



FRANCHISE DISCLOSURE DOCUMENT

Godfather's Pizza, Inc.
A Delaware Corporation
2808 North 108th Street
Omaha, Nebraska 68164
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www.godfathers.com

Godfather's Pizza®

As a franchisee, you will operate a Godfather's Pizza location that offers pizza, sandwiches, salads, and other food and beverage products.

The total investment necessary to begin operation of a Godfather's Pizza franchised business is from \$449,700 to \$814,000 for a full service restaurant, \$173,600 to \$321,000 for a convenience store or other non-traditional location, \$258,700 to \$539,500 for a ~~take-out~~/delivery/[carryout](#) location and \$148,450 to \$515,800 to purchase an existing company-operated location. This includes from \$110 to \$25,110 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Services Department at 2808 North 108th Street, Omaha, Nebraska 68164, (402) 391-1452.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: ~~AUGUST 5, 2014~~ August 3, 2015

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT STATES THAT IN CERTAIN INSTANCES, NEBRASKA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: ~~September 5, 2014~~ _____, 2015

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1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES:

The franchisor is Godfather's Pizza, Inc. ("GPI", "we", "us", or "our"). "You" means the person who buys the franchise. If the franchisee is a corporation, partnership, limited liability company, or other entity, the owners of the corporation, partnership, limited liability company, or other entity must execute the guaranty described in Item 15. "You" will include the persons described in Item 15.

GPI is a Delaware corporation that was incorporated on June 26, 1985. GPI does business as "Godfather's Pizza." GPI currently has no predecessors required to be included in this Item. It has three affiliates, Gartlan Real Estate Holdings, LLC ("GREH"), GPBCM, Inc. ("GPBCM"), and GPTB, Inc. ("GPTB"). GREH, which has the same principal business address as GPI, is a real estate holding company. GREH owns the building in which GPI's corporate headquarters is located. GPBCM and GPTB, which has have the same principal business address as GPI, ~~operates and franchises a pizza and chicken buffet concept under the name "The Godfather's Joint". There are currently no franchised The Godfather's Joint locations and one company-operated location that operates under the concept's former name, Godfather's Pizza, Chicken and Buffet. GPTB which has the same principal business address as GPI, is a take and bake pizza restaurant concept, operating under the name "Big Vinny's Take & Bake Pizza". There are currently no franchised Big Vinny's Take & Bake Pizza locations and one company-operated Big Vinny's Take & Bake Pizza location~~ are used by GPI for the development of new concepts. Neither of these affiliates currently have any new concepts in operation or development, but GPI may do so in the future. GPI's principal business address is 2808 North 108th Street, Omaha, Nebraska 68164. The attached Exhibit "A" contains GPI's registered agent for service of process in each state.

GPI franchises the right to operate Godfather's Pizza restaurants in shopping center locations, free standing buildings and other non-traditional locations. You will sign the Franchise Agreement attached to this disclosure document as Exhibit "B-1" regardless of whether you will operate a traditional or non-traditional location. "Traditional" locations include both full service restaurants with space for on-premises dining and delivery/~~take-out~~carryout locations, which may include limited seating. "Non-traditional" locations include convenience stores and sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, airports, stadiums, major industrial or office complexes, hotels, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, and sports or entertainment venues. The franchises offered by GPI for units in shopping center locations and free standing buildings include franchises for restaurants with dining areas, and in some cases locations limited to ~~take-out and~~ delivery and carryout of Godfather's Pizza products. Franchisees who locate within convenience stores operate a Godfather's Pizza location within a new or existing convenience store operating under the name selected by the convenience store operator. College food service locations operate as part of a food court operated by a food service vendor. GPI also grants franchises to supermarket operators for the operation of a food court or similar area that sells Godfather's Pizza products and products offered by other food service concepts. The market for the products you will sell is primarily the 19 to 45 year old age groups. Your competitors will include restaurant chains that

feature pizza as their primary menu item and grocery stores, convenience stores and other non-traditional locations that sell pizza.

GPI or its predecessors have operated Godfather's Pizza restaurants since 1973. GPI or its predecessors have offered franchises for Godfather's Pizza restaurants since 1974. Since July 2002 GPI has at different times offered franchises ~~for two~~ directly or through its affiliates for four other food service concepts owned and developed by GPI: Nana's Chicken ~~and~~ Big Vinny's (a sandwich concept ~~and not the~~ The Godfather's Joint, a pizza and chicken buffet concept, and Big Vinny's Take & Bake Pizza, a take and bake pizza concept ~~described above~~). As of the date of this disclosure document there ~~is one Nana's Chicken franchise and no Big Vinny's (sandwich concept)~~ are no franchises currently in operation for the concepts described in the previous sentence. GPI is not currently offering franchises for ~~the Big Vinny's sandwich concept, these concepts, other than The Godfather's Joint~~. In 2006, GPI developed a frozen pizza product ("QP") which is distributed to convenience stores and other non-traditional operations. At the date of this disclosure document there are ~~four~~ three QP franchises in operation, which have signed the form of Franchise Agreement signed by other franchisees. Franchisees for new QP franchises will sign the form of Franchise Agreement attached to this disclosure document. No predecessor or affiliate of GPI has offered franchises in any other line of business, except for The Godfather's Joint and the Big Vinny's Take & Bake Pizza concepts of GPI's affiliates described in this Item 1.

You must comply with state and local restaurant food safety laws. In addition, alcoholic beverage laws and other general laws will apply to your business. You should make further inquiries about those laws.

2. BUSINESS EXPERIENCE:

President, Chief Executive Officer and Director: Ronald B. Gartlan

Mr. Gartlan became a ~~Director~~ member of the Board of Directors of GPI in September 1988. He became GPI's President in May 1995 and Chief Executive Officer in December 1996.

Director: Madalyn Gartlan

Mrs. Gartlan became a ~~Director~~ member of the Board of Directors of GPI in July 2008. She has been a community volunteer in the Omaha, Nebraska area since 1986.

Senior Vice President and Secretary: Kathleen M. Johnson

Ms. Johnson became GPI's Senior Vice President in May 2006 and Secretary in October 2004.

Vice President of Franchise Services: Michael J. Clifford

Mr. Clifford became GPI's Vice President of Franchise Services in September 2005.

Vice President of Product Development and Construction: David A. Soukup

Mr. Soukup became GPI's Vice President of Product Development and Construction in April 2011. He became Vice President of Product Development in May 2007.

Senior Vice President, Treasurer and Chief Financial Officer: Steven M. Roberts

Mr. Roberts became Senior Vice President, Treasurer and Chief Financial Officer in September 2012. He joined GPI as its Vice President, Treasurer and Chief Financial Officer in June 2007.

Vice President of Franchise Services: Jack Gano

Mr. Gano became Vice President of Franchise Services for GPI in October 2009. From March 1977 to October 2009, he was the owner and operator of a multi-unit Godfather's Pizza franchise.

Vice President of Media Productions: Johnnie M. Travis

Mr. Travis became GPI's Vice President of Media Productions in June 2010. ~~He became Director of Video and Film Production in June 2009.~~

Vice President of Marketing: Dawn M. Drazdys

Ms. Drazdys became GPI's Vice President of Marketing in September 2013. She became a Marketing Consultant for GPI in April 2013. From September 2010 to April 2013 she was Director of Brand Strategy at Daake Design, Inc., Omaha, Nebraska. From April 2004 to August 2010 she was Vice President and Director of Client Services at Turnpost Creative Group, Omaha, Nebraska.

Director of Franchise Development (Non-Traditional Operations): David Gartlan

Mr. Gartlan became GPI's Director of Franchise Development (Non-Traditional Operations) in June 2009.

Director of Franchise Operations: Bruce Just

Mr. Just became GPI's Director of Franchise Operations in August 2014. From January 2010 to August 2010 he was a GPI District Manager. From August 2010 to September 2011 he was GPI's Senior District Manager. From September 2011 to August 2014 he was GPI's Franchise Operations Manager.

3. LITIGATION:

No litigation is required to be disclosed in this Item.

4. BANKRUPTCY:

No bankruptcies are required to be disclosed in this disclosure document.

5. INITIAL FEES:

GPI will grant some of the franchises in this state to developers who enter into an Agreement for Area Development ("Area Agreement"). We have attached a form of the Area Agreement to this disclosure document as Exhibit "B-2". An Area Agreement provides the developer with the exclusive right to develop a specified number of Godfather's Pizza locations within a designated development area for a time period specified in the Area Agreement. GPI usually charges a non-refundable area development fee of \$3,000 per location for each Area Agreement for the development of traditional sit-down locations, ~~take-out and~~ delivery/carryout only locations and non-traditional locations. The amount of this development fee may vary depending on the size and location of the area. The development fee is payable in a lump sum when you sign the Area Agreement.

When you complete a location under an Area Agreement or without an Area Agreement, you will sign a Franchise Agreement. We have attached a copy of the Franchise Agreement to this disclosure document as Exhibit "B-1".

GPI normally charges an initial franchise fee for each new location licensed. You must pay this initial franchise fee within five (5) days after opening and the completion by GPI of its pre-opening services. The initial franchise fee for traditional sit-down locations will be up to \$25,000, and for ~~take-out and~~ delivery/carryout only locations will be up to \$15,000. The initial franchise fee for convenience stores and other non-traditional locations will be up to \$7,500. Your initial franchise fee will depend upon the number and type of locations you plan to develop, the area you propose to develop, and your financial condition.

GPI may provide reductions of the initial franchise fee for traditional sit-down locations of up to \$25,000 per location, for ~~take-out and~~ delivery/carryout only locations of up to \$15,000 per location and for non-traditional locations of up to \$7,500 per location. GPI provides these reductions as an incentive for the development of additional locations by new and existing franchisees who meet operational and financial standards established by GPI. Initial franchise fees in GPI's last fiscal year, including marketing materials purchased from GPI, ranged from \$110 to ~~\$25,110~~ 15,110 per location. GPI also has a program for honorably discharged veterans of the United States military services under which applicants who satisfy GPI's normal financial and operational qualifications will have their initial franchise fee reduced by 50% of the maximum initial franchise fees described in this paragraph.

GPI may charge an initial franchise fee, also referred to as a transfer fee, when you purchase an existing company-operated location, depending upon the financial condition of the location. GPI did not receive any initial franchise fees for locations a franchisee purchased from GPI during GPI's most recent fiscal year.

GPI will not refund any portion of the development fee paid under an Area Agreement or, after GPI completes its obligation to provide initial assistance, the initial franchise fee for a Franchise Agreement. You are required to pay a deposit of \$3,000 when you submit a site submission form to obtain GPI's approval for a proposed location, including both traditional and non-traditional locations. If GPI rejects the proposed site, GPI will return the full amount of the deposit to you. If you open the new location within six (6) months after receiving the site

approval, the entire amount of the deposit will be credited to the payment of the required initial franchise fee. If you fail to open the new location within six (6) months after receiving site approval, GPI will retain the entire amount of the deposit.

When you pay your initial franchise fee you must also pay a deposit of \$1,000 for a non-traditional location or \$5,000 for a traditional location, including delivery/~~take-out~~carryout locations (the "Continuing Fee Deposit"). We will apply this deposit to the payment of any amount of past due continuing fees described in a default letter sent to you. If you have not received a continuing fee default letter by the second anniversary of the effective date of your Franchise Agreement, we will refund the entire amount of this deposit to you. If you have received a continuing fee default letter within that time you will forfeit the remaining Continuing Fee Deposit on that date, and you will forfeit the remaining Continuing Fee Deposit if you close or transfer your franchised location to an approved GPI franchisee within the first two years of the term of the Franchise Agreement. We may waive this deposit, particularly if you are a current Godfather's Pizza franchisee with a good record of paying continuing fees in a timely manner, or otherwise have an excellent credit background.

We will provide initial training and training materials for the trainees agreed upon by you and GPI. We reserve the right to charge you a \$500 training fee for each trainee for traditional locations (including ~~take-out~~/delivery/carryout locations) and \$250 for each trainee for non-traditional locations. You must pay the training fees before your trainees begin training, and these training fees are uniform and non-refundable. Your trainees will remain your employees during the training program. You must pay for all of your trainees' worker compensation insurance, travel, meal and lodging expenses. See Item 11 for more information on training.

Except for the circumstance described in this Item 5, we do not refund any initial franchise fee.

6. OTHER FEES:

<u>Type of fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks¹</u>
Continuing Fees	Royalties of greater of 3% of net sales or \$125 for each week and service compensation of greater of 3% of net sales or \$125 for each week for a traditional location; royalties of greater of 3% of net sales or \$60 for each week and service compensation of greater of 3% of net sales or \$60 for each week for a non-traditional location	Wednesday after end of each week. ²	Net sales defined in footnote 3. Also see Footnote 4.

<u>Type of fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks¹</u>
Continuing Fee Deposit Replenishment	Amount required to replenish initial deposit amount	Within ten days after receipt of notice from us	See Item 5 for explanation of how deposit is applied and refunded
Renewal Fee	\$2,000	Before first day of renewal of term	Cost to renew or extend Franchise Agreement for five years.
Audit Fee	Cost of Audit	When audit is completed	Footnote 5
Cooperative Advertising	Pro-rata share of media cost	When required by media outlets	Footnote 6
Ad Fund Contribution	Not to exceed 2% of net sales unless increase approved by majority of company -operated and franchised locations	Wednesday after end of each week	Footnote 7
Indemnification	Cost to GPI of business claim against you	When cost incurred	Footnote 8
Marketing/ Promotional Items	Cost of marketing materials not otherwise provided in opening kit	When cost incurred	Footnote 9
NSF Check/Electronic Funds Transfer Fee	\$25	Within ten (10) days after notice from GPI	Footnote 10
Training Fee	\$500 per person for traditional locations and \$250 per person for non- traditional locations	Before trainees begin training	Footnote 11
Transfer Fee	\$3,000	Before transfer completed	GPI determines based on remaining term of Franchise Agreement and financial condition of location
Interest on late payments	Highest applicable legal rate for open account business credit, not to	Accrues from due date of amounts payable to GPI	Payable on all continuing fees, advertising

<u>Type of fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks¹</u>
	exceed 1½% per month		contributions and other amounts due from GPI
Reimburse GPI for certain state taxes	Amount of tax assessed against GPI and specified in notice from GPI	Within 30 days after you receive notice from GPI	Footnote 12

1. All fees are imposed by and payable to GPI. All fees are non-refundable, except in some cases the Continuing Fee Deposit. GPI will refund this deposit if you have not received a default letter regarding payment of continuing fees before the second anniversary of the effective date of the Franchise Agreement and have not transferred or closed your location. GPI may reduce continuing fees to provide an incentive for new and existing franchisees to develop additional locations. Therefore, as described below, these fees are not uniformly imposed on all franchisees. GPI also has a program for honorably discharged veterans of the United States military services under which applicants who satisfy GPI's normal financial and operational qualifications will have their continuing fees reduced to ~~4~~4% of net sales for the first year of operation of their location, increased by 1% of net sales per year until continuing fees reach ~~5~~6% of net sales. You must pay continuing fees to GPI by the use of electronic funds transfers if GPI requires you to do so.

