ 8 to 20 persons, including part-time personnel. The Company's franchise locations are located primarily in shopping malls, airports, college campuses, travel centers, convenience stores and other high-pedestrian-traffic areas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

Reporting Period - The Company's fiscal year is the 52- or 53-week period ending on the Sunday closest to December 31. The 2021 fiscal year ended on January 2, 2022, and the consolidated financial statements are for the year from January 4, 2021 to January 2, 2022 (2021) and include 52 weeks. The 2020 fiscal year ended on January 3, 2021, and the consolidated financial statements are for the year from December 30, 2019 to January 3, 2021 (2020) and include 53 weeks.

Cash and Cash Equivalents - The Company considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also include approximately \$1,101,000 and \$977,000 as of January 2, 2022 and January 3, 2021, respectively, of amounts due from commercial credit card companies, which are generally received within a few days of the related transactions.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Trade and Other - Accounts receivable primarily consist of amounts due from franchisees, primarily for royalties and vendor rebates. The Company reports receivables at net realizable value.

The Company monitors the financial condition of its franchisees and records provisions for estimated losses from receivables when it believes that its franchisees are unable to make their required payments. While the Company uses the best information available in making its determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond its control. The allowance for doubtful accounts amounted to approximately \$763,000 and \$1,216,000 at January 2, 2022 and January 3, 2021, respectively.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. At times, cash balances held at financial institutions were in excess of federally insured limits; however, the Company primarily places its cash and cash equivalents with high-credit quality financial institutions. The Company has not experienced any losses on its deposits of cash or cash equivalents.

Concentration of credit risk with respect to accounts receivable is generally limited to franchise fees and royalties. Prior to the Company entering into an agreement with a new franchisee, an evaluation of its financial position and creditworthiness is completed. The Company has established an allowance for doubtful accounts based upon factors surrounding the credit risk of certain franchisees and other information.

The Company had two customers account for 25% and 21% net accounts receivable - trade, at January 2, 2022 and January 3, 2021, respectively. No one customer accounted for more than 10% of net revenues for 2021 or 2020.

Inventories - Inventory consisting of food and beverages is carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment - Property and equipment are stated at acquisition cost less accumulated depreciation and amortization and any impairments.

Furniture, fixtures, equipment and leasehold improvements are depreciated and amortized using the straight-line method based on the following estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the life of the lease, including renewal options as determined by management, or the estimated life of the asset. Routine expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for renewals and betterments, which materially extend the useful lives of assets or increase their productivity, are capitalized.

Estimated useful lives for purposes of depreciation and amortization are as follows:

	<u>Estimated Useful Lives (In Years)</u>
Kitchen and eatery equipment	5-10
Furniture and fixtures	5-10
Office and other equipment	3-7
Leasehold improvements	Shorter of economic life or lease term

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold improvements financed by the landlord through construction allowances are capitalized as leasehold improvements with the construction allowances recorded as deferred lease incentives. Depreciation of the leasehold improvements is included in depreciation and amortization expense in the consolidated statements of operations.

Management reviews property and equipment for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset and during the fourth quarter of each fiscal year or when a triggering event occurs. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified, which is generally at the eatery level. For 2021 and 2020, an impairment charge of approximately \$44,000 and \$997,000, respectively, was recorded in the fourth quarter of each year due to store underperformance.

Construction in Progress - The Company capitalizes eatery construction costs in construction in progress until such eatery opens, at which time the capitalized costs are transferred to property and equipment and depreciated over their estimated useful lives. Interest costs and wages directly related to the construction of new eateries incurred during an eatery's construction period are capitalized. For the years ended January 2, 2022 and January 3, 2021, there were approximately \$103,000 and \$54,000, respectively, of capitalized costs in construction in progress.

Exit or Disposal Cost Obligations - The Company accounts for exit or disposal activities, including eatery closures, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 420-10, Exit or Disposal Cost Obligations. Such costs include the cost of disposing of the assets and liabilities as well as other facility-related expenses from previously closed eateries. These costs are generally expensed as incurred. Additionally, at the date the Company ceases using property under an operating lease, the Company records a liability for the net present value of any remaining lease obligations, net of estimated sublease income, or any lease buyout amount agreed upon by the Company and lessor, which would release the Company from any future lease obligations. Any subsequent adjustments to that liability, as a result of lease termination or changes in estimates of sublease income, are recorded in the period incurred. There were no liabilities related to exit or disposal cost obligations as of January 2, 2022. There was approximately \$865,000 accrued for exit or disposal cost obligations as of January 3, 2021.

Debt Issuance Costs and Discounts - Debt issuance costs and discounts are capitalized in the consolidated balance sheets and are reported net within debt. The Company amortizes its debt discounts to interest expense over the term of the related debt. (See Note 9.)

Intangible Assets - Identifiable intangible assets consist of trademarks and franchise relationships, which are amortized on a straight-line basis over their estimated useful life. The Company evaluates its trademarks and other definite-lived intangible assets whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable or impairment indicators exist. The resulting impairment charges are included in the consolidated statements of operations. Management determined no impairment of intangible assets was present during 2021 or 2020; thus, no impairment charge was recorded. (See Note 5.)

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Assets - Other assets primarily consist of deposits with landlords on various eatery locations and with utility providers.