2. New franchisees who agree to develop multiple locations or operate within a convenience store, college food service or other non-traditional locations may be permitted to pay continuing fees on a monthly basis, so long as they remain current in making these payments.

3. Net sales are all sales from the franchised location, excluding sales taxes and cash received as payment in credit transactions where we included the extension of credit itself in net sales.

4. If you default in paying continuing fees in a timely manner after the second anniversary of the effective date of the Franchise Agreement, GPI may require you to deposit with GPI an amount equal to the amount of continuing fees payable for the two month period before the default occurred. GPI may apply this deposit to the payment of continuing fees not paid in a timely manner, and may terminate the Franchise Agreement if you do not replenish this deposit on GPI's request or resume paying continuing fees in a timely manner. In addition, if you are paying continuing fees at a rate of less than 6% and you (a) commence operation of a business selling food products other than Godfather's Pizza products if you operate a traditional location, or (b) receive a second default letter for failure to pay fees in a timely manner, GPI may increase your continuing fees to 6% of net sales, as of the date of the opening of such other business or the date of the second default letter.

5. You must pay the cost of an audit conducted by or for GPI if the audit discloses an underpayment of 5% or more of franchise fees. GPI pays the audit cost if the underpayment is less than 5%.

6. GPI requires you to contribute to cooperative advertising only if you buy or build a location in an area where GPI has company-operated locations. GPI bases your pro-rata share of the cost of media purchases on the number of locations or net sales you have as a percentage of the company-operated and franchised locations or net sales in your Designated Market Area. Designated Market Area is a term used by media ratings services to measure the area that receives the television and radio signals of certain stations.

7. GPI may, in its sole discretion, establish regional or national advertising funds on 90 days notice to you. You may be required to contribute 2% of your net sales to these funds. The 2% amount may be increased by a majority vote of all Godfather's Pizza franchised and company-operated locations.

8. You are required by Section 5 of the Franchise Agreement to indemnify GPI from all claims arising out of the operation of the location.

9. Franchisees who would like additional or different marketing or promotional items, other than those provided in the initial opening kit, will be charged labor and material costs for producing those items.

10. GPI will charge you a service fee of \$25 for every check payable to GPI for fees or other amounts payable to GPI that your bank refuses to honor. You also must pay a service fee to GPI of \$25 for any electronic funds transfer for which your bank refuses to transmit the full requested amount to GPI.

11. GPI reserves the right, in its sole discretion, to charge you a training fee of \$500 for each individual you send to training for a traditional location, and \$250 for each individual you send to training for a non-traditional location. You must pay the training fees before your trainees begin training, and these training fees are uniform and non-refundable.

12. Reimburses GPI for gross receipts or state income taxes assessed against GPI by a state other than its home state or sales or use taxes in any state on initial franchise fees or continuing fees you pay to GPI.

7. ESTIMATED INITIAL INVESTMENT:

**YOUR ESTIMATED INITIAL INVESTMENT TO BUILD A NEW
GODFATHER'S PIZZA FULL SERVICE RESTAURANT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	\$3,000 per unit (1)	Lump Sum	Upon Signing Area Agreement	GPI
Initial Franchise Fee	\$0-\$25,000 (2)	Lump Sum	After opening of licensed location	GPI

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Continuing Fee Deposit	\$0-\$5,000 (3)	Lump Sum	After opening of licensed location	GPI
Advertising	\$2,000-\$10,000 (4)	Terms set by Vendors	As incurred	Vendors
Equipment	\$130,000-\$245,000	Terms set by Vendors	When ordered	Vendors
Opening Inventory	\$7,500	Terms set by Vendors	As ordered	Vendors
Lease of Real Estate (3 months)	\$12,000 to \$24,000 (5)	Monthly	Monthly	Landlord
Leasehold Improvements	\$175,000 -\$350,000	Terms set by Vendors	As incurred	Contractors
Insurance	\$3,000-\$6,000	Terms set by Vendors	As purchased	Vendors
Misc. Opening Costs	\$12,500 (6)	Lump Sum	As purchased	Vendors
Signs	\$4,500-\$12,500	Lump Sum	As purchased	Vendors
Initial Training	\$4,200-\$7,500 (7)	Terms Set by Vendors	As purchased	Vendors
Additional Funds (3 months)	\$90,000-\$100,000 (8)	As incurred	As incurred	Employees, Suppliers, Utilities
Total	\$449,700-\$814,000 (9)			

1) When you develop new locations under an Area Agreement, you must pay GPI a development fee of \$3,000 for each location to be developed. This development fee is also described in Item 5 of this disclosure document. For purposes of the total investment number at the end of this table, GPI assumes you will develop three locations.

2) GPI collects the initial franchisee fee after GPI performs its pre-opening services and the location opens. GPI may finance payment of the initial franchise fee, as described in Item 10 of this disclosure document. GPI may reduce the initial franchise fee to encourage you to develop multiple locations. See Item 5 of this disclosure document.

3) The amount of this deposit is \$5,000 for a traditional location, and may be waived in certain circumstances. See Item 5.

- 4) Advertising expenditures will vary, depending mainly upon the type of media used, advertising frequency, and size of the city in which the unit is located.
- 5) Rent will vary depending on the size and location of the unit. The range of rental amounts described is for three months.
- 6) Includes security deposits, utility costs, and incorporation fees.
- 7) You will incur approximately \$100-~~\$175~~\$200 per day in expenses for food and lodging for each person who attends the initial training session described in Item 11 of this disclosure document. You will also be responsible for travel expenses that will vary depending on type of transportation and length of travel. As described in Items 5 and 6 of this disclosure document, GPI reserves the right, in its sole discretion, to charge you a training fee of \$500 for each individual you send to training for a traditional location. This table assumes you will have four people for whom a training fee will be charged.
- 8) This figure estimates your initial start up expenses for a three-month period. These expenses include payroll and food costs. These figures are estimates and GPI cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors that include: how much you follow GPI's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Godfather's Pizza products; the prevailing wage rate; competition; and the sales level you reach during this initial period.
- 9) GPI relied on its ~~41~~42 years of experience in the pizza restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

YOUR ESTIMATED INITIAL INVESTMENT TO BUILD A NEW GODFATHER'S PIZZA UNIT IN A CONVENIENCE STORE OR OTHER NON-TRADITIONAL LOCATION

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	\$3,000 per unit (1)	Lump Sum	Upon Signing Area Agreement	GPI
Initial Franchise Fee	\$0-\$7,500 (2)	Lump Sum	After opening of licensed location	GPI
Continuing Fee Deposit	\$0-\$1,000 (3)	Lump Sum	After opening of licensed location	GPI
Advertising	\$2,000-\$10,000 (4)	Terms Set by Vendors	As incurred	Vendors
Equipment	\$30,000-\$125,000 (5)	Terms Set by Vendors	When ordered	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Opening Inventory	\$3,000-\$5,000	Terms Set by Vendors	As ordered	Vendors
Lease of Real Estate (3 months)	\$3,000-\$4,500 (6)	Monthly	Monthly	Landlord
Leasehold Improvements	\$15,000-\$25,000 (7)	Terms Set by Vendors	As incurred	Contractors
Insurance	\$3,000-\$6,000	Terms Set by Vendors	As purchased	Vendors
Misc. Opening Costs	\$12,500 (8)	Lump Sum	As purchased	Vendors
Signs	\$3,000-\$10,000 (9)	Lump Sum	As purchased	Vendors
Initial Training	\$3,100-\$5,500 (10)	Terms Set by Vendors	As purchased	Vendors
Additional Funds (3) Months	\$90,000-\$100,000 (11)	As Incurred	As incurred	Employees, Suppliers, Utilities
Total	\$173,600-\$321,000 (12)			

1) When you develop new locations under an Area Agreement, you must pay GPI a development fee of \$3,000 for each location to be developed. This development fee is also described in Item 5 of this disclosure document. For purposes of the total investment number at the end of this table, GPI assumes you will develop three locations.

2) GPI collects the initial franchisee fee after GPI performs its pre-opening services and the location opens. GPI may finance payment of the initial franchise fee, as described in Item 10 of this disclosure document. GPI may reduce the initial franchise fee to encourage you to develop multiple locations. See Item [65](#) of this disclosure document.

3) The amount of this deposit is \$1,000 for a non-traditional location, and may be waived in certain circumstances. See Item 5.

4) Advertising expenditures will vary, depending mainly upon the type of media used, advertising frequency, and size of the city in which the unit is located.

5) The amounts described in this table assume that you will purchase new equipment.

6) Rent will vary depending on the size and location of the unit. The range of rental amounts described is for three months.

- 7) Includes cost of leasehold improvements only for the Godfather's Pizza portion of the convenience store or other non-traditional location.
- 8) Includes security deposits, utility costs and incorporation fees.
- 9) Includes cost of signs for Godfather's Pizza operation only.
- 10) You will incur approximately \$100-~~\$175~~\$200 per day in expenses for food and lodging for each person who attends the initial training session described in Item 11 of this disclosure document. You will also be responsible for travel expenses that will vary depending on type of transportation and length of travel. As described in Items 5 and 6 of this disclosure document, GPI reserves the right, in its sole discretion, to charge you a training fee of \$250 for each individual you send to training for a non-traditional location. This table assumes you will have four people for whom a training fee will be charged.
- 11) This figure estimates your initial start up expenses for a three-month period. These expenses include payroll and food costs. These figures are estimates and GPI cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors that include: how much you follow GPI's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Godfather's Pizza products; the prevailing wage rate; competition; and the sales level you reach during this initial period.
- 12) GPI relied on its ~~4~~42 years of experience in the pizza restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT TO BUILD A NEW
GODFATHER'S PIZZA ~~TAKE-OUT/DELIVERY~~CARRYOUT RESTAURANT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Development Fee	\$3,000 per unit (1)	Lump Sum	Upon Signing Area Agreement	GPI
Initial Franchise Fee	\$0-\$15,000 (2)	Lump Sum	After opening of licensed location	GPI
Continuing Fee Deposit	\$0- \$5,000 (3)	Lump Sum	After opening of licensed location	GPI
Advertising	\$2,000-\$10,000 (4)	Terms set by Vendors	As incurred	Vendors
Equipment	\$75,000-\$195,000	Terms set by Vendors	When ordered	Vendors
Opening Inventory	\$5,000-\$7,500	Terms set by Vendors	As ordered	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Lease of Real Estate (3 months)	\$5,000-\$12,000 (5)	Monthly	Monthly	Landlord
Leasehold Improvements	\$50,000-\$150,000	Terms Set by Vendors	As incurred	Contractors
Insurance	\$3,000-\$6,000	Terms Set by Vendors	As purchased	Vendors
Misc. Opening Costs	\$12,500 (6)	Lump Sum	As purchased	Vendors
Signs	\$3,000-\$10,000	Lump Sum	As purchased	Vendors
Initial Training	\$4,200-\$7,500 (7)	Terms Set By Vendors	As purchased	Vendors
Additional Funds (3 months)	\$90,000-\$100,000 (8)	As incurred	As incurred	Employees, Suppliers, Utilities
Total	\$258,700-\$539,500 (9)			

1) When you develop new locations under an Area Agreement, you must pay GPI a development fee of \$3,000 for each location to be developed. This development fee is also described in Item 5 of this disclosure document. For purposes of the total investment number at the end of this table, GPI assumes you will develop three locations.

2) GPI collects the initial franchisee fee after GPI performs its pre-opening services and the location opens. GPI may finance payment of the initial franchise fee, as described in Item 10 of this disclosure document. GPI may reduce the initial franchise fee to encourage you to develop multiple locations. See Item 5 of this disclosure document.

3) The amount of this deposit is \$5,000 for a ~~take-out and~~ delivery/[carryout](#) location, and may be waived in certain circumstances. See Item 5.

4) Advertising expenditures will vary, depending mainly upon the type of media used, advertising frequency, and size of the city in which the unit is located.

5) Rent will vary depending on the size and location of the unit. The range of rental amounts described is for three months.

6) Includes security deposits, utility costs, and incorporation fees.

7) You will incur approximately \$100-~~\$175~~[200](#) per day in expenses for food and lodging for each person who attends the initial training session described in Item 11 of this disclosure

document. You will also be responsible for travel expenses that will vary depending on type of transportation and length of travel. As described in Items 5 and 6 of this disclosure document, GPI reserves the right, in its sole discretion, to charge you a training fee of \$500 for each individual you send to training for a traditional location, including a ~~take-out/delivery/carryout~~ location. This table assumes you will have four people for whom a training fee will be charged.

8) This figure estimates your initial start up expenses for a three-month period. These expenses include payroll and food costs. These figures are estimates and GPI cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors that include: how much you follow GPI's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Godfather's Pizza products; the prevailing wage rate; competition; and the sales level you reach during this initial period.

9) GPI relied on its ~~41~~⁴² years of experience in the pizza restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

**YOUR ESTIMATED INITIAL INVESTMENT TO PURCHASE AN EXISTING
COMPANY-OPERATED GODFATHER'S PIZZA RESTAURANT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$0-\$25,000 (1)	Lump Sum	After opening of licensed location	GPI
Continuing Fee Deposit	\$0-\$5,000 (2)	Lump Sum	After opening of licensed location	GPI
Advertising	\$2,000-\$10,000 (3)	Terms Set by Vendors	As incurred	Vendors
Equipment	\$25,000-\$300,000 (4)	Terms Set by GPI	Monthly	GPI
Opening Inventory	\$7,500	Terms Set by Vendors	As ordered	Vendors
Lease of Real Estate (3 months)	\$4,250-\$29,800 (5)	Monthly	Monthly	Landlord
Leasehold Improvements	Included with Equipment (6)	Terms Set by GPI	Monthly	GPI
Insurance	\$3,000-6,000	Terms Set by Vendors	As purchased	Vendors
Misc. Opening Costs	\$12,500 (7)	Lump Sum	As purchased	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Signs	\$0-\$12,500 (8)	Lump Sum	As purchased	Vendors
Initial Training	\$4,200-7,500 (9)	Terms Set by Vendors	As purchased	Vendors
Additional Funds (3 Months)	\$90,000-100,000 (10)	As incurred	As incurred	Employees, Suppliers, Utilities
Total	\$148,450-\$515,800 (11)			

1) GPI normally charges an initial franchise fee, within the range described above, when you buy an existing company-operated location from GPI. If GPI charges an initial franchise fee, it will be collected after GPI performs its pre-opening services and the location opens. GPI may finance payment of the initial franchise fee, as described in Item 10 of this disclosure document. GPI may reduce the initial franchise fee to encourage you to develop multiple locations. See Item 5 of this disclosure document.

2) The amount of this deposit is \$5,000 for a traditional location, including a ~~take-out and delivery~~/carryout location, and may be waived in certain circumstances. See Item 5.