Taxes Collected from Customers - The Company collects sales tax from its customers on product sales that is remitted to various state governmental authorities when due. The Company's policy is to record sales taxes collected from customers on a net basis.

Deferred Rent - Rent expense on noncancelable leases containing known future scheduled rent increases or free-rent periods are recorded on a straight-line basis over the respective lease term. The lease term begins when the Company has the right to control the use of the leased property and includes the initial noncancelable lease term plus any periods covered by renewal options that the Company considers reasonably assured of exercising. The difference between rent expense and rent paid is accounted for as deferred rent and is amortized over the lease term.

In accordance with its policy, the Company reviews the estimated useful lives of its leases on an ongoing basis. This review indicated that the Company feels it is reasonably certain of exercising at least one renewal option per lease agreement at inception to better reflect the expected period of time the Company will occupy the leased real estate.

Deferred Lease Incentives - The Company receives cash allowances from landlords for leasehold improvements, which are deferred and accreted on a straight-line basis over the lesser of the lease life or lease term as a reduction of rent expense.

Stock-Based Compensation - On June 2, 2014, the Company approved the 2014 Equity Incentive Plan (2014 Plan). The Company used the Black-Scholes option-pricing model to determine the fair value of stock options at date of grant. The determination of the grant date fair value of options using an option-pricing model is affected by the stock price as determined by the Board of Directors as well as assumptions regarding a number of complex and subjective variables. The award was recognized as expense ratably on a straight-line basis over the vesting period. The 2014 Plan was terminated during 2021.

On December 21, 2021, the Company approved the stock appreciation rights (SAR) plan (SAR Plan). The Company uses a valuation method based on the adjusted EBITDA, as defined by the plan document, to determine the fair value of the stock appreciation rights (SAR). The determination of the fair value of the SAR using the valuation model is affected by the valuation multiple and certain balance sheet accounts defined in the plan document. The SAR is adjusted to fair market value and recognized as expense when vested.

Revenue Recognition - The Company presents revenue recognition under Topic 606.

Restaurant Sales - Revenue from restaurant sales is recognized at a point in time when food and beverage are sold at the point of sale and the performance obligation is satisfied and is presented net of customer and employee meals and discounts.

Royalty and Advertising Fees - The Company recognizes revenues from royalties and advertising fees at a point in time in the month they are earned based on franchisee sales, which are included in franchise-related income on the consolidated statements of operations.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise Fees - The Company generates revenues from franchising through individual franchise agreements. In consideration for the payment of an initial franchise fee, continuing royalties and other amounts specified in the franchise agreement, the Company grants new franchisees the use of the Sbarro trademarks, systems, training and store operation assistance.

In accordance with Topic 606, the Company satisfies the performance obligation related to the franchise agreement over the term of the related agreement, which is typically 10 years. Payment for the franchise agreement consists of three components, a fixed-fee related to the franchise agreement, a sales-based royalty fee, and a sales-based advertising fee. The fixed fee, as determined by the signed franchise agreement, is nonrefundable and due at the time the franchise agreement is entered into, and/or when the franchise agreement is signed. Revenue related to these franchise agreements, less separate standalone performance obligations, is recognized on a straight-line basis over the respective term upon adoption of Topic 606, which typically begins the date the franchise agreement is entered.

The Company has identified three separate performance obligations under the franchise agreement that the franchisee benefits from on its own and is distinct within the franchise agreement: design and architecture services, project management and construction supervision, and certain components of training.

Design and architecture services are offered by the Company under the franchise agreement. These services were determined to be general and distinct from the brand. Consideration for these services is provided by the franchise fee; however, the standalone selling price of these services is reduced from the franchise fee and recognized at a point in time when the services have been fully rendered to the franchisee.

Under the franchise agreement, franchisees can elect for the Company to provide project management and construction services. These services were determined to be general and distinct from the brand. Consideration for these services is provided by the franchise fee. The Company reduces the standalone selling price of these services from the franchise fee and recognizes them at a point in time upon providing the services.

Training is provided to all new franchise locations. Both general restaurant industry training and Company-specific training are provided. General training is considered distinct from the brand. Company-specific training was determined to be highly interrelated to the brand. The Company reduces the standalone selling price of the general training from the franchise fee and recognizes revenue at a point in time upon completion of the training. Company-specific training is not considered separately identifiable from the brand and is recognized within the franchise fee on a straight-line basis over the term of the franchise agreement.

During the year ended January 2, 2022, the Company recognized revenue of approximately \$110,826,000 at a point in time and \$445,000 over time. During the year ended January 3, 2021, the Company recognized revenue of approximately \$65,091,000 at a point in time and \$475,000 over time.

Accounting for Vendor Rebates - The Company accounts for vendor rebates and vendor discounts related to the usage of the products for which rebates are received in Company-owned locations as a reduction of the cost of food and beverage products. The rebates are recognized as earned based on usage, which approximates the volume purchased of the related products. These rebate amounts are included as a reduction in food and beverage costs in the consolidated statements of operations.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue and Deferred Expenses - The Company's deferred revenue consists of fees from franchisees upon execution of their respective franchise agreements. The amounts received are recorded as deferred revenue until the Company satisfies requirements under the franchise agreements. Revenue from franchise agreements considered to be interrelated to the brand is recognized on a straight-line basis over the term of the agreement as the underlying performance obligation is satisfied. Deferred revenue for the years ended January 2, 2022 and January 3, 2021 was approximately \$1,272,000 and \$1,338,000, respectively. The future estimated revenue to be recognized related to deferred revenue for the next five years is on average \$224,000 per year.