3) Advertising expenditures will vary, depending mainly upon the type of media used, advertising frequency, and size of the city in which the unit is located.

4) This figure is based on GPI's estimate of the cost of leasehold improvements and equipment if you purchase a company-operated location.

5) Rent will vary depending on the size and location of the unit. The range of rental amounts described is for three months.

6) As described in Item 10 of this disclosure document, GPI may finance all or part of the cost of the leasehold improvements, furnishings, fixtures, and equipment when you purchase a company -operated Godfather's Pizza location. While the interest rate for this financing is negotiable, if you finance \$50,000 at a 12% interest rate for five years, monthly payments of principal and interest will be \$1,112.23.

7) Includes security deposits, utility costs, and incorporation fees.

8) The cost of the sign is normally included in the cost of equipment and leasehold improvements described above. This price range is provided if the sign needs to be replaced.

9) You will incur approximately \$100-~~\$175~~\$200 per day in expenses for food and lodging for each person who attends the initial training session described in Item 11 of this disclosure document. You will also be responsible for travel expenses that will vary depending on type of

transportation and length of travel. As described in Items 5 and 6 of this disclosure document, GPI reserves the right, in its sole discretion, to charge you a training fee of \$500 for each individual you send to training. This table assumes you will have four people for whom a training fee will be charged.

10) This figure estimates your initial start up expenses for a three-month period. These expenses include payroll and food costs. These figures are estimates and GPI cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors that include: how much you follow GPI's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for Godfather's Pizza products; the prevailing wage rate; competition; and the sales level you reach during this initial period.

11) GPI relied on its ~~41~~⁴² years of experience in the pizza restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES:

To maintain the consistency of the products and services sold by Godfather's Pizza franchisees, GPI requires you to purchase certain food products, supplies, and paper products used in preparing pizza and other products from distributors approved by GPI. This does not include fresh produce, which you may purchase from local food vendors. These distributors must purchase these products only from suppliers approved by GPI. You must purchase certain major items of equipment, like ovens, dough mixers, and dough sheeters, from manufacturers designated by GPI or the distributors of these manufacturers. No officer of GPI owns an interest in any approved supplier or distributor to the Godfather's Pizza system.

GPI's Quality Assurance and Materials Management Departments developed the specifications for approved suppliers and distributors. These specifications primarily relate to the ability of an approved supplier or distributor to comply with GPI's quality assurance guidelines. GPI may modify these specifications by notifying the suppliers and distributors in writing. GPI will issue these specifications to approved and prospective suppliers and distributors, and will provide them to franchisees upon request.

A supplier or distributor may apply to GPI to become an approved supplier or distributor. An existing or prospective franchisee may also propose that a new supplier or distributor be approved. GPI emphasizes the ability of a proposed supplier or distributor to adhere to GPI's quality assurance and confidentiality standards. GPI also emphasizes the willingness of a distributor to distribute the full line of products required by a franchisee. GPI may approve a limited number of suppliers and distributors in a market area to help monitor quality assurance standards, and will approve an exclusive supplier for certain products. GPI will provide current franchisees, at the franchisee's request, with a copy of its criteria used to evaluate proposed new suppliers and distributors. GPI does not charge proposed new suppliers or distributors for evaluation to be a GPI supplier or distributor.

If you want to purchase an item from a distributor that GPI has not approved, GPI may have you submit a sample of the item to GPI. GPI will inspect the proposed distributor's plant and evaluate the ability of the distributor to offer a full line of products. GPI will notify you in writing of the approval or disapproval of a distributor you proposed. GPI does not have a specified time frame within which GPI agrees to notify franchisees of decisions concerning approval of proposed new suppliers or distributors. GPI will notify you as soon as possible after GPI makes a decision.

GPI may revoke the approval of a distributor or supplier that breaches its Distributor Agreement or Supplier Agreement with GPI. GPI will advise all franchisees dealing with a distributor in writing if GPI revokes the approval of a distributor. GPI will advise all distributors in writing if GPI revokes the approval of a supplier.

GPI or its affiliates do not serve as suppliers for any categories of goods or services, except for certain marketing materials, including banners and promotional kits. GPI normally sells these items to franchisees at an amount approximately equal to GPI's cost to produce these items. In GPI's most recent fiscal year ended May ~~25, 2014~~, 31, 2015, GPI's total revenues were ~~\$17,959,000~~, 17,476,000, and GPI's total revenues from the purchases of the marketing materials were ~~\$59,900~~, 37,201. GPI estimates that the required purchases and leases from approved suppliers and distributors will constitute 80% of your purchases and leases in establishing your franchised business, and 80% of your purchases and leases in operating your franchised business. Certain approved suppliers of required purchases pay GPI rebates up to 7% of all purchases. GPI uses this amount to help fund the cost of advertising and marketing materials developed for use by the system, provide support for the development of advertising and marketing materials, and to pay a portion of the cost of system wide or regional meetings.

GPI negotiates purchase arrangements with suppliers (including price terms) for certain items for the benefit of franchisees, but you will determine most of your prices by negotiations between you and approved suppliers and distributors. GPI does not operate any purchasing or distribution cooperatives. To GPI's knowledge there are no product purchase or distribution cooperatives in the Godfather's Pizza system.

GPI will not provide material benefits (like granting additional franchises to you) based on your use of designated suppliers or distributors.

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.

FRANCHISEE'S OBLIGATIONS

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM # IN DISCLOSURE DOCUMENT	SECTION IN AREA AGREEMENT
a. Site selection and acquisition/lease	Section 1C	Item 11	Section 1&2

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM # IN DISCLOSURE DOCUMENT	SECTION IN AREA AGREEMENT
b. Pre-opening purchases/leases	Section 2	Item 7	Section 1&2
c. Site development and other pre-opening requirements	Section 2	Item 11	Section 1&2
d. Initial and ongoing training	Section 3A	Item 11	Section 1&2
e. Opening	Section 2	Item 11	Section 1&2
f. Fees	Section 6	Items 5&6	Section 3
g. Compliance with standards and policies/operating manuals	Sections 1C, 2, 3C	Item 11	No obligation imposed
h. Trademarks and proprietary information	Section 4	Item 13	Section 4
i. Restrictions on products/services offered	Sections 3B and 3C	Item 16	No obligation imposed
j. Warranty and customer service requirements	No obligation imposed	No obligation imposed	No obligation imposed
k. Territorial development and sales quotas	Sections 1C and 1D	Item 5	Section 1&2
l. Ongoing product/service purchases	Sections 2, 3B and 3C	Item 8	No obligation imposed
m. Maintenance, appearance and remodeling requirements	Section 9A	Item 7	No obligation imposed
n. Insurance	Section 9G	Item 7	No obligation imposed
o. Advertising	Section 10	Item 7	Section 4
p. Indemnification	Section 5	Item 13	No obligation imposed
q. Owner's participation/management/staffing	Sections 1C and 9F	Item 15	No obligation imposed

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM # IN DISCLOSURE DOCUMENT	SECTION IN AREA AGREEMENT
r. Records and reports	Section 11	Item 6	Section 7
s. Inspections and audits	Section 12	Item 6	Section 7
t. Transfer	Section 13	Item 17	Section 5
u. Renewal	Section 14	Item 17	Section 6
v. Post-termination obligations	Section 16	Item 17	Section 6
w. Non-competition covenants	Sections 8 and 16E	Item 17	Section 6
x. Dispute resolution	No obligation imposed	No obligation imposed	No obligation imposed
y. Personal Guaranty	Section 17I	Items 1, 17	Section 9

10. FINANCING:

If you meet GPI's credit standards, GPI may finance up to 100% of the cost of the leasehold improvements, furnishings, fixtures, and equipment for existing company-operated Godfather's Pizza locations that you purchase. You may choose to finance this amount for from one to five years. You will pay interest at an annual interest rate of 2% to 18%, with no additional finance charges. Your annual interest rate will depend on your credit record, interest rate levels at the time you obtain this financing, and the time period for which you finance this amount. GPI's most recent financing of this type had an annual interest rate of 5.25%. GPI will require you to sign a promissory note, a sample of which GPI has attached to this disclosure document as Exhibit "B-3". GPI will require you to grant GPI a security interest in the assets you finance and to sign a security agreement, a sample of which GPI has attached to this disclosure document as Exhibit "B-4". This security agreement will state that GPI will have certain rights granted to a creditor under the Uniform Commercial Code if you default in paying for the assets or observing other terms of the Purchase Agreement. If you operate your franchise as a corporation, limited liability company or similar entity, all owners of the corporation, limited liability company or similar entity will be required to sign a personal guaranty of the promissory note. You may prepay the promissory note at any time during its term without any prepayment penalty. If you do not pay on time, GPI can call the loan and demand immediate payment of the full outstanding balance. GPI can obtain court costs and attorney fees if a collection action is necessary. Under the promissory note you waive your right to assert certain legal defenses known as presentment, demand and protest. GPI does not at the present time discount promissory notes from franchisees to third parties who may be immune under the law to any defenses to payment you may have against GPI. However, GPI may decide in the future to discount these notes.

GPI also may finance the payment of the initial franchise fee for a new or existing franchisee to encourage the development of multiple locations. This financing generally will be in the form of permitting you to defer payment of the initial franchise fee for up to six months or to pay the initial franchise fee in installments for up to six months. This financing generally will be unsecured, except where the financing is part of the sale of a company-operated location to you. You will be required to sign a promissory note, in the form attached to this disclosure document as Exhibit "B-3", and you may be required to pay interest at the rate described in this Item 10. The promissory note may be modified to delete references to a security interest if the financing is not secured.

Except as disclosed above, GPI does not offer financing that requires you to waive notice, confess judgment or waive a defense against GPI or the lender. You may lose your defenses against GPI and others in a collection action if GPI sells or discounts your note, as disclosed above.

GPI does not arrange financing from other sources.

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

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

Before you open your business, GPI will:

1. Provide you with written specifications for all equipment, fixtures, and supplies necessary for the operation of a Godfather's Pizza restaurant. GPI does not sell these items to you except marketing materials, but provides you with the names of approved suppliers. (Franchise Agreement, Sections 2, 3B and 3C). See Item 8 of this disclosure document.
2. Though not required by the Franchise Agreement, GPI may assist you in selecting and obtaining a site and provide you information that GPI has about floor plans, building codes, utilities and other services. In evaluating a site, GPI considers population of the area, traffic count, accessibility, availability of utilities, zoning, costs, competition, availability of labor, economic conditions of the area, family income average, and proximity to major shopping and other commercial areas. Regardless of whether GPI assists you in selecting a site, GPI must approve your site before GPI will issue a Franchise Agreement to you. (Area Agreement, Section 2b; Franchise Agreement, Section 2). There is no time limit for GPI to approve your site. GPI will not permit you to operate a Godfather's Pizza location at a site GPI has not approved. As described in more detail in Item 5 of this disclosure document, you must pay GPI a deposit of \$3,000 when you submit a site for approval. This deposit will either be refunded to you, applied to your initial franchise fee for the location or retained by GPI, depending on whether the site is approved and when you open the location.
3. Though not required by the Franchise Agreement, GPI may provide you with information GPI has regarding financing.
4. Assist you in implementing the procedures for operating a Godfather's Pizza location. (Franchise Agreement, Section 3B).

5. Not more than 60 days before you open your Godfather’s Pizza location, GPI will provide one of the following training programs, depending on the type of location you will operate. Before beginning one of these training programs, trainees must complete approximately six hours of online training for the quick service restaurant program and approximately eight hours of online training for the full service restaurant program.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
5 Day Quick Service Restaurant Operations, Owner/Operator Functions	Approximately 24 <u>21</u> hours	Approximately 27 <u>21</u> hours	Omaha, Nebraska and/or Lincoln, Nebraska
10 Day Full Service Restaurant Operations, Owner/Operator Functions	Approximately 48 <u>45</u> hours	Approximately 54 hours	Omaha, Nebraska

GPI may, in its sole discretion, charge you a training fee of \$500 for each individual you send to training for a traditional location, including a ~~take-out~~/delivery/carryout location, and \$250 for each individual you send to training for a non-traditional location. In addition, you must pay the travel and living expenses for you and your employees. Most of this training occurs in Omaha, Nebraska, the location of GPI’s corporate headquarters. GPI may designate a company - operated or franchised location in another city as a training site.

GPI’s principal trainers are Nadine Hoffman ~~and Bruce Just~~(Full Service) and Jeff Ramm (Quick Service). Ms. Hoffman has five years of operations experience and ~~34~~34½ years of training experience with GPI. Mr. ~~Just~~Ramm has ~~eight~~six years of operations experience and ~~four years~~one year of training experience with GPI.

Under the Area Agreement (Paragraph 2c), GPI requires anyone who will supervise more than one location to complete the training program to GPI’s satisfaction. The Franchise Agreement (Section 3A) requires you or an owner of a franchise that is an entity, and allows GPI to require your location managers or multi-unit supervisors, to complete the training program to GPI’s satisfaction. At the successful completion of training GPI provides a certification of completion to each trainee. Additional training may be provided to a trainee if necessary to enable the trainee to successfully complete this training. GPI does not permit a location to open until all persons required to be trained have completed the training program. Section 3A of the Franchise Agreement allows GPI to require you and previously trained managers and multi-unit supervisors to complete periodic refresher training courses at locations designated by GPI. GPI may charge a fee for these refresher courses and for training new location managers and multi-unit supervisors at per diem rates established from time-to-time by GPI. As further described below, GPI may require your accounting and marketing personnel to attend certain training programs related to the payment of franchise fees to GPI and the implementation of marketing programs.

During the operation of the franchised business, GPI will:

1. Provide guidance to you in the form of written materials, telephone conversations, emails and other forms of electronic communications, meetings at GPI's offices or consultations at the location to provide advice to you and your key employees. (Franchise Agreement, Section 3B).
2. Provide you with a written report showing any areas in which your location fails to comply with GPI's specifications. You must promptly take action to correct these failures. GPI will, at your expense and upon your request, provide advice at your location (in addition to the visits described in the previous paragraph). GPI will provide this service by telephone without additional charge to you. (Franchise Agreement, Sections 3B and 12A).
3. Loan you a copy of GPI's Operations ~~Manual and, for traditional locations only, an Administrative Procedures~~ Manual that ~~contain~~contains mandatory and suggested standards and procedures. ~~These manuals are~~This manual is confidential and ~~remain~~remains GPI's property. GPI will modify ~~these manuals~~this manual, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement, Section 3C). The tables of contents for these manuals are attached as Exhibit "D" to the disclosure document. The Full Service Restaurant Operations Manual has ~~272~~270 pages including the front cover; the Quick Service Restaurant Operations ~~Manual has 191 pages; and the Administrative Procedures~~ Manual has ~~120~~194 pages including the front cover.
4. GPI may provide periodic refresher training courses for you, your managers and multi-unit supervisors at training locations determined by GPI and may agree to train your newly hired managers and multi-unit supervisors. GPI may also require that certain of your accounting and marketing personnel attend teleconferences or other forms of training regarding GPI's current procedures for the payment of franchise fees and the implementation of marketing programs. GPI will have the right from time-to-time during the term of the Franchise Agreement to determine the amount of any training fees to be charged for the refresher courses and other training described in this paragraph.