Incremental direct costs, such as commissions, are deferred and recognized over the life of the related term of the agreement. Deferred costs for the years ended January 2, 2022 and January 3, 2021 were approximately \$299,000 and \$292,000, respectively. The future estimated expense to be recognized related to deferred expenses for the next five years is on average \$39,000 per year.

Advertising, Marketing and Promotion Costs - Advertising, marketing and promotion costs are expensed as incurred. Advertising, marketing and promotion expense was approximately \$536,000 and \$296,000 for 2021 and 2020, respectively, and included in direct operating expenses as well as general and administrative expenses in the accompanying consolidated statements of operations.

Pre-Opening Expenses - Pre-opening costs are expensed as incurred. These include costs associated with the opening and organizing of new eateries. All rent incurred during the construction period is expensed and classified as a component of pre-opening expenses.

Noncontrolling Interests - The Company presents noncontrolling interests in its consolidated subsidiaries in the stockholder's equity section of its consolidated balance sheets. Related net income or loss attributable to noncontrolling interests is presented separately in the Company's consolidated statements of operations.

Variable Interest Entities - The Company has evaluated its business relationships with franchisees for which it provided a lease guarantee (see Note 13) to identify potential variable interest entities and has concluded that consolidation is not required for the periods presented as a result of the adoption of Accounting Standards Update (ASU) 2014-07.

Income Taxes - The Company files a consolidated U.S. federal income tax return. The Company accounts for income taxes under an asset and liability approach. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance related to the deferred income tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company accounts for uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities in its income tax provision. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company's income tax filings are subject to audit by various taxing authorities. In evaluating the Company's activities, the Company believes its tax payments are current based on recent facts and circumstances.

It is the policy of the Company to include in its consolidated statements of operations, when necessary, penalties and interest assessed by income taxing authorities. The Company recognized interest from taxing authorities of \$173,000 in the consolidated statement of operations during 2021. The Company did not recognize any penalties from taxing authorities during 2021. There are no penalties or interest from taxing authorities included in the consolidated statements of operations for 2020.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates include: allowance for doubtful accounts, the useful lives of intangibles and long-lived assets, estimates of accrued expenses, the lease terms utilized for the Company's operating leases, and the realization of deferred tax assets. Actual results could materially differ from those estimates.

Recent Accounting Pronouncements - In February 2016, the FASB issued new guidance on leasing standards for both lessee and lessors, ASU 2016-02, Leases (Topic 842). Under its core principle, a lessee will recognize lease assets and liabilities on the consolidated balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with current U.S. GAAP. In June 2020, the FASB issued ASU 2020-05, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2021. The Company is assessing the impact that ASU 2016-02 will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). The amendments in this ASU will replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for annual reporting periods beginning after December 15, 2022. Early application is permitted. The Company is assessing the impact that this ASU 2016-13 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04), which provides optional expedients to ease the potential burden of accounting for the effects of reference rate reform as it pertains to contract modifications of debt and lease contracts and derivative contracts identified in a hedging relationship. The amendments of ASU 2020-04 are effective beginning on March 13, 2020 through December 31, 2022. The Company is assessing the impact that ASU 2020-04 will have on its consolidated financial statements.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - Subsequent events are defined as events or transactions that occur after the balance sheet date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through March 31, 2022, the date that the consolidated financial statements were available to be issued and determined there were no events that occurred that would require adjustments to our disclosures in the financial statements.

NOTE 3 - PREPAID EXPENSES

Prepaid expenses consist of the following as of:

	January 2, 2022	January 3, 2021
Prepaid rent	\$ 1,878,680	\$ 88,395
Prepaid insurance	229,159	267,719
Prepaid occupancy	30,688	213,405
Other	145,137	90,162
Total Prepaid Expenses	\$ <u>2,283,664</u>	\$ <u>659,681</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	January 2, 2022	January 3, 2021
Leasehold improvements	\$ 17,833,047	\$ 19,127,231
Furniture, fixtures and equipment	12,757,922	13,491,624
	<u>30,590,969</u>	<u>32,618,855</u>
Less: Accumulated depreciation and amortization	<u>20,673,436</u>	<u>20,340,104</u>
Total Property And Equipment, Net	\$ <u>9,917,533</u>	\$ <u>12,278,751</u>

For 2021 and 2020, depreciation and amortization of property and equipment were approximately \$2,702,000 and \$3,054,000, respectively.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 5 - INTANGIBLE ASSETS

Intangible assets at January 2, 2022 are summarized below:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Trademarks	\$ 36,292,000	\$ 25,874,789	\$ 10,417,211
Franchise relationships	<u>15,000,000</u>	<u>10,083,333</u>	<u>4,916,667</u>
	<u>\$ 51,292,000</u>	<u>\$ 35,958,122</u>	<u>\$ 15,333,878</u>

Intangible assets at January 3, 2021 are summarized below:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Trademarks	\$ 36,292,000	\$ 23,791,481	\$ 12,500,519
Franchise relationships	<u>15,000,000</u>	<u>9,083,333</u>	<u>5,916,667</u>
	<u>\$ 51,292,000</u>	<u>\$ 32,874,814</u>	<u>\$ 18,417,186</u>

The Company performs an impairment test on the trademark and other definite-lived intangible assets whenever events and circumstances indicate that the carrying amount of the asset may not be recoverable or impairment indicators exist. Management determined no impairment indicators were present during 2021. In 2020, management determined that impairment indicators existed, performed an impairment test, and determined that there was no impairment.