GPI usually holds two owners' meetings every five years in Omaha, Nebraska to discuss operations, marketing, franchise development, and other issues involving Godfather's Pizza locations. GPI may charge a registration fee of up to \$500 for each person who attends an owners' meeting. In addition, you must pay all travel and living expenses for you and the persons who attend with you.

GPI or third party vendors designated by GPI provide advertising materials and services to you. (Franchise Agreement, Section 10A). These materials and services include copies of television and radio commercials, cover designs for print advertising materials and promotional kits that include banners, posters and related material for use within your location. You must pay duplication and development costs for CDs or DVDs of television commercials and CDs of radio commercials. You must pay an amount about equal to our cost for the promotional kits. Most recent promotional kits have cost about \$110 per location. GPI's in-house marketing and production personnel produce the television and radio commercials and promotional kits, with assistance from regional marketing and promotional agencies.

You may develop advertising material for your own use, at your own cost. GPI has the right to approve these advertising materials before you use them. GPI's franchisees place advertising locally. Local advertising agencies hired by individual franchisees or advertising cooperatives often place this advertising. [GPI does not have an advertising council composed of franchisees that advises GPI on advertising policies.](#)

We have not established a formal Advertising Fund (the "Fund") for advertising, marketing, and public relations programs and materials we deem appropriate, but we reserve the right to do so. (Franchise Agreement, Section 10B). If we establish the Fund, you must contribute to the Fund the amounts that we periodically require. (See Item 6). Godfather's Pizza locations that we operate will contribute to the Fund on the same basis as franchisees. We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Godfather's Pizza locations and with whom we have agreed that we will so deposit these allowances.

If we establish the Fund, we will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce website and/or related strategies; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, whatever we think best. The Fund periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost. We will sell you multiple copies of these materials at costs approximating our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Fund contributions.

The Fund will not be our asset. The Fund also will not be a trust. We will hold all Fund contributions for the benefit of the contributors and use contributions only for their permitted purposes (described above). We will have no fiduciary obligation to you for administering the Fund. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises. We will prepare an annual, unaudited statement of Fund collections and expenses and give it to you on written request. We may incorporate the Fund or

operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

If established, the Fund will be intended to maximize recognition of the Marks and patronage of Godfather's Pizza locations. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Godfather's Pizza locations, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Godfather's Pizza locations operating in that geographic area or that any Godfather's Pizza locations benefits directly or in proportion to its Fund contributions from the development of advertising and marketing materials or the placement of advertising. We may use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchisee's Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will use the remaining amounts in the Fund to defray costs associated with the advertising programs and overhead costs, as described above. ~~GPI has an advertising council composed of franchisees who advise GPI on marketing issues, known as the Franchise Marketing Commission ("FMC"). GPI formed the FMC in February 2011 with the objective of working together to drive sales through promotions and other marketing methods. The FMC is comprised of a commissioner for each of nine regions in the United States. The FMC will meet at least three times annually and each of its members serves a two year term. GPI encourages each franchisee to provide feedback to his or her assigned commissioner for use by the commissioner in representing his or her region at FMC meetings.~~

The Franchise Agreement requires you to spend five percent (5%) of your sales on advertising Godfather's Pizza products and your business. (Franchise Agreement, Section 10A). If you buy an existing company-operated location, or develop new locations in markets where GPI has company-operated locations, you normally must participate in cooperative advertising with the company-operated and franchised locations in that market area. In some cases this cooperative advertising may require you to spend more than five percent of your sales on advertising and promotion, depending on the nature and extent of the cooperative advertising and the sales volume of your restaurant. (Franchise Agreement, Section 10A).

GPI will define the area and membership in a cooperative, based on the area reached by television and radio stations in the market. You will pay a pro rata share of the cost of advertising and promotion in the market. Your share depends on the number of locations or net sales you have in the market as a percentage of the total locations or net sales in the market. Your pro rata share will be determined in the same way as that of all other franchisees located in the advertising cooperative. GPI will contribute to the cooperative at the same rate as franchisees contribute. GPI may reduce your contribution to the cooperative, or that of GPI or other franchisees, if you, GPI or another franchisee have locations in parts of the market where all households do not receive the media outlets that run the advertising. GPI is responsible for

administration of the cooperative. The cooperative will not always have written documents that govern its operation. GPI will describe your requirement to participate in the cooperative in an exhibit to the Franchise Agreement. The cooperatives do not have to prepare annual or periodic financial statements. GPI has the power to decide if GPI will form, change, dissolve or merge cooperatives. GPI will establish cooperatives only in markets where GPI operates locations. Other than the advertising cooperatives described in this paragraph and the preceding paragraph, you are not required to participate in any other advertising fund unless we establish the Fund described in this Item 11.

Franchisees typically open their restaurants within four to six months after they sign an Area Agreement or after they decide to open an individual restaurant. The factors that affect this time are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

GPI does not require that you buy or use an electronic cash register at this time but reserves the right to do so in the future. GPI does not require you to use a specified computer system, but you must use a computer in the operation of your business which: (1) has the amount of memory specified from time-to-time by GPI; (2) has internet access with such capabilities as GPI may require; (3) has the ability to operate all software programs that GPI requires; (4) will enable you to offer on-line ordering or similar forms of customer ordering as required by GPI; and (5) has such other capabilities and features as GPI may require to generate information regarding sales, franchise fees, marketing information, customer counts and related customer information. We estimate that you can purchase a computer for use in the operation of your business for \$1,000 or lease this computer under a three year lease for \$1,250.

Neither GPI, nor any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates for your computer system. GPI may require you to upgrade or update your computer system during the term of the Franchise Agreement, and there are no limitations in the Franchise Agreement or other agreement on the frequency or cost of your obligation to upgrade or update. GPI does not presently have independent access to the information stored in any electronic cash register system or computer system. GPI reserves the right to access sales and other customer information from your electronic cash register system or computer system in the future, and there are no contractual limitations on GPI's right to access the information. You must also comply with all requirements specified by GPI for the use of Technology Sites. As defined in the Franchise Agreement, the term "Technology Sites" includes a website, social networking site or other means of promoting your business on the internet, the worldwide web or other means of technology, whether now available or developed in the future.

It is GPI's policy and practice to monitor any websites developed or used by franchisees to ensure that links used by franchisees from their websites do not negatively reflect on the trademarks of GPI. Any offers, coupons or other discounts you offer by means of the internet must be approved in advance by GPI and limited to specific locations you operate. It is also GPI's policy to require you to submit to GPI for approval any email marketing plans you intend to use.

12. TERRITORY:

You will operate your Godfather's Pizza unit at a specific location that we first must approve. You may operate the location only at the approved premises and may not relocate the premises without our prior approval.

Except as described in the last paragraph of this Item 12, you will not receive an exclusive territory for any single traditional or non-traditional location that you develop and operate. You may face competition from other Godfather's Pizza locations that we franchise or own and that operate at traditional or non-traditional units located near your Godfather's Pizza location. Also, you may face competition from other outlets operating under different brands that we franchise or own, or from other channels of distribution or competitive brands we control. As more fully described in Item 5 of this disclosure document, if you sign an Area Agreement you receive the exclusive right to develop a specified number of locations within a designated geographic area during the term specified in the Area Agreement.

We retain all rights with respect to the Godfather's Pizza trademarks described in this disclosure document (the "Marks"), the sale of similar or dissimilar products and services, and any other activities we deem appropriate, including, but not limited to:

1. the right to provide, offer and sell, and to grant others the right to provide, offer and sell, goods and services that are identical or similar to and/or competitive with those provided at Godfather's Pizza locations, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including grocery stores, the internet or similar electronic media) from any location and on any terms and conditions we deem appropriate;
2. the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution (including grocery stores, the internet or similar electronic media), under the Marks and on any terms and conditions we deem appropriate;
3. the right to operate, and to grant others the right to operate, Godfather's Pizza locations located anywhere outside your location, including at non-traditional locations, under terms and conditions we deem appropriate and regardless of proximity to your location;
4. the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Godfather's Pizza locations, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; and
5. the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) by a business providing products and services similar to those provided at Godfather's Pizza locations, or by another business, even if such business operates, franchises and/or licenses competitive businesses in your territory.

We are not required to pay you if we exercise any of the rights specified above regardless of proximity to your location.

We do not restrict you from soliciting or accepting orders from outside your location, except that you may not solicit delivery orders from destinations located more than an eight (8) minute drive time from your location.

GPI also grants franchises for the ~~sale of Nana's Chicken products and for the~~ Godfather's Pizza QP concept. ~~Affiliates~~ An affiliate of GPI ~~grant~~ grants franchises under the ~~names~~ "name The Godfather's Joint" ~~and Big Vinny's Take & Bake Pizza~~. GPI anticipates that all of the locations under ~~the Nana's Chicken and~~ Godfather's Pizza QP, and most locations under the "The Godfather's Joint" ~~and "Big Vinny's Take & Bake Pizza" concepts~~ concept will be franchised. GPI will resolve any conflicts between GPI and its franchisees or between the franchisee of each system regarding territory, customers and franchise support by negotiations between GPI and the affected franchisee.

At your request GPI will consider granting you a right of first refusal to develop additional Godfather's Pizza locations in areas near your location. GPI will base its decision on GPI's perception of your financial and operational ability to operate additional locations.

While GPI normally will not provide you with an exclusive territory, we may in very limited situations provide you with an exclusive territory. If we do so, we will describe your territory in your Franchise Agreement before you sign it. We will determine the size and boundaries of your territory in our discretion, based on factors such as population density, character of neighborhood, location and number of competing businesses and other factors. Your territory may be defined by: (1) one or more five-digit ZIP Codes, (2) county or city boundaries, (3) fixed geographical boundaries such as rivers, streets or highways, or (4) an area identified by a map. When determining the territory, we generally use demographic statistics provided by the U.S. Census Bureau.

13. TRADEMARKS:

GPI grants you the right to operate a retail location selling pizza and related products under the name Godfather's Pizza. You may also use GPI's other current or future trademarks to operate your location. By trademark GPI means trade names, trademarks, service marks and logos used to identify your location and the products sold from your location. GPI registered the trademark of a hand holding a pizza shown below on the United States Patent and Trademark Office ("USPTO") principal register on March 13, 1979, at registration number 1,114,984 and on August 2, 2005 at registration number 2,980,618.



GPI also has registered the trademark "Godfather's Pizza" on the USPTO principal register on September 19, 2000 at registration number 2,386,870 and on the principal register on October 31, 2000 at registration number 2,398,968. GPI has filed all required affidavits for the trademarks described above, and has renewed each of the trademarks for which renewal was required within the time provided for such renewals.

You must follow GPI's rules when you use these Marks. You cannot use a name or mark with modifying words, designs or symbols except for those which GPI licenses to you. You cannot use GPI's registered trademarks in the sale of an unauthorized product or service or in a manner not authorized in writing by GPI.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving GPI's use or ownership rights in any trademarks, or any currently effective agreements that significantly limit GPI's rights to use or license any of its trademarks, nor does GPI know of any infringing uses that could materially affect your use of GPI's trademarks.

Section 4D of the Franchise Agreement permits GPI, in its sole discretion, to modify or discontinue the use of any trademark, and to use one or more additional or substitute trademarks. You must comply, at your sole cost, with GPI's directions to modify or otherwise discontinue use of a trademark within a reasonable time after notification by GPI. GPI will not reimburse you for your direct expenses of changing the signs at your location, for any loss of revenue due to any modified or discontinued trademark, or for your expenses of promoting a modified or substitute trademark or service mark.

We will reimburse you for all damages and expenses that you incur in any trademark infringement or unfair competition proceeding disputing your authorized use of any trademark under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any trademark.

14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION:

You do not have the right to use an item covered by a patent or copyright, but you can use the proprietary information in GPI's Operations Manuals ~~and Administrative Procedures Manual~~. GPI owns no rights to any patents and has no pending patent applications that are material to the franchise. Item 11 describes the Operations Manuals ~~and Administrative Procedures Manual~~. GPI has not filed an application for copyright registration for the Operations Manuals ~~or Administrative Procedures Manual~~, but GPI owns all rights to the copyright for these manuals, and this information is proprietary. Item 11 describes limitations on the use of all of these manuals by you and your employees. You may use these manuals in the operation of your Godfather's Pizza location on the condition that you not use the information contained in such manuals for any other business, that you not disclose this information to any third party and that you return these manuals to GPI upon the termination or expiration of the Franchise Agreement.

There currently are no effective adverse determinations of the USPTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright. You do not have any rights under the Franchise Agreement if we require you to modify or discontinue using the subject matter covered by a copyright.

Our Operations Manuals and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes site selection criteria; recipes for certain food products; training and operations materials; methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge and experience used in developing and operating Godfather's Pizza locations; marketing and advertising programs for Godfather's Pizza locations; any computer software or similar technology that is proprietary to us or the system; knowledge of specifications for and suppliers of products and supplies; knowledge of the operating results and financial performance of Godfather's Pizza locations other than your location; and graphic designs and related intellectual property.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent improper disclosure to others and use non-disclosure and non-competition agreements with those having access.

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

GPI normally requires that the owner of the franchised business have a minimum of one (1) year managerial experience within the restaurant or food service industries. GPI encourages you to be actively involved in the day-to-day operation of the business. GPI does not require that you personally supervise the franchised business. However, you must have your business directly supervised "on-premises" by a manager. GPI may require this manager to complete GPI's training program described in Item 11. The manager need not have an ownership interest in a corporate, limited liability company or partnership franchisee.

All owners of an interest in a Franchise Agreement or Area Agreement, including the owners of interests in a corporation, limited liability company, partnership or other entity that is the franchisee, must sign a personal guaranty. Exhibit "A" of the Franchise Agreement and Exhibit "C-1" of the Area Agreement contain the forms of these guaranties. The signers of this guaranty agree to pay all amounts owed by the franchisee to GPI, carry out the franchisee's other obligations to GPI, and observe the confidentiality requirements referred to in the guaranty. GPI may waive the guaranty requirement, in its sole discretion, for very large and well capitalized franchisees.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL:

GPI requires you to sell Godfather's Pizza products from your location only. You must prepare these products according to GPI's specifications. You must buy the ingredients you use in preparing Godfather's Pizza products from distributors approved by GPI. (See Item 8).

GPI does not require that you sell every Godfather's Pizza product, but GPI may require you to sell certain products in the future. There are no limits on GPI's right to make these changes. GPI may permit you to sell Godfather's Pizza products at wholesale to convenience stores or other retailers. GPI will put the conditions for these sales in an exhibit to the Franchise Agreement. GPI reserves the right to withhold its consent to sell products at the wholesale level.

GPI will permit you to deliver pizza and soft drinks from your location, if you comply with the other provisions of the Franchise Agreement. GPI does not permit you to solicit delivery orders from customers who do not live within an eight (8) minute drive from your location. You may offer buffet services in your location only under the terms and conditions described in the Operations Manual and in other written communications from GPI.

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.

FRANCHISE AGREEMENT

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Length of the franchise term	Section 1C	Term is 5 years from the date set forth in Franchise Agreement.
b.	Renewal or extension of the term	Section 14A	If you are in good standing, you can extend the term only for one additional term of 5 years.
c.	Requirements for you to renew or extend	Sections 14A, 14B and 14C	Give GPI written notice not less than 180 days or more than 240 days before term ends and sign new Franchise Agreement, a release (if law allows) and other documents GPI uses to grant franchises; pay renewal fee of \$2,000; maintain premises of location and refurbish the location as required by GPI; relocate the location if you cannot retain the location or GPI believes it should be relocated. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
			different fee requirements and territorial rights.
d.	Termination by you	Section 15A	You can terminate if GPI has uncured default.
e.	Termination by GPI without cause	NONE	N/A
f.	Termination by GPI with cause	Section 15B	GPI can terminate only if you default.
g.	“Cause” defined- curable defaults	Section 15B	You have 3 days to cure violations of health, sanitation or safety laws; 5 days to cure defaults related to use of the Marks, failure to provide insurance certificates in a timely manner or failure to follow GPI's standards and specifications for quality of food and beverage products. You have 10 days to cure failure to pay initial franchise fee within 5 days after opening or to report sales and pay amounts owed to GPI when due. You have 30 days to cure other curable defaults. If you commit a second curable default of any kind, GPI may require you to sign its then current form of Franchise Agreement as a condition for curing that default.
h.	“Cause” defined- non curable defaults	Section 15B	Abandonment of location, termination of lease, material misrepresentation in franchise application, conviction of certain crimes, unauthorized transfers of franchise or ownership of franchisee, failure to pay all required taxes in a timely manner, unauthorized use or disclosure of confidential information, failure 3 or more times to submit reports and pay amounts to GPI when due or other failure to comply with Franchise Agreement, even if cured, and violation of anti-terrorism laws described in Franchise Agreement.
i.	Your obligations on termination/non-	Section 16	Obligations include stop operating as Godfather’s Pizza location, assign lease for the location (other than a non-traditional location)

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
	renewal		to GPI, completely de-identify, submit all reports, pay all amounts owed GPI, change phone number, websites and social networking sites or permit GPI to assume operation of such sites, and notify GPI of compliance with these obligations.
j.	Assignment of contract by GPI	Section 13A	GPI can assign to anyone who assumes GPI's obligations under the Franchise Agreement.
k.	"Transfer" by you-definition	Section 13B	Includes transfer of contract or assets or ownership change.
l.	GPI's approval of transfer by you	Section 13C	GPI has the right to approve all transfers but may not unreasonably withhold approval if conditions in Franchise Agreement met. The proposed transferee must sign a new Franchise Agreement if required by GPI.
m.	Conditions for GPI approval of transfer	Section 13C	(a) Transferee has sufficient experience, aptitude and financial resources; (b) Transferee must sign then current form of Franchise Agreement as required by GPI; (c) you must pay or transferee must provide adequate assurance that all amounts owed by you to GPI will be paid; (d) you must submit all required reports; (e) transferee must complete training; (f) you must return manuals to GPI; (g) lessor of location must consent; (h) you must subordinate right to receive payment for amounts you finance for transferee to GPI's right to receive payments from transferee under Franchise Agreement; (i) you or transferee must pay \$3,000 transfer fee; (j) you must execute release to GPI where permitted by law; (k) GPI must approve material terms of transfer; (l) you must agree to 2 year non-compete.
n.	GPI's right of first refusal to acquire your business	Section 13E	GPI can match any offer for your business.
o.	GPI's option to	Section 16D	If you default, GPI can acquire the right to lease

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
	purchase your business		your location (other than a non-traditional location) to operate or franchise a Godfather's Pizza location.
p.	Your death or disability	Section 13B	The transfer of an interest in the franchisee, the Franchise Agreement, the franchise or the location following death or disability is treated as a transfer subject to the terms of Section 13 of the Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	Section 8	No business anywhere by franchisee, its owners or members of franchisee's management team, or their immediate families, offering pizza or other products similar to those offered by Godfather's Pizza locations.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16E	No competing business for two years by franchisee, its owners or members of franchisee's management team, or their immediate families, within 10 miles of a franchised or company -operated Godfather's Pizza location.
s.	Modification of the agreement	Section 17G	Written modifications allowed by agreement of you and GPI.
t.	Integration/merger clause	Section 17H	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	NONE	N/A
v.	Choice of forum	Section 17F	We may commence actions in Nebraska state or federal courts. You agree to submit to jurisdiction of these courts, but they are not the exclusive forums for litigation.
w.	Choice of law	Section 17F	Federal law or law of state of your location applies to certain matters; in all other matters Nebraska law applies.

AREA AGREEMENT

	PROVISION	SECTION IN AREA AGREEMENT	SUMMARY
a.	Length of the franchise term	Paragraph 6a	Terminates at end of year when you do not complete development schedule.
b.	Renewal or extension of the term	Paragraph 6c	As agreed by you and GPI.
c.	Requirements for you to renew or extend	Paragraph 6c	Agree in writing with GPI.
d.	Termination by you	None	N/A
e.	Termination by GPI without cause	None	N/A
f.	Termination by GPI with cause	Paragraph 6b	GPI can terminate only if you default.
g.	“Cause” defined-curable defaults	Paragraph 6b	You have 30 days to cure defaults.
h.	“Cause” defined-non-curable defaults	Paragraphs 6a and 6b	All defaults can be cured except failure to complete development.
i.	Your obligations on termination/non-renewal	Paragraph 6d	You can operate restaurants in development area, but GPI can permit other development.
j.	Assignment of contract by GPI	Paragraph 5a	GPI can assign to anyone who assumes GPI’s obligations under Agreement.
k.	“Transfer” by you-definition	Paragraph 5b	Includes transfer of assets or contract or ownership change.
l.	GPI’s approval of transfer by you	Paragraph 5b	GPI has right to approve all transfers but may not unreasonably withhold approval.

	PROVISION	SECTION IN AREA AGREEMENT	SUMMARY
m.	Conditions for GPI approval of transfer	None, but see policy described in Note 1	N/A
n.	GPI's right of first refusal to acquire your business	Paragraph 5b(3)	GPI can match any offer for your business.
o.	GPI's option to purchase your business	None	N/A
p.	Your death or disability	None	N/A
q.	Non-competition covenants during the term of the franchise	None	N/A
r.	Non-competition covenants after the franchise is terminated or expires	None	N/A
s.	Modification of the agreement	Paragraph 6b, 8b	GPI can modify development area or schedule if you default; you and GPI can agree to other modifications any time.
t.	Integration/merger clause	Paragraph 9b	Only terms of Area Agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	N/A
v.	Choice of forum	None	N/A
w.	Choice of law	Paragraph 1h	Federal law or law of state of development area applies to certain matters; Nebraska law applies to all other matters.

Note 1- GPI normally requires new franchisees, ~~including area developers~~, to have a net worth of at least \$200,000, a liquid net worth of at least \$100,000 and one year of restaurant operating experience. GPI will consider waiving the restaurant experience requirement for persons with substantial net worth. GPI will consider waiving the net worth requirement if the proposed franchisee has substantial restaurant operating experience, particularly in the Godfather's Pizza system. Area developers will normally be required to agree to develop at least three locations and will have higher net worth requirements, depending primarily on the number of locations they agree to develop.

Termination on Bankruptcy

A provision in your Franchise Agreement that terminates the franchise on your bankruptcy may not be enforceable under Title 11, United States Code Section 101 et seq.

Reinstatements and Extensions

If any termination or expiration of the term of the Franchise Agreement would violate any applicable law, we may reinstate or extend the term for the purpose of complying with the law.

These states have statutes which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 4-72-201], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, Title 6, Chapter 25], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/19 and 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Section 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5B], VIRGINIA [Code 13.1-557-574-13.1-563], WASHINGTON [Code Section 19.100.180] and WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

18. PUBLIC FIGURES:

GPI does not use any public figure to promote its franchise.

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 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 our management by contacting our Franchise Services Department, the Federal Trade Commission and any appropriate regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION:

TABLE NO. 1

**SYSTEMWIDE OUTLET SUMMARY FOR
YEARS ~~2012~~2013 TO ~~2014~~2015**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2012 <u>2013</u>	603 <u>598</u>	598 <u>594</u>	-54
	2013	598	594	-4
	2014	594	573	-21
	<u>2015</u>	<u>573</u>	<u>536</u>	<u>-37</u>
Company-Owned	2012 <u>2013</u>	24 <u>23</u>	23 <u>21</u>	-1 <u>-2</u>
	2013	23	21	-2
	2014	21	17	-4
	<u>2015</u>	<u>17</u>	<u>15</u>	<u>-2</u>
Total Outlets	2012 <u>2013</u>	627 <u>621</u>	621 <u>615</u>	-6
	2013	621	615	-6
	2014	615	590	-25
	<u>2015</u>	<u>590</u>	<u>551</u>	<u>-39</u>

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS ~~2012~~2013 TO ~~2014~~2015

State	Year	Number of Transfers
Alabama	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Arizona	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
California	2012 <u>2013</u>	0
	<u>2014</u>	<u>1</u>
	2013 <u>2015</u>	0
	2014	1
Illinois	2012 <u>2013</u>	20
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Indiana	2012 <u>2013</u>	10
	2013	0
	2014	0
	<u>2015</u>	<u>1</u>

State	Year	Number of Transfers
Iowa	2012 <u>2013</u>	0 <u>1</u>
	2013	1
	2014	2
	<u>2015</u>	<u>4</u>
Kansas	2012 <u>2013</u>	1 <u>0</u>
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Kentucky	2012 <u>2013</u>	0
	2013	0
	2014	1
	<u>2015</u>	<u>27</u>
Minnesota	2012 <u>2013</u>	1 <u>0</u>
	2013	0
	2014	1
	<u>2015</u>	<u>1</u>
Mississippi	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2014</u>	<u>0</u>
	<u>2015</u>	<u>0</u>
Missouri	2012 <u>2013</u>	1 <u>2</u>
	2013	2

State	Year	Number of Transfers
	2014	0
	<u>2015</u>	<u>3</u>
Nebraska	2012 <u>2013</u>	1 <u>0</u>
	2013	0
	2014	2
Nevada	2012	1
	2013	0
	2014	0 <u>2</u>
	<u>2015</u>	<u>0</u>
<u>Nevada</u>	<u>2013</u>	<u>0</u>
	<u>2014</u>	<u>0</u>
	<u>2015</u>	<u>0</u>
North Dakota	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Oklahoma	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Oregon	2012 <u>2013</u>	0
	2013	0
	2014	0

State	Year	Number of Transfers
	<u>2015</u>	<u>0</u>
Pennsylvania	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
South Dakota	2012 <u>2013</u>	0
	2013	0
	2014	1
	<u>2015</u>	<u>0</u>
Tennessee	2012 <u>2013</u>	4 <u>2</u>
	2013	2
	2014	2
	<u>2015</u>	<u>3</u>
Texas	2012 <u>2013</u>	1 <u>0</u>
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Utah	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Washington	2012 <u>2013</u>	0
	2013	0

State	Year	Number of Transfers
	2014	0
	<u>2015</u>	<u>0</u>
Wisconsin	2012 <u>2013</u>	10
	2013	0
	2014	0
	<u>2015</u>	<u>1</u>
Wyoming	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
West Virginia	2012 <u>2013</u>	0
	2013	0
	2014	0
	<u>2015</u>	<u>0</u>
Total	2012 <u>2013</u>	145
	2013	5
	2014	10
	<u>2015</u>	<u>40</u>

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS ~~2012~~2013 TO ~~2014~~2015