The trademark is a definite-lived intangible asset and is amortized over an estimated life of 13 years. Amortization expense was \$2,083,000 for both 2021 and 2020. Franchise relationships are definite-lived intangible assets and are amortized over a period of 15 years. Amortization expense was \$1,000,000 for both 2021 and 2020.

The following table summarizes the expected amortization expense for definite-lived intangible assets:

<u>Year Ending:</u>	
2022	\$ 3,083,308
2023	3,083,308
2024	3,083,308
2025	3,083,308
2026	<u>3,000,646</u>
	<u>\$ 15,333,878</u>

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 6 - GOVERNMENT ASSISTANCE

The Company is a recipient of Paycheck Protection Program (PPP) loans with a bank, granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Company received \$2,000,000 and \$9,707,000 in 2021 and 2020, respectively. Under the program terms, PPP loans are forgiven and recognized as income if the loans proceeds are used to maintain compensation costs and employee headcount and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the loans. The SBA guarantees the loans and ultimately determines the amount of forgiveness. The \$2,000,000 and \$9,707,000 PPP loans were evidenced by a promissory note, which bears interest at a fixed annual rate of 1.00%, with the first 10 and six months of interest deferred, respectively. The Company has received full forgiveness of the PPP loans, which is recognized as revenue from government grants in the amount of \$2,000,000 and \$9,707,000 on the consolidated statements of operations in 2021 and 2020, respectively.

In 2021, the Company applied for and received a \$190,000 grant from the Ohio Department of Development. The amount was received from the Food and Beverage Establishment Grant program, which provides individual grants to eligible businesses that experienced at least a 10% reduction in revenue in 2020 at one or more Ohio locations as a result of COVID-19. The Company recognized this amount as revenue from government grants on the consolidated statements of operations in 2021.

In 2020, the Company had deferred payment of approximately \$852,000 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. Fifty percent of the deferred tax credit was paid by December 31, 2021, with the remainder due by December 31, 2022. The remaining payroll tax deferral of approximately \$426,000 is recorded as a liability in accrued expenses and liabilities as of January 2, 2022. Approximately \$426,000 was included in accrued expenses and liabilities, and approximately \$426,000 was included in other liabilities on the accompanying consolidated balance sheet at January 3, 2021.

NOTE 7 - RELATED PARTIES

Effective August 2014, the Company entered into a lease agreement with Cedar Real Co. LTD, an entity of which the Company's majority owner and Chief Executive Officer (the CEO), has an ownership interest. The agreement provides for monthly rent in the amount of approximately \$12,373 over the five-year base term to be paid by the tenant to the landlord to occupy office space in Columbus, Ohio. The lease agreement contains three separate one-year renewal options. The lease agreement contains a termination clause in which if there is a change of control or the CEO exits the Company, the tenant may terminate upon 60 days' written notice and pay a termination fee, which is the lesser of 12 month's rent or rent owed for the remainder of the term if less than 12 months.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 8 - ACCRUED EXPENSES AND LIABILITIES

Accrued expenses and liabilities consists of the following as of:

	January 2, 2022	January 3, 2021
Payroll, sales and other taxes	\$ 1,471,409	\$ 1,067,474
Rent and related costs	4,301,098	10,223,879
Accrued payroll	1,499,754	1,113,994
Current deferred franchise development revenues	519,342	421,737
Other	2,210,829	2,911,306
Total Accrued Expenses And Liabilities	\$ 10,002,432	\$ 15,738,390

NOTE 9 - DEBT

In July 2019, the Company obtained a \$25,000,000 Term Loan Facility (the Term Loan), of which the full amount was drawn, by and among the Borrower, Gordon Brothers Finance Company, as Administrative Agent and lender. The proceeds from the 2019 Term Loan were used to extinguish a prior Term Loan and provide additional operating capital. The amount outstanding, net of debt issuance costs as of January 2, 2022 and January 3, 2021, is \$24,573,000 and \$23,689,000, respectively. Debt issuance costs related to the 2019 Term Loan in the amount of \$1,274,000 were capitalized and were reflected as a reduction of the principal balance.

On May 1, 2020, the Company amended the Term Loan with Gordon Brothers Finance Company (the First Amendment). As a result of the First Amendment, the margin on the interest rate was adjusted, and may range from 9.0% to 11.0%, depending on certain circumstances related to debt availability, as defined by the Term Loan Agreement. The amended 2019 Term Loan incurred interest at the LIBOR rate with a floor of 1.75% plus an applicable margin of 9% to 11%. In addition, principal payments were deferred until February 1, 2021. Debt issuance costs related to the amendment of \$139,000 were capitalized and are reflected as a reduction of the principal balance. The Term Loan agreement was amended to allow for additional funding through a capital infusion (see Note 1) or funding through the PPP program. (See Note 6.)