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
Alabama	2012	76	0	10	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2013							
	2013 2014	6	0 <u>1</u>	0 <u>1</u>	0	0	0	6
	2014 2015	6	1 <u>0</u>	1	0	0	0	6 <u>5</u>
Alaska	2012 2013	3	0	0	0	0	0	3
	2013 2014	3	0	0 <u>1</u>	0	0	0	3 <u>2</u>
	2014 2015	3 <u>2</u>	0	1	0	0	0	2 <u>1</u>
Arkansas	2012 2013	1	0	0	0	0	0	1
	2013 2014	1	0	0	0	0	0	1
	2014 2015	1	0	0	0	0	0	1
Arizona	2012 2013	0	0	0	0	0	0	0
	2013 2014	0	0	0	0	0	0	0
	2014 2015	0	0	0	0	0	0	0
California	2012 2013	5	0	0	0	0	0	5
	2013 2014	5	0	0 <u>1</u>	0	0	0	5 <u>4</u>
	2014 2015	5 <u>4</u>	0	1	0	0	0	4 <u>3</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Colorado	2012 <u>2013</u>	1	0	0	0	0	0	1
	2013 <u>2014</u>	1	0	0	0	0	0	1
	2014 <u>2015</u>	1	0	0	0	0	0	1
Florida	2012 <u>2013</u>	102	0 <u>1</u>	0 <u>2</u>	0	0	0	102 <u>101</u>
	2013	102	1	2	0	0	0	101
	2014	101	0	3	0	0	0	98
	<u>2015</u>	<u>98</u>	<u>0</u>	<u>22</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>76</u>
Georgia	2012 <u>2013</u>	3	0	0	0	0	0	3
	2013 <u>2014</u>	3	0 <u>1</u>	0	0	0	0	3 <u>4</u>
	2014 <u>2015</u>	3 <u>4</u>	0 <u>1</u>	0	0	0	0	4
Idaho	2012 <u>2013</u>	1	0	0 <u>1</u>	0	0	0	1 <u>0</u>
	2013 <u>2014</u>	1 <u>0</u>	0	1 <u>0</u>	0	0	0	0
	2014 <u>2015</u>	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Illinois	2012 <u>2013</u>	28 <u>31</u>	4 <u>1</u>	1	0	0	0	31
	2013 <u>2014</u>	31	1	1 <u>0</u>	0	0	0	31 <u>32</u>
	2014 <u>2015</u>	31 <u>32</u>	1 <u>2</u>	0 <u>1</u>	0	0	0	32 <u>33</u>
Indiana	2012 <u>2013</u>	20 <u>21</u>	1	0 <u>3</u>	0	0	0	21 <u>19</u>
	2013	21	1	3	0	0	0	19
	2014	19	0	1	0	0	0	18
	<u>2015</u>	<u>18</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18</u>
Iowa	2012 <u>2013</u>	114 <u>113</u>	10 <u>7</u>	11 <u>6</u>	0	0	0	113 <u>114</u>
	2013	113	7	6	0	0	0	114
	2014	114	1	8	0	3	0	104
	<u>2015</u>	<u>104</u>	<u>4</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>
Kansas	2012 <u>2013</u>	34 <u>34</u>	10 <u>0</u>	0 <u>2</u>	0	0	0	42 <u>2</u>
	2013	4	0	2	0	0	0	2
	2014	2	1	1	0	0	0	2
	<u>2015</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Kentucky	2012 <u>2013</u>	40 <u>43</u>	3 <u>2</u>	0	0	0	0	43 <u>45</u>
	2013 <u>2014</u>	43 <u>45</u>	2	0 <u>1</u>	0	0	0	45 <u>46</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2014 <u>2015</u>	45 <u>46</u>	2 <u>0</u>	1	0	0	0	46 <u>45</u>
Louisiana	2012 <u>2013</u>	0	0	0	0	0	0	0
	2013 <u>2014</u>	0	0	0	0	0	0	0
	2014 <u>2015</u>	0	0	0	0	0	0	0
Massachusetts	2012 <u>2013</u>	1	0	0	0	0	0	1
	2013 <u>2014</u>	1	0	0	0	0	0	1
	2014 <u>2015</u>	1	0	0 <u>1</u>	0	0	0	1 <u>0</u>
Michigan	2012 <u>2013</u>	1	0	0	0	0	0	1
	2013 <u>2014</u>	1	0	0	0	0	0	1
	2014 <u>2015</u>	1	0	0	0	0	0	1
Minnesota	2012 <u>2013</u>	38 <u>34</u>	0 <u>2</u>	4 <u>2</u>	0	0	0	34
	2013 <u>2014</u>	34	2	2 <u>5</u>	0	0	0	34 <u>31</u>
	2014 <u>2015</u>	34 <u>31</u>	2	5	0	0	0	31 <u>28</u>
Mississippi	2012 <u>2013</u>	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2013 <u>2014</u>	0	0	0	0	0	0	0
	2014 <u>2015</u>	0	0	0	0	0	0	0
Missouri	2012 <u>2013</u>	17 <u>19</u>	4 <u>2</u>	2 <u>1</u>	0	0	0	19 <u>20</u>
	2013 <u>2014</u>	19 <u>20</u>	2	1 <u>2</u>	0	0	0	20
	2014 <u>2015</u>	20	2 <u>1</u>	2 <u>1</u>	0	0	0	20
Montana	2012 <u>2013</u>	4	0	0 <u>1</u>	0	0	0	4 <u>3</u>
	2013 <u>2014</u>	4 <u>3</u>	0	1 <u>0</u>	0	0	0	3
	2014 <u>2015</u>	3	0	0	0	0	0	3
Nebraska	2012 <u>2013</u>	45	2 <u>1</u>	2 <u>3</u>	0	0 <u>1</u>	0	45 <u>42</u>
	2013	45	1	3	0	1	0	42
	2014	42	1	0	0	0	0	43
	<u>2015</u>	<u>43</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42</u>
Nevada	2012 <u>2013</u>	3	1 <u>0</u>	1	0	0	0	3 <u>2</u>
	2013 <u>2014</u>	3 <u>2</u>	0	1 <u>0</u>	0	0	0	2
	2014 <u>2015</u>	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
New Hampshire	2012 <u>2013</u>	2	0	0	0	0	0	2
	2013 <u>2014</u>	2	0	0	0	0	0	2
	2014 <u>2015</u>	2	0	0	0	0	0	2
New Jersey	2012 <u>2013</u>	89 <u>97</u>	10 <u>0</u>	02 <u>2</u>	0	0	0	97 <u>75</u>
	2013 <u>2014</u>	97 <u>75</u>	0	2	0	0	0	75 <u>5</u>
	2014 <u>2015</u>	75 <u>5</u>	0	20 <u>0</u>	0	0	0	5
New Mexico	2012 <u>2013</u>	2	0	0	0	0	0	2
	2013 <u>2014</u>	2	01 <u>0</u>	0	0	0	0	23 <u>23</u>
	2014 <u>2015</u>	23 <u>23</u>	01 <u>0</u>	0	0	0	0	23 <u>24</u>
New York	2012 <u>2013</u>	23	0	0	0	0	0	23
	2013 <u>2014</u>	23	0	01 <u>0</u>	0	0	0	23 <u>22</u>
	2014 <u>2015</u>	23 <u>22</u>	0	10 <u>0</u>	0	0	0	22
North Carolina	2012 <u>2013</u>	65 <u>5</u>	01 <u>0</u>	1	0	0	0	5
	2013 <u>2014</u>	5	10 <u>0</u>	1	0	0	0	5 <u>4</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2014 <u>2015</u>	54	0	10	0	0	0	4
North Dakota	2012 <u>2013</u>	3	0 <u>1</u>	0	0	0	0	34
	2013	3	1	0	0	0	0	4
	2014	4	0	1	0	0	0	3
	<u>2015</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Ohio	2012 <u>2013</u>	4	0	0	0	0	0	4
	2013 <u>2014</u>	4	0 <u>1</u>	0 <u>1</u>	0	0	0	4
	2014 <u>2015</u>	4	0 <u>10</u>	0 <u>10</u>	0	0	0	4
Oklahoma	2012 <u>2013</u>	98	0	1	0	0	0	87
	2013 <u>2014</u>	87	0	10	0	0	0	7
	2014 <u>2015</u>	7	0 <u>1</u>	0	0	0	0	78
Oregon	2012 <u>2013</u>	98	0	10	0	0	0	8
	2013 <u>2014</u>	8	0	0 <u>1</u>	0	0	0	87
	2014 <u>2015</u>	87	0	10	0	0	0	7
Pennsylvania	2012 <u>2013</u>	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2013 <u>2014</u>	3	0	0 <u>1</u>	0	0	0	3 <u>2</u>
	2014 <u>2015</u>	3 <u>2</u>	0	1 <u>0</u>	0	0	0	2
Rhode Island	2012 <u>2013</u>	0	0	0	0	0	0	0
	2013 <u>2014</u>	0	0	0	0	0	0	0
	2014 <u>2015</u>	0	0	0	0	0	0	0
South Carolina	2012 <u>2013</u>	8	0	0	0	0	0	8
	2013 <u>2014</u>	8	0	0	0	0	0	8
	2014 <u>2015</u>	8	0	0 <u>1</u>	0	0	0	8 <u>7</u>
South Dakota	2012 <u>2013</u>	19 <u>16</u>	0 <u>1</u>	3 <u>1</u>	0	0	0	16
	2013	16	1	1	0	0	0	16
	2014	16	2	1	0	0	0	17
	<u>2015</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17</u>
Tennessee	2012 <u>2013</u>	17 <u>14</u>	0 <u>2</u>	3 <u>0</u>	0	0	0	14 <u>16</u>
	2013	14	2	0	0	0	0	14
	2014	16	0	0	0	0	0	16
	<u>2015</u>	<u>16</u>	<u>4</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Texas	2012 <u>2013</u>	11	0	0	0	0	0	11
	2013 <u>2014</u>	11	0	0	0	0	0	11 <u>12</u>
	2014 <u>2015</u>	11 <u>12</u>	1	0	0	0	0	12
Utah	2012 <u>2013</u>	1	0	0	0	0	0	1
	2013 <u>2014</u>	1	0	0	0	0	0	1
	2014 <u>2015</u>	1	0	0	0	0	0	1
Virginia	2012 <u>2013</u>	4	0	0	0	0	0	4
	2013 <u>2014</u>	4	0	0	0	0	0	4
	2014 <u>2015</u>	4	0	0	0	0	0	4
Washington	2012 <u>2013</u>	7	0	0	0	0	0	7
	2013 <u>2014</u>	7	0	0	0	0	0	7
	2014 <u>2015</u>	7	0	0 <u>2</u>	0	0	0	7 <u>5</u>
West Virginia	2012 <u>2013</u>	17	1	0	0	0	0	17 <u>18</u>
	2013	17	1	0	0	0	0	18
	2014	18	0	1	0	0	0	17

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	<u>2015</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17</u>
Wisconsin	2012 <u>2013</u>	79	26	04	0	0	0	91 <u>11</u>
	2013 <u>2014</u>	911	60	40	0	0	0	11
	2014 <u>2015</u>	11	0	01	0	0	0	11 <u>10</u>
Wyoming	2012 <u>2013</u>	3	0	0	0	0	0	3
	2013 <u>2014</u>	3	0	01	0	0	0	32
	2014 <u>2015</u>	32	0	10	0	0	0	2
Totals	2012 <u>2013</u>	603 <u>598</u>	30 <u>29</u>	35 <u>32</u>	0	01 <u>1</u>	0	598 <u>594</u>
	2013	594	17	35	0	3	0	573
	<u>2015</u>	<u>573</u>	<u>19</u>	<u>56</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>536</u>

TABLE NO. 4

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS ~~2012~~2013 TO ~~2014~~2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Illinois	2012 <u>2013</u>	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2013 <u>2014</u>	1	0	0	0	0	1
	2014 <u>2015</u>	1	0	0	0	0 <u>1</u>	1 <u>0</u>
Iowa	2012 <u>2013</u>	2	0	0	0 <u>1</u>	0	2 <u>1</u>
	2013	2	0	0	1	0	1
	2014	1	0	3	1	0	3
	<u>2015</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>
Kansas	2012 <u>2013</u>	5	0	0	0	0	5
	2013	5	0	0	0	0	5
	2014	5	0	0	0	1	4
	<u>2015</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Minnesota	2012 <u>2013</u>	2	0	0	0 <u>1</u>	0	2 <u>1</u>
	2013 <u>2014</u>	2 <u>1</u>	0	0	0 <u>1</u>	0	1
	2014 <u>2015</u>	1	0	0	0	0	1
Missouri	2012 <u>2013</u>	4 <u>3</u>	0	0	0 <u>1</u>	0 <u>1</u>	3 <u>2</u>
	2013	3	0	0	0	1	2
	2014	2	0	0	1	1	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Nebraska	2012 <u>2013</u>	8	0 <u>1</u>	0 <u>1</u>	0	0	8 <u>10</u>

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	<u>13</u>						
	2013	8	+	+	0	0	10
	2014	10	1	0	4	0	7
	<u>2015</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>
South Dakota	2012 <u>20</u>	2	0	0	0 <u>1</u>	0	2 <u>1</u>
	2013	2	0	0	+	0	+
	2014	1	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Totals	2012 <u>20</u>	24 <u>23</u>	0 <u>1</u>	0 <u>1</u>	13	0 <u>1</u>	23 <u>21</u>
	2013	23	+	+	3	+	21
	2014	21	1	3	6	2	17
	<u>2015</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>15</u>

The information in Tables 1-4 above are for GPI's fiscal years, which end on the last Sunday in May.

TABLE NO. 5

PROJECTED OPENINGS AS OF JUNE 1, ~~2014~~2015

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	0	0
Colorado	0	1	0
District of Columbia	0	0	0
Florida	0	4 <u>10</u>	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Georgia	0	2 <u>5</u>	0
Illinois	0	5 <u>0</u>	0
Indiana	0	2 <u>0</u>	0
Iowa	0	4 <u>0</u>	2 <u>1</u>
Kansas	0	4 <u>0</u>	0
Kentucky	0	2 <u>0</u>	0
Massachusetts	0	0	0
Minnesota	0	0	0
Missouri	0	2 <u>10</u>	0
Nebraska	0	2 <u>0</u>	2 <u>1</u>
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	2 <u>0</u>	0
New Mexico	0	1	0
New York	0	0	0
North Carolina	0	0	0
North Dakota	0	1 <u>2</u>	0
Ohio	0	0	0
Oklahoma	0	1 <u>0</u>	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
South Dakota	0	1 <u>0</u>	1
Tennessee	0	1 <u>0</u>	0
Texas	0	2	0
Utah	0	2 <u>0</u>	0
Virginia	0	1 <u>0</u>	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	2	0
TOTAL	0	39 <u>36</u>	52 <u>52</u>

Exhibit “E-1” lists the names of all of our operating franchisees and the addresses of their locations and their telephone numbers as of June ~~11, 2014~~18, 2015. Exhibit “E-2” lists the franchisees who have signed Franchise Agreements for locations which were not yet operational as of July 31, ~~2014~~2015. Exhibit “E-3” lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three (3) fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

The Godfather's Pizza Franchise Advisory Council is sponsored by us, but a majority of its members are elected by franchisees. You can reach the organization at 2808 North 108th Street, Omaha, Nebraska 68164, (402) 391-1452. There are no independent franchisee organizations that have asked to be included in this disclosure document.

21. FINANCIAL STATEMENTS:

Exhibit “C” contains the following audited financial statements of GPI:

1. Consolidated Balance Sheets as of May ~~25, 2014~~31, 2015 and May ~~26, 2013~~25, 2014. Statements of Operations, Shareholders' Equity and Cash Flows for the fiscal year ended May ~~25, 2014~~31, 2015 and the fiscal year ended May ~~26, 2013~~25, 2014.

2. Consolidated Balance Sheets as of May ~~26, 2013~~25, 2014 and May ~~27, 2012, 26, 2013.~~ Statements of Operations, Shareholders' Equity and Cash Flows for the fiscal year ended May ~~26, 2013~~25, 2014 and the fiscal year ended May ~~27, 2012, 26, 2013.~~

22. CONTRACTS:

The following documents are exhibits to this disclosure document:

1. A Franchise Agreement, which is referred to in this disclosure document. Exhibit “B-1”.

2. An Agreement for Area Development, which is the Area Agreement referred to in this disclosure document, used when the prospective franchisee is entering into an agreement to develop an area rather than a single franchised location. Exhibit “B-2”.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
STATE OF MINNESOTA

1. Procedure, Forum and Remedies. Item 17v of this Franchise Disclosure Document is hereby amended in its entirety to read as follows: "Minnesota Stat. §80C.21 and Minn. Rule 2860.4460J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

2. Choice of Law. Item 17w of this Franchise Disclosure Document is hereby amended by adding the following language at the beginning of that Item: "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Stat. §80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, and that consent to the transfer of the franchise will not be unreasonably withheld."

3. General Release. Item 17c and Item 17m of this Franchise Disclosure Document are hereby modified by adding the following language at the end of these Items: "Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release."

GODFATHER'S PIZZA, INC.

By _____
Its

By _____
Its

EXHIBIT "A"

DIRECTORY OF AGENCIES

Listed here are names, addresses, and telephone numbers of state and federal agency personnel having responsibility for franchising disclosure/registration laws and selected business opportunity laws.