On January 15, 2021, the Company entered in a Forbearance Agreement (the Forbearance Agreement) with Callodine Commercial Finance (Callodine), the successor company to Gordon Brothers Finance Company, due to failure of specific covenants. The Company requested from Callodine and received a forbearance from exercising the rights and remedies granted pursuant to the financing agreement and other loan documents. Subsequent to the forbearance agreement, a second amendment to the loan agreement was entered into, which included a waiver of covenant violations at January 3, 2021.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 9 - DEBT (Continued)

On February 26, 2021, the Company entered into the second amendment on the Term Loan with Callodine, (the Second Amendment). In accordance with the Second Amendment, the Term Loan bears interest at the LIBOR rate with a floor of 1.0% plus an applicable margin of 7.5%. The term loan borrowing base and advance rate was also eliminated through this amendment, and the minimum franchise income requirement was waived until December 31, 2021. In addition, principal payments have been deferred until August 1, 2022. Starting August 1, 2022, the Company will make quarterly principal payments of \$621,000 through May 1, 2023. All principal and accrued interest is due through a balloon payment on June 30, 2023. Debt issuance costs related to the Second Amendment in the amount of \$407,000 were capitalized and are reflected as a reduction of the principal balance. The Second Amendment resulted in a debt extinguishment loss of approximately \$1,071,000 in accordance with ASC 470 Debt in 2021 and is recorded as other expense on the consolidated statement of operations for the year ended January 2, 2022.

The Term Loan contains a number of customary negative covenants that, among other things, limit or restrict the ability of Borrower and its subsidiaries to incur additional indebtedness (including guarantee obligations), liens and other restrictions. There are certain affirmative covenants that require the delivery of certain periodic financial information as well as audited consolidated financial statements. The amendment resulted in an adjustment to financial covenants. As a result, the franchise-related income covenant was removed for 2020 and resumed with the trailing 12 months starting June 30, 2021. In addition, the minimum liquidity covenant was removed through July 30, 2020, and effective July 31, 2020 and through July 31, 2022, the Company is required to maintain liquidity (as defined in the 2019 Term Loan agreement) of \$3,500,000. Thereafter and through the maturity of the agreement, the Company is required to maintain liquidity of \$4,000,000. As of January 2, 2022 and January 3, 2021, the Company was compliant with its financial covenants.

Voluntary prepayments are permitted without penalty. Collateral includes all business assets, excluding certain equipment and exempt deposit accounts as described in the security interest agreement.

Debt issuance costs related to debt financings are amortized over the term of the debt agreement using the straight-line method, which approximates the interest method, and are recorded as a component of interest expense. During 2021 and 2020, the Company recorded amortization of debt issuance costs of approximately \$190,000 and \$294,000, respectively.

The aggregate principal maturities of long-term obligations, less debt discounts, for each of the years subsequent to January 3, 2021, taken into account the Second Amendment described above, are as follows:

<u>Year Ending</u>	
2022	\$ 1,242,008
2023	<u>23,598,154</u>
	24,840,162
Less: Debt issuance costs	<u>267,414</u>
	\$ <u>24,572,748</u>

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 10 - FAIR VALUE MEASUREMENT

The following disclosure enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Certain assets and liabilities must be carried at fair value and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company believes that these fair value determinations still follow appropriate methodology even given recent changes in the overall financial markets. The Company generally applies fair value techniques on a nonrecurring basis associated with (1) valuing potential impairment loss related to trademarks and definite-lived intangible assets and (2) valuing potential impairment loss related to property and equipment. These assets are recognized at fair value when they are determined to be other-than-temporarily impaired.

During 2021 and 2020, the Company recognized fair market value adjustments with a charge to earnings from assets measured at fair value (Level 3) on a nonrecurring basis. In accordance with the provisions of FASB ASC 360, Property, Plant and Equipment, property and equipment held and used were written down to their fair value, resulting in an impairment charge during 2021 and 2020 of approximately \$44,000 and \$997,000, respectively.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 11 - INCOME TAXES

The components of the deferred tax assets and liabilities are as follows:

	January 2, 2022	January 3, 2021
Assets		
Accruals and reserves	\$ 1,587,240	\$ 1,637,736
Net operating loss carryforwards (NOL)	31,658,384	32,290,128
Tax credits	2,565,275	2,804,051
Depreciation and amortization	1,211,833	413,065
Intangible assets	107,710	290,610
Interest expense	1,998,650	1,929,916
	<u>39,129,092</u>	<u>39,365,506</u>
Valuation allowance	(35,580,651)	(35,139,836)
Total Deferred Tax Assets	<u>3,548,441</u>	<u>4,225,670</u>
Liabilities		
Accruals and reserves	-	309,924
Deferred expenses	87,268	53,494
Intangible assets	3,461,173	3,862,252
Total Deferred Tax Liabilities	<u>3,548,441</u>	<u>4,225,670</u>
Total Net Deferred Tax Liability	<u>-</u>	<u>-</u>
	<u>2021</u>	<u>2020</u>
Current		
Federal	-	-
State and local	\$ 99,869	\$ 168,092
Foreign	209,080	117,387
Total Current	<u>308,949</u>	<u>285,479</u>
Deferred		
Federal	-	-
State and local	-	-
Total Deferred	<u>-</u>	<u>-</u>
Total Income Tax Provision	<u>\$ 308,949</u>	<u>\$ 285,479</u>

The significant differences between the reported amount of income tax expense attributable to loss from operations before income taxes and the expected amount of income tax benefit that would result from applying domestic federal statutory tax rates to pre-tax income are primarily state and local taxes, permanent nondeductible tax items, and the change in the valuation allowance.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 11 - INCOME TAXES (Continued)

As of January 2, 2022 and January 3, 2021, the Company has approximately \$129,400,000 and \$132,300,000, respectively, of Federal and various State Net Operating Loss carry-forwards. These carry-forwards will begin to expire in or around the year 2032, depending on jurisdiction and may be subject to certain internal revenue code 382 limitations.