California

Department of Business Oversight

Los Angeles
320 West 4th Street
Suite 750
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento
1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego
1350 Front Street, Room 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco
One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8559

Commissioner of Business Oversight
Jan Lynn Owen
<http://www.dbo.ca.gov>

Connecticut

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-~~8233~~8230
www.ct.gov/dob

Florida

Tom Kenny
Regulatory Consultant
Department of Agriculture and Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314-6700
(850) ~~488-2221~~[410-3800](tel:410-3800)
Fax: (850) 410-3804
<http://www.800helpfla.com/busopbus>

Hawaii

Department of Commerce and Consumer Affairs
Business Registration Division
Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2744

Commissioner of Securities
~~Corinna M. Wong~~
[Ty Y. Nohara](mailto:Ty.Y.Nohara@dcca.sec)
<http://hawaii.gov/dcca/sec>

Illinois

Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-~~4436~~[1090](tel:1090)

Registration and Materials Inquiries:
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465
<http://www.illinoisattorneygeneral.gov/consumers/franchise.html>

Indiana

John Potocky
Chief Deputy Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681
<http://www.in.gov/sos/securities>

Iowa

Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
(515) 281-4441
Fax: (515) 281-3059
<http://www.iid.state.ia.us/securities>

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-7042
<http://www.oag.state.md.us/Securities>

Michigan

Consumer Protection Division
Franchise Section
525 West Ottawa Street
Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 373-7117
<http://www.michigan.gov/ag>

Minnesota

Department of Commerce
Market Assurance Division
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-4026
<http://mn.gov/commerce/licensees>

Nebraska

Karen Reynolds
Securities Analyst
Department of Banking and Finance
1230 O Street
Suite 400
Lincoln, Nebraska 68508
(402) 471-3445
<http://www.ndbf.ne.gov>

New York

~~Joseph J. Punturo
Assistant Attorney General
Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8222
Fax: (212) 416-8816~~

Administrator:

Attention: Barbara Lasoff

Office of the New York State Attorney General

Investor Protection Bureau

Franchise Section

120 Broadway, 23rd Floor

New York, NY 10271-0332

(212) 416-8236 Phone

(212) 416-6042 Fax

<http://www.ag.ny.gov/investor-protection/franchisors-franchisees>

North Dakota

Diane Lillis

Franchise Examiner

North Dakota Securities Department

600 East Boulevard Avenue, Fifth Floor

Department 414

Bismarck, North Dakota 58505-0510

(701) 328-4712

<http://www.nd.gov/securities/franchise-registration>

Oregon

Floyd Lanter

Department of Consumer and Business Services

Division of Finance and Corporate Securities

Labor and Industries Building

Salem, Oregon 97310

(503) 378-4140

Fax: (503) 947-7862

<http://dfcs.oregon.gov>

Rhode Island

David Briden

Chief Securities Examiner

Department of Business Regulation

Securities Division

1511 Pontiac Avenue

John O. Pastore Building 69-1

Cranston, Rhode Island 02920-4407

(401) 462-9527

<http://www.dbr.state.ri.us/divisions/securities/franchising.php>

South Dakota

Franchise Administrator
Department of Labor and Regulation
Division of Securities
~~445 East Capitol Avenue~~
124 S. Euclid, Suite 104
Pierre, South Dakota 57501-3185
(605) 773-4823
(605) 773-5953
<http://www.sdjobs.org/securities>

Texas

Dorothy Wilson
Statutory Document Section
Secretary of State
~~1719~~1019 Brazos
Austin, Texas 78701
(512) 475-1769
<http://www.sos.state.tx.us/statdoc/index.shtml>

Utah

Francine A. Giani
Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
(801) 530-6601
Fax: (801) 530-6001
<http://consumerprotection.utah.gov>

Virginia

Timothy J. O'Brien
Chief Examiner
State Corporation Commission
Division of Securities and Retail Franchising
Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219
(804) 371-9051
<http://www.scc.virginia.gov>

Washington

~~Deborah Bortner~~
Bill Beatty
Administrator
Department of Financial Institutions
Securities Division
~~P.O. 150 Israel Rd, SWPO~~ Box 9033
~~Olympia~~Tumwater, WA 98507-9033

(360) 902-8760

<http://www.dfi.wa.gov/sd/franchise.htm>

Wisconsin

Mary Wells

Operations Program Associate

Department of Financial Institutions

Division of Securities

~~345 West~~[201 W. Washington Street, 4th Floor](#)
~~Avenue~~
[Suite 300 PO Box 1768](#)

Madison, Wisconsin ~~53703~~[53701-1768](#)

(608) 266-~~2804~~[1064](#)

<http://www.wdfi.org/fi/securities/franchise/default.htm>

~~4830-1104-3866, v. 1~~

[4810-4603-3444, v. 3](#)

EXHIBIT "A"
REGISTERED AGENTS OF GPI

ALASKA

Corporation Service Company
9360 Glacier Highway, Suite 202
Juneau, AK 99801

ARKANSAS

Corporation Service Company
300 Spring Building
300 S. Spring Street, Suite 900
Little Rock, AR 72201

CALIFORNIA

CSC-Lawyers Incorporating Service
2710 Gateway Oaks Drive
Suite 150N
Sacramento, CA 95833-3505

CONNECTICUT

Corporation Service Company
50 Weston Street
Hartford, CT 06120-1537

DELAWARE

Corporation Service Company
2711 Centerville Road, Suite 400
Wilmington, DE 19808

GEORGIA

Corporation Service Company
40 Technology Pkwy South, #300
Norcross, GA 30092

IDAHO

Corporation Service Company
12550 West Explorer Drive, Suite 100
Boise, ID 83713

INDIANA

Indiana Secretary of State
201 State House
Indianapolis, IN 46204

ALABAMA

CSC-Lawyers Incorporating Service Inc.
150 South Perry Street
Montgomery, AL 36104-4045

ARIZONA

Corporation Service Company
2338 W. Royal Palm Road, Suite J
Phoenix, AZ 85021

COLORADO

Corporation Service Company
One Civic Center Plaza
1560 Broadway, Suite 2090
Denver, CO 80202

DISTRICT OF COLUMBIA

Corporation Service Company
1090 Vermont Ave., N.W.
Washington, DC 20005

FLORIDA

Corporation Service Company
1201 Hays Street
Tallahassee, FL 32301

HAWAII

Commissioner of Securities
335 Merchant Street
Room 203
Honolulu, HI 96813

ILLINOIS

Illinois Attorney General's Office
500 South Second Street
Springfield, IL 62706

Illinois Corporation Services Company
801 Adlai Stevenson Drive
Springfield, IL 62703

IOWA

Corporation Service Company
505 5th Avenue, Suite 729
Des Moines, IA 50309

KANSAS

Corporation Service Company
2900 SW Wanamaker Drive
Suite 204
Topeka, KS 66614

LOUISIANA

Corporation Service Company
320 Somerulos Street
Baton Rouge, LA 70802-6129

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

CSC-Lawyers Incorporating Service Co.
601 ~~Abbott~~Abbot Road
East Lansing, MI 48823

MISSISSIPPI

Corporation Service Company
506 South President Street
Jackson, MS 39201

MONTANA

Corporation Service Company
26 West Sixth Avenue
P.O. Box 1691
Helena, MT 59624-1691

NEVADA

CSC Services of Nevada, Inc.
2215-B Renaissance Drive
Las Vegas, NV 89119

NEW JERSEY

Corporation Service Company
830 Bear Tavern Road
West Trenton, NJ 08628

NEW YORK

~~Corporation Service Company~~
~~80 State Street~~
~~Albany, NY 12207-2543~~
[Attention: Uniform Commercial Code](#)
[New York Department of State](#)
[One Commerce Plaza,](#)
[99 Washington Avenue, 6th Floor](#)
[Albany, NY 12231-0001](#)
[\(518\) 473-2492](#)

KENTUCKY

CSC-Lawyers Incorporating Service Co.
421 West Main Street
Frankfort, KY 40601

MAINE

Corporation Service Company
45 Memorial Circle
Augusta, ME 04330

MASSACHUSETTS

Corporation Service Company
84 State Street
Boston, MA 02109

MINNESOTA

Minnesota Commissioner of Corporations
380 Jackson Street
Suite 418
St. Paul, MN 55101

MISSOURI

CSC-Lawyers Incorporating Service Co.
221 Bolivar Street
Jefferson City, MO 65101

NEBRASKA

CSC-Lawyers Incorporating Service Co.
1900 US Bank Building
233 South 13th Street
Lincoln, NE 68508

NEW HAMPSHIRE

CSC-Lawyers Incorporating Service
14 Centre Street
Concord, NH 03301

NEW MEXICO

Corporation Service Company
123 East Marcy Street, Suite 101
Santa Fe, NM 87501

NORTH CAROLINA

Corporation Service Company
327 Hillsborough Street
Raleigh, NC 27603

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol Fifth Floor
Bismarck, ND 58505-0510

Corporation Service Company
316 North Fifth Street
P.O. Box 1695
Bismarck, ND 58502

OREGON

Corporation Service Company
285 Liberty Street, NE
Salem, OR 97301

RHODE ISLAND

Director, Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, RI 02920

Corporation Service Company
222 Jefferson Boulevard, Suite 200
Warwick, RI 02888

TENNESSEE

Corporation Service Company
2908 Poston Avenue
Nashville, TN 37203

UTAH

Corporation Service Company
2180 South 1300 East
Suite 650
Salt Lake City, UT 84106

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

OHIO

CSC-Lawyers Incorporating Service
50 West Broad Street, Suite 1800
Columbus, OH 43215

OKLAHOMA

Corporation Service Company
115 S.W. 89th Street
Oklahoma City, OK 73139-8511

PENNSYLVANIA

Corporation Service Company
2595 Interstate Drive
Suite 103
Harrisburg, PA 17110

SOUTH CAROLINA

Corporation Service Company
1703 Laurel Street
Columbia, SC 29201

SOUTH DAKOTA

Corporation Service Company
503 South Pierre Street
Pierre, SD 57501

Director of Securities
~~445 E. Capitol~~
[124 S. Euclid, Suite 104](#)
Pierre, SD 57501

TEXAS

CSC-Lawyers Incorporating Service Co.
211 E. 7th Street, Suite 620
Austin, TX 78701

VERMONT

Corporation Service Company
100 North Main Street, Suite 2
Barre, VT 05641

WASHINGTON

~~Corporation Service Company~~
~~300 Deschutes Way, Suite 304~~
[Director of Department of Financial](#)
[Institutions Securities Division](#)
[150 Israel Rd SW](#)
Tumwater, WA 98501

WEST VIRGINIA

Corporation Service Company
209 West Washington Street
Charleston, WV ~~25301~~[25302](#)

WYOMING

Corporation Service Company
1821 Logan Avenue
Cheyenne, WY 82001

WISCONSIN

Corporation Service Company
8040 Excelsior Drive, Suite 400
Madison, WI 53717

~~4838-1444-0476, v. 2~~

[4848-6644-3557, v. 1](#)

4817-0134-7622, v. 1

EXHIBIT "B-1"

GODFATHER'S PIZZA, INC.

FRANCHISE AGREEMENT

FRANCHISEE:

DATE OF AGREEMENT:

FRANCHISED LOCATION:

GODFATHER'S PIZZA, INC.

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____ 20__, by and between Godfather's Pizza, Inc., a Delaware corporation, with its principal office at 2808 North 108th Street, Omaha, Nebraska 68164 (the "Company") and _____ whose principal address is _____ ("Franchisee").

1. **PREAMBLES AND GRANT OF FRANCHISE**

A. **PREAMBLES**

The Company has designed and developed products and methods of service for the sale of pizza and related products at locations identified by the trademark "Godfather's Pizza". Godfather's Pizza locations utilize distinctive and unique recipes, ingredients and methods of preparing food in distinctive and common formats, designs, equipment, signs, layout, décor, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time-to-time. The Company possesses proprietary rights in certain valuable trademarks and service marks (the "Marks") including the Mark "Godfather's Pizza". The Company grants to qualified persons franchises to own and operate Godfather's Pizza locations offering only the food and beverage products authorized and approved by the Company and utilizing the Company's common formats, designs, equipment, signs, layout, décor systems, methods, specifications, standards and procedures, and the Marks. These franchise locations include locations that may provide sit-down, take-out and/or delivery service (collectively referred to as "Traditional Locations") and non-traditional locations, including convenience stores, military bases, shopping malls, airports, stadiums, major industrial or office complexes, hotels, school campuses, train stations, travel plazas, toll roads, casinos, hospitals and sports and entertainment venues (collectively referred to in this Agreement as "Non-Traditional Locations").

B. **ACKNOWLEDGMENTS**

Franchisee acknowledges that Franchisee has read this Agreement and the Company's Franchise Disclosure Document ("FDD") and Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Company's high standards of quality and service and the uniformity of those standards at all Godfather's Pizza locations and thereby to protect and preserve the goodwill of the Marks. Franchisee acknowledges that Franchisee has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted by Godfather's Pizza locations may evolve and change over time, that an investment in a Godfather's Pizza location involves business risks and that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee. The Company expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied upon, any guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that

Franchisee has not received or relied on any representations about the franchise by the Company, or its officers, directors, employees or agents, which are contrary to the statements made in the Company's FDD or to the terms of this Agreement. Franchisee represents and warrants to the Company that: (i) neither Franchisee nor any affiliate or related person or entity is a party to any current franchise agreement, distribution agreement or other agreement or arrangement of any kind that prohibits Franchisee or any owner of Franchisee from selling Godfather's Pizza products under this Agreement; and (ii) neither Franchisee nor any affiliate or related person or entity is currently subject to any covenant not to compete or similar agreement that directly or indirectly prohibits Franchisee or any owner of Franchisee from selling Godfather's Pizza products under this Agreement. Franchisee further represents and warrants to the Company that Franchisee has made no misrepresentations in obtaining the franchise. Franchisee acknowledges that Franchisee received an FDD from the Company at least fourteen (14) calendar days before signing any agreement with, or making any payment to, the Company or any affiliate of the Company.

C. GRANT OF FRANCHISE

Franchisee has applied for a franchise to own and operate a Godfather's Pizza location at and only at _____ (the "Location"). Except as otherwise specified in this Agreement, the term "Location" when used in connection with a Non-Traditional Location will mean only the portion of the Non-Traditional Location used for the sale of Godfather's Pizza products. Such application has been approved by the Company in reliance upon all of the representations made in that application and a letter of understanding signed by Franchisee as part of the franchise application process (the "Letter of Understanding"); provided that a Letter of Understanding is used only with a Traditional Location. Subject to the provisions of this Agreement, the Company hereby grants to Franchisee a franchise (the "Franchise") to operate a Godfather's Pizza location, and to use the Marks in the operation thereof at and only at the Location specified above for a term of five (5) years commencing on the date of this Agreement. Franchisee will be permitted to open the Location upon satisfaction of the following conditions: (i) the Company's construction personnel have determined and notified Franchisee that Franchisee has constructed the Location in substantial compliance with the plans and specifications submitted by Franchisee to the Company; (ii) Franchisee has provided to the Company all insurance certificates Franchisee is required to provide under the terms of this Agreement; (iii) Franchisee has submitted to Company one or more signed copies of this Agreement; and (iv) Franchisee acknowledges that it is required to pay the initial fee under this Agreement within five days after opening the Location, and agrees to make such payment within that time. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise. The Franchise is for the specified Location only, and does not in any way grant or imply any area, market or territorial rights proprietary to Franchisee.

Franchisee agrees to operate its business at the specified Location or an alternative location approved by the Company for the entire term of this Agreement, at all times faithfully, honestly and diligently perform Franchisee's obligations under this Agreement, continuously exert Franchisee's best efforts to promote and enhance the business of the Location and not engage in any other business or activity that may conflict with Franchisee's obligations under this Agreement.

Franchisee acknowledges and understands that delivery services can be offered only if the Company issues its written authorization. Such authorization will be issued, in the Company's sole discretion, under the terms and conditions set forth in the then current Delivery Implementation Manual or similar publication describing the requirements for offering delivery service, all of which requirements Franchisee shall comply with as a condition to its continued right to provide delivery service. Franchisee may offer buffet services only under the terms and conditions described in the then current Operations Manual, as that term is defined in this Agreement, or other written communications from the Company.

D. RIGHTS RESERVED BY THE COMPANY

Except as otherwise provided in this Agreement, the Company (on behalf of itself and its affiliates) retains, in its sole discretion and without granting any rights to Franchisee:

(1) the right to provide, offer and sell and to grant others the right to offer and sell goods and services that are identical or similar to and/or competitive with those offered or sold at Godfather's Pizza locations, whether identified by the Marks or other trademarks or service marks, through dissimilar channels of distribution (including grocery stores and the internet or similar electronic media) from any location and on any terms and conditions the Company deems appropriate;

(2) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, from any location, including dissimilar channels of distribution, such as grocery stores, the internet and similar electronic media, under the Marks and on any terms and conditions the Company deems appropriate;

(3) the right to operate, and to grant others the right to operate, Godfather's Pizza locations anywhere outside the Location, including at Non-Traditional Locations, under any terms and conditions the Company deems appropriate and regardless of proximity to the Location;

(4) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those sold at Godfather's Pizza locations, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; and

(5) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those sold at Godfather's Pizza locations, or by another business, even if such business operates, franchises and/or licenses competitive businesses.

2. FIXTURES, EQUIPMENT AND SIGNS

Franchisee agrees to construct its Location in full compliance with all plans and specifications approved in writing by the Company and the terms of the Letter of Understanding [for a Traditional Location](#).

Franchisee agrees to use in the operation of the Location only those brands, types or models of fixtures, equipment and signs that the Company has approved for Godfather's Pizza locations as meeting its specifications and standards for quality, design, décor, appearance, function and performance. Franchisee further agrees to place or display at the Location only such signs, logos and display materials that are from time-to-time approved in writing by the Company.

The Company will provide Franchisee with a list of the then approved brands, types or models of fixtures, equipment and signs and one or more approved suppliers for such brands, types or models. If Franchisee proposes to purchase, lease or otherwise use any fixture, equipment or sign which is not then approved by the Company, Franchisee shall first notify the Company in writing and shall submit to the Company upon its request sufficient specifications, photographs, drawings and/or other information or samples for a determination by the Company of whether such fixture, equipment and/or sign complies with its specifications and standards. The Company will refuse to approve any such item(s) that does not meet the Company's standards or specifications. The Company may limit the number of suppliers of fixtures, equipment and signs to facilitate determining compliance with the Company's standards.

3. TRAINING AND GUIDANCE

A. TRAINING

As a condition precedent to the opening of the Location, Franchisee or an owner of Franchisee and, if requested by the Company, the Location manager and multiple unit supervisors of Franchisee, must successfully complete the Company's training program at training sites specified by the Company. Franchisee shall be responsible for all travel and living expenses, compensation of and workers' compensation insurance for persons enrolled in the training program and any other personal expenses, and for the training fees of Five Hundred Dollars (\$500.00), or Two Hundred Fifty Dollars (\$250.00) for trainees for Non-Traditional Locations, for each trainee described in Section 6.C. of this Agreement. The Company may also require Franchisee and/or previously trained and experienced managers and multiple-unit supervisors to attend periodic refresher courses at training sites designated by the Company. The Company shall have the right to charge a fee to Franchisee for refresher training courses and training of new managers and multiple-unit supervisors subsequent to the opening of the Location at per diem rates established from time-to-time by the Company. In addition, the Company may require that certain accounting and marketing personnel of Franchisee attend periodic training sessions, which may be in the form of teleconferences, regarding the Company's then current procedures for the reporting and payment of continuing fees and the implementation of marketing programs and the Company shall have the right to charge for such training sessions.

B. GUIDANCE

The Company may furnish to Franchisee guidance in connection with: (1) implementing procedures for opening and operating a Godfather's Pizza location; (2) methods, décor, standards and operating procedures utilized by Godfather's Pizza locations; (3) preparation of food and beverage products; (4) purchasing approved fixtures, equipment, signs, supplies and food and beverage products; (5) advertising and promotional programs; (6) employee training; and (7) administrative, accounting and general operating and management procedures.

Such guidance shall, in the discretion of the Company, be furnished in the form of the Company's operations manual (the "Operations Manual"), ~~Administrative Procedures Manual~~, bulletins, other written materials (including materials provided exclusively online), and/or telephone conversations, emails, other means of electronic communications, or consultations at the offices of the Company or at the Location.

C. OPERATIONS MANUAL ~~AND ADMINISTRATIVE PROCEDURES~~ MANUAL

The Company will provide to Franchisee during the term of the Franchise and any extension thereof one copy of the Operations Manual ~~and, for Traditional Locations only, one copy of the Administrative Procedures Manual~~, which shall at all times remain the property of the Company. Franchisee shall execute an acknowledgment of receipt of a copy of the Operations Manual ~~and the Administrative Procedures Manual provided to Traditional Locations~~. The Company may, in its sole discretion, provide all or any part of the Operations ~~Manual and/or the Administrative Procedures~~ Manual in an online or other electronic format. The Operations ~~Manual and the Administrative Procedures~~ Manual shall contain mandatory and suggested specifications, standards, obligations and operating procedures prescribed from time-to-time by the Company for Godfather's Pizza locations. Franchisee agrees to fully comply with such obligations and mandatory specifications, standards and operating procedures. The Operations Manual ~~and the Administrative Procedures Manual~~ may be modified from time-to-time to reflect changes in the image, specifications, standards, procedures and approved products and supplies for the operation of a Godfather's Pizza location. Franchisee shall keep Franchisee's copy of the Operations ~~Manual and the Administrative Procedures~~ Manual current and in the event of a dispute relative to the contents of the Operations Manual ~~or the Administrative Procedures Manual~~, the master copy maintained by the Company shall be controlling. As part of keeping these manuals current, Franchisee agrees to delete all electronic copies and destroy all paper copies of all portions of these manuals that the Company requires Franchisee to delete. Franchisee may not at any time copy, in paper, electronic or any other format, any part of the Operations Manual ~~or the Administrative Procedures Manual~~.

4. MARKS

A. OWNERSHIP AND GOODWILL OF THE MARKS

Franchisee acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee at the Location in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company from time-to-time during the term of the Franchise. Any unauthorized use of the Marks by Franchisee shall constitute a material breach hereof and an infringement of the rights of the Company in and to the Marks. Franchisee acknowledges and agrees that all usage of the Marks by Franchisee and any goodwill established thereby shall inure to the exclusive benefit of the Company and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee (other than the right to operate a Godfather's Pizza location in compliance with this Agreement). All provisions of this Agreement applicable to the Marks shall apply to any additional trade and service marks and commercial symbols hereafter authorized for use by and licensed to Franchisee by the Company.

B. LIMITATIONS ON FRANCHISEE'S USE OF THE MARKS

Franchisee agrees to use the Marks as the sole identification of the Location (or the Godfather's Pizza portion of a Non-Traditional Location), and Franchisee shall prominently identify itself as the independent owner and operator of the Location as a franchisee of the Company and shall otherwise indicate Franchisee's independent ownership as prescribed by the Company from time-to-time. Franchisee shall not use any Mark as part of any company or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Franchisee under this Agreement), or in any modified form, nor may Franchisee use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by the Company. Franchisee agrees to prominently display the Marks at the Location and on packaging materials, forms, labels and advertising materials designated by the Company. All Marks shall be displayed in the manner prescribed by the Company. Franchisee agrees to give such notices of trade and service mark registrations as the Company specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS

Franchisee shall immediately notify the Company in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark or service mark. Franchisee shall not communicate with any person other than the Company or its counsel in connection with any such infringement, challenge or claim. The Company shall have sole discretion to take such action as it deems appropriate, and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all documents, render such assistance and do such things as may, in the opinion of the Company's counsel, be necessary or advisable to protect the interests of the Company in any litigation or U.S. Patent and Trademark Office or other proceeding or to otherwise protect the interests of the Company in the Marks.

D. DISCONTINUANCE OF USE OF THE MARKS

If the Company decides in its sole discretion that the Company and/or Franchisee should modify or discontinue use of any Mark, and/or use one or more additional or substitute trade or service marks, Franchisee agrees to comply, at Franchisee's sole cost, with the Company's directions to modify or otherwise discontinue the use of such mark within a reasonable time after notice by the Company.

E. INDEMNIFICATION OF FRANCHISEE

The Company agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding arising out of Franchisee's authorized use of any Mark, in compliance with this Agreement and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against Franchisee or in any proceeding in which Franchisee is named as a party (except for fees, expenses and other costs of Franchisee's personal legal counsel if Franchisee elects to be represented by counsel chosen by

Franchisee), but Franchisee must timely notify the Company of such claim or proceeding and otherwise comply with this Agreement.

5. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

The parties agree that Franchisee is an independent contractor, that this Agreement does not create a fiduciary relationship between them and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Franchisee shall conspicuously identify itself in all dealings with customers, suppliers, public officials and others as the owner of the Location under a franchise with the Company and shall place notices of independent ownership on such forms, invoices, checks, stationery, advertising and other materials as the Company may require from time-to-time.

The Company has not authorized or empowered Franchisee to use the Marks except as permitted by this Agreement, and Franchisee shall not employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability of the Company for any indebtedness or obligation of Franchisee. Except as expressly authorized by this Agreement, neither the Company nor Franchisee shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than franchisor and franchisee and neither the Company nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement. The Company shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee, the Location, Franchisee's property, or the Company, in connection with the sales made or business conducted by Franchisee or payments to the Company under this Agreement.

Franchisee agrees to indemnify, defend and hold the Company, its shareholders, directors, officers, members, managers, employees, agents, successors and assignees harmless against any liability for any claims arising out of the operation of the Location. For purposes of this indemnification, claims shall include all obligations, actual and consequential damages, punitive damages to the extent permitted by applicable law, taxes and costs reasonably incurred in the defense of any claim, including without limitation reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Company will notify Franchisee of any claims of which the Company becomes aware, and Franchisee will be given the opportunity to assume the defense of the matter. If Franchisee fails to assume the defense, the Company may defend the action in the manner it deems appropriate, and Franchisee shall pay the Company all costs, including attorney fees, incurred by the Company in effecting such defense in addition to any sum the Company may pay by reason of settlement or judgment against the Company. This indemnity shall continue in full force and effect after the expiration or termination of this Agreement. The Company's right to indemnity under this Agreement shall arise and be valid notwithstanding that joint or concurrent liability may be imposed on the Company by statute, regulation, ordinance or other laws.

6. FEES

A. INITIAL FRANCHISE FEE

Franchisee agrees to pay to the Company an initial franchise fee for a full service Traditional Location in the amount of _____ Thousand Dollars (\$_____). The balance of the initial franchise fee, after reduction for any deposit paid by Franchisee in connection with the initial franchise fee with any site submission form submitted by Franchisee, shall be due within five (5) days after Franchisee opens for business at the Location and, upon the completion of Company's pre-opening services shall be fully earned by the Company and is non-refundable.

Franchisee agrees to pay to the Company an initial franchise fee for a Traditional Location that is a delivery/takeout only Location in the amount of _____ Thousand Dollars (\$_____). The balance of the initial franchise fee, after reduction for any deposit paid by Franchisee in connection with the initial franchise fee with any site submission form submitted by Franchisee, shall be due within five (5) days after Franchisee opens for business at the Location and, upon the completion of Company's pre-opening services shall be fully earned by the Company and is non-refundable.

Franchisee agrees to pay to the Company an initial franchise fee for a Non-Traditional Location in the amount of _____ Thousand Dollars (\$_____). The balance of the initial franchise fee, after reduction for any deposit paid by Franchisee in connection with the initial franchise fee with any site submission form submitted by Franchisee, shall be due within five (5) days after Franchisee opens for business at the Location and, upon the completion of Company's pre-opening services shall be fully earned by the Company and is non-refundable.

B. CONTINUING FEES

(1) Franchisee agrees to pay to the Company, at such address and to such parties as Company may designate in writing from time to time, by Wednesday of each week for the preceding week (Monday through Sunday) royalties to secure its franchise equal to the greater of three percent (3%) of the net sales (as defined in this Section 6) of a Traditional or Non-Traditional Location, or \$125 for a Traditional Location or \$60 for a Non-Traditional Location, plus service compensation to compensate the Company for its continuing service in connection with advice to Franchisee in the operation of the Location, equal to the greater of three percent (3%) of the net sales (as defined in this Section 6) of a Traditional or Non-Traditional Location, or \$125 for a Traditional Location or \$60 for a Non-Traditional Location. Royalties and service compensation are collectively referred to as "continuing fees" in this Agreement.

(2) At the time Franchisee pays the initial franchise fee described in Section 6A above, Franchisee will pay to the Company a deposit of One Thousand Dollars (\$1,000.00) for a Non-Traditional Location or Five Thousand Dollars (\$5,000.00) for a Traditional Location (including a delivery/take-out only location) (the "Continuing Fee Deposit"). The Company will retain the Continuing Fee Deposit and may apply it to the payment of any amount of continuing fees described in a default letter sent to Franchisee by the Company for failure to pay continuing fees in a timely manner (the "Fee Default Letter").

The Company will notify Franchisee any time it applies any portion of the Continuing Fee Deposit to past due continuing fees, and Franchisee will replace the amount so applied within ten (10) days after receipt of such notice. If Franchisee has not received a Fee Default Letter by the second anniversary of the effective date of this Agreement, the Company will return the Continuing Fee Deposit to Franchisee. If Franchisee has received a Fee Default Letter by the second anniversary of the effective date of this Agreement, Franchisee will forfeit the remainder of the Continuing Fee Deposit on the second anniversary date. Franchisee will also forfeit the Continuing Fee Deposit as of the date of closing if Franchisee closes the Location before the second anniversary date. The Company will not be required to hold the Continuing Fee Deposit in a separate bank account or to pay interest to Franchisee on the Continuing Fee Deposit. The Company may, in its sole discretion waive this deposit, particularly for a current Godfather