As of January 2, 2022 and January 3, 2021, there were no reserves for uncertain tax positions or any accrued interest or penalties related to unrecognized tax benefits.

NOTE 12 - STOCK-BASED COMPENSATION

On June 2, 2014, the Company approved the 2014 Plan, which provided for the granting of stock options to employees, consultants, nonemployee directors and advisors of the Company. Options granted under the 2014 Plan were granted as nonqualified stock options with an exercise price equal to at least 100% of the estimated fair value of the underlying shares on the date of grant as determined by the Board. The 2014 Plan was terminated during 2021.

On December 21, 2021, the Company approved the SAR Plan, which provides for the granting of SAR to consultants, directors, key management and highly compensated employees of the Company as selected by the Board of Directors. The SAR vest in four equal 25% installments on December 31st of each calendar year, beginning with the year within which the qualification date occurs. The qualification date can occur prior to the adoption of the plan and is defined by the SAR agreement. All vested SAR may be exercised on the earlier of the fifth anniversary of the participant's grant date, a change in control, or the participant's separation from service. Upon the exercise of the SAR, the participant shall be entitled to a cash payment equal to the appreciation value of the participant's vested SAR, subject to withholdings under applicable laws. The exercise price of the SAR shall not be less than 100% of the SAR's fair market value on the grant date as defined in the plan document. The fair value of the SAR are estimated using the valuation method as described in Note 2. The Company recognized a SAR liability in other liabilities in the consolidated balance sheets. As of January 2, 2022 the Company has issued 445,000 SARs, with a grant value per SAR of \$1.00 and fair value of \$ 369,000, of which 387,500 SARs are vested.

The Company realized shared-based compensation expense of approximately \$369,000 and 168,000, that is recognized in general and administrative expenses in the consolidated statement of operations for the years ended January 2, 2022 and January 3, 2021, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Leases - All of the Company's locations are in leased facilities. Most of the leases provide for the payment of base rents plus real estate taxes, utilities, insurance, common area charges and certain other expenses. Some of the leases have percentage rents, in lieu of base rents, generally ranging from 10% to 20% of net eatery sales in excess of stipulated amounts.

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

In December 2020, the Company engaged Hilco Real Estate (Hilco) to negotiate rent reductions or concessions from landlords. Through the Company's own efforts and Hilco's assistance, approximately \$5,290,000 of accrued rent costs at January 3, 2021 were reversed as the lease negotiations became fully executed in 2021. As a result, a reduction in occupancy of approximately \$5,290,000 is recognized in occupancy expense on the consolidated statement of operations.

Consistent with guidance in the FASB Staff Q&A regarding lease concessions related to the effects of the COVID-19 pandemic, the Company has made the election to treat all lease concessions as though the enforceable rights and obligations existed in each contract and, therefore, has not applied the lease modification guidance in ASC 840. As such, these concessions have had no impact to the straight-line rent expense.

The Company has entered into several operating lease agreements to open eateries subsequent to January 2, 2022. The future minimum rental payments associated with these respective leases based on expected commencement date have been included in the operating lease schedule that follows.

Approximate future minimum rental required under noncancelable operating leases including any modifications entered into subsequent to year-end are as follows:

Year Ending:	
2022	\$ 14,612,000
2023	9,231,000
2024	5,466,000
2025	3,771,000
2026	2,306,000
Thereafter	<u>1,967,000</u>
	<u>\$ 37,353,000</u>

Subsequent to year-end, there are lease modifications that the Company is close to finalizing; however, agreements have not been fully executed, and therefore these amounts have not been reflected in the above schedule.

Occupancy expenses under operating leases for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Minimum rentals	\$ 10,558,542	\$ 19,047,557
Percentage rent	2,345,568	141,692
Common area charges	<u>7,898,935</u>	<u>8,862,591</u>
Total Occupancy Expense	<u>\$ 20,803,045</u>	<u>\$ 28,051,840</u>

NEW SBARRO FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 2, 2022 AND JANUARY 3, 2021

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The Company has sold various units to unrelated parties. In connection with the sale, the Company provided lease guarantees on each unit. These guarantees extend through 2029 (the latest lease expiration date on the sold stores). The maximum potential commitment that exists under these guarantees as of January 2, 2022 is approximately \$8,601,000.

Other Contracts - From time to time, the Company enters into commitments to purchase certain commodities, most notably cheese and flour, at a set price for a given period of time. The Company does not expect to incur any losses under these contracts.

Product Purchase Distribution Arrangement - The Company has a contractual arrangement with a national independent wholesale distributor until July 2023, which requires the Company to purchase 90% of its food ingredients and product requirements for its Company-owned eateries from this wholesale distributor, except for produce and small wares. The agreement does not require the Company to purchase any specific fixed quantities. The agreement does call for certain set commodity prices for a given period of time; however, the Company does not expect to incur any losses under this agreement. Among the factors that will affect the dollar amount of purchases the Company makes under the contract are:

- Number of Sbarro locations open during the term of the contract;
- Level of sales made at Sbarro locations;
- Market price of mozzarella cheese and other commodity items;
- Price of diesel fuel; and
- Mix of products sold by Sbarro locations.

Legal Proceedings - From time to time, the Company may be subject to lawsuits and other charges from customers and employees, which are typical within the industry. In the opinion of management, the resolution of any open matters will not have a material effect upon the consolidated financial position, results of operations or cash flows of the Company other than the ongoing litigation discussed below.

The Company has estimated \$1,000,000 in legal reserves associated with ongoing litigation filed by a former employee and is included in other liabilities on the consolidated balance sheet as of January 2, 2022. Management's estimate is based reasonable outcomes from the facts and circumstances established as of the issue date of this report.

NOTE 14 - EMPLOYEE BENEFIT PLAN

Defined Contribution Plan - The Company participates in a defined contribution retirement plan (Plan) for all qualified employees. Under the Plan, eligible employees may contribute a portion of their salary until retirement and the Company matches 50% of the employee contribution up to \$1,500 per year. For 2021 and 2020, the Company made approximately \$72,000 and \$47,000, respectively, in employer contributions to the Plan. Effective for the 2022 Plan Year, the Company will match 100% of employee contributions, up to 4% of each employee's eligible pay.

**Exhibit M to
Sbarro Franchise Co., LLC
Franchise Disclosure Document**

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

☒	Exhibit M-1:	California
☐	Exhibit M-2:	Illinois
☐	Exhibit M-3:	Maryland
☐	Exhibit M-4:	Minnesota
☐	Exhibit M-5:	New York
☐	Exhibit M-6:	North Dakota
☐	Exhibit M-7:	Washington

EXHIBIT M-1

STATE DIFFERENCES: CALIFORNIA FDD ADDENDUM

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

1. The terms set forth in this Franchise Disclosure Document have not been negotiated with other franchisees during the previous 12 months.
2. The due diligence fee referenced to in Item 5.I of the Franchise Disclosure Document will comply with Section 31119(a) of the California Corporations Code and consequently will not be paid until after 14 calendar days from the date the prospective franchisee has received a copy of this Franchise Disclosure Document.
3. With respect to Item 6 of the Franchise Disclosure Document, please note that the highest interest rate allowed by law in California is 10% annually.
4. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.
5. Neither the franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
6. California Business and Professions Code 20000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
7. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
8. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
9. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

10. Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

11. The franchise agreement requires application of the laws of Ohio. This provision may not be enforceable under California law.

12. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

13. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

14. The financial performance representation figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

15. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the contents of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

16. The franchise agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery or actual damages. Under California Corporations Code section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

17. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$180,000 with Hartford Insurance Company and is

available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

18. 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.

19. The franchisor will not enforce in California any prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in the Confidentiality, Nonsolicitation, and Noncompetition Agreement (Exhibit B to the franchise agreement).

20. In addition to the Franchise Agreement, in the form attached as Exhibit A, California franchisees will sign a California Addendum in the applicable form attached to this Exhibit M-1

21. In addition to the Development Agreement, in the form attached as Exhibit G, California franchisees will sign a California Addendum in the applicable form attached to this Exhibit M-1.

22. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

THIS CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT (the "Addendum"), is made as of the ____ day of _____, 20__, between **SBARRO FRANCHISE CO., LLC**, an Ohio limited liability company ("Franchisor"), and _____, a _____ ("Franchisee"), to that certain Franchise Agreement dated as of even date herewith (the "Agreement").

W I T N E S S E T H

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at _____ (the "Franchised Business"); and

WHEREAS, the laws of the State of California require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. **Surety Bond.** The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$180,000 with Hartford Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

2. **Amendment.** The terms of this Agreement are hereby amended as follows:

2.1 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.

2.2 Section 34(a) through (e) of the Franchise Agreement are hereby deleted in their entirety.

3. **Supplemental Agreement.** This Addendum is supplemental to and part of the Agreement. All the Agreement's terms and provisions, as amended above, shall remain

effective on and after the date written above, as they may be later amended, supplemented, or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

SBARRO FRANCHISE CO., LLC

By: _____

Name: _____

Its: _____

[FRANCHISEE]

By: _____

Name: _____

Its: _____

CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT

THIS CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT (the "Addendum"), is made as of the ____ day of _____, 20__, between **SBARRO FRANCHISE CO., LLC**, an Ohio limited liability company ("Franchisor"), and _____, a _____ ("Franchisee"), to that certain Development Agreement dated as of even date herewith (the "Agreement").

WITNESSETH

WHEREAS, pursuant to the Agreement, Franchisee has obtained from Franchisor the right to operate a franchised unit at _____ (the "Franchised Business"); and

WHEREAS, the laws of the State of California require the execution of this Addendum in connection with the execution of the Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed as follows:

1. Surety Bond. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$180,000 with Hartford Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

2. Amendment. The terms of this Agreement are hereby amended as follows:

2.1 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.

2.2 Section 17 of the Development Agreement is hereby deleted in its entirety.

2.3 The Development Agreement Disclaimer Statement is hereby deleted in its entirety. California developers shall not sign the Statement and any signatures shall be determined invalid.

3. Supplemental Agreement. This Addendum is supplemental to and part of the Agreement. All the Agreement's terms and provisions, as amended above, shall remain effective on and after the date written above, as they may be later amended, supplemented, or otherwise modified from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum.

SBARRO FRANCHISE CO., LLC

By: _____

Name: _____

Its: _____

[FRANCHISEE]

By: _____

Name: _____

Its: _____

EXHIBIT N

TABLES OF CONTENTS OF MANUALS

- Training Manual (Manager)
- Training Manual (Team Member)
- Procedures Manual



Training Manual

Manager

Name

April 2023

The Sbarro Training System, including this document, and its contents are specific and proprietary to Sbarro, LLC and its affiliated Companies and Franchisees. Any form of reproduction, disclosure, dissemination, modification, distribution, and/or publication of this material by any employee or Franchisee without prior written consent of Sbarro, LLC is strictly prohibited. Where employment related policies and procedures are referenced, Franchisees are solely responsible for developing and utilizing their own guidelines, making their own hiring, firing and disciplinary decisions and managing their day-to-day employment process and procedures independent of Sbarro, LLC and its affiliated companies and in compliance with all applicable laws, rules or regulations.

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Training Manual

Team Member

Name

April 2023

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Procedures Manual

April 2023

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EXHIBIT O

SBARRO FRANCHISE CO., LLC **STATE EFFECTIVE DATES**

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

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

State	Effective Date
California	Pending
Hawaii	Not Registered
Illinois	August 28, 2023
Indiana	June 9, 2023
Maryland	Pending
Michigan	July 31, 2023
Minnesota	July 12, 2023
New York	November 17, 2023
North Dakota	Pending
Rhode Island	Pending
South Dakota	N/A
Virginia	Pending
Washington	Pending
Wisconsin	June 8, 2023

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 P to
Sbarro Franchise Co., LLC
Franchise Disclosure Document

RECEIPTS

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 Sbarro Franchise Co., LLC offers you a franchise, Sbarro Franchise Co., LLC must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement or before any payment to Sbarro Franchise Co., LLC or an affiliate in connection with the proposed franchise sale. Under Michigan and Wisconsin law, Sbarro Franchise Co., LLC must provide this Disclosure Document to you 10 business days before you sign any contract or make any payment relating to the franchise relationship. Under New York law and Oklahoma law, Sbarro Franchise Co., LLC must provide this Disclosure Document to you at the earliest of the first personal meeting or 10 business days before you sign any contract or make any payment relating to the franchise relationship.

If Sbarro Franchise Co., LLC 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, D.C. 20580 and the appropriate state agency listed in Exhibit I.

The name, principal business address and telephone number of the franchise seller involved in offering this franchise to you is Carlo Agostinelli, Sbarro Franchise Co, LLC, 1328 Dublin Road, Columbus, OH 43215, Ph: (614) 769-9911.

Issuance Date: March 31, 2023

Sbarro authorizes its registered agents listed in Exhibit H to receive service of process for Sbarro.

I have received a Franchise Disclosure Document dated March 31, 2023. State registration effective dates are listed on the State Registrations page. The Disclosure Document included the following Exhibits:

- | | |
|--|---|
| (A) Franchise Agreement | (I) State Regulatory Authorities |
| (B) Asset Sale Agreement | (J) List of Outlets |
| (C) Sublease Agreement | (K) List of Closed Outlets |
| (D) Confidentiality Agreement For
Disclosure of Manuals | (L) Financial Statements |
| (E) Confidentiality Agreement – Employee | (M) State Addenda to the Disclosure
Document |
| (F) Standard Franchise Application | (N) Table of Contents of Manuals |
| (G) Development Agreement | (O) State Effective Dates |
| (H) Agents for Service of Process | (P) Receipts (duplicate) |

Prospective Franchisee's Signature

Date

Print Name

Franchisee Address

Prospective Restaurant Location Address
(City, State)

Two copies of an acknowledgment of your receipt of this disclosure document appear as Exhibit P. Please return one copy to us and retain the other copy for your records.

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 Sbarro Franchise Co., LLC offers you a franchise, Sbarro Franchise Co., LLC must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement or before any payment to Sbarro Franchise Co., LLC or an affiliate in connection with the proposed franchise sale. Under Michigan and Wisconsin law, Sbarro Franchise Co., LLC must provide this Disclosure Document to you 10 business days before you sign any contract or make any payment relating to the franchise relationship. Under New York law and Oklahoma law, Sbarro Franchise Co., LLC must provide this Disclosure Document to you at the earliest of the first personal meeting or 10 business days before you sign any contract or make any payment relating to the franchise relationship.

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Prospective Franchisee Signature

Date

Print Name

Franchisee Address

Prospective Restaurant Location Address
(City, State)

Two copies of an acknowledgment of your receipt of this disclosure document appear as Exhibit P.
Please return one copy to us and retain the other copy for your records.

Return this page to:
Sbarro Franchise Co., LLC Franchise Development
1328 Dublin Road, Columbus, OH 43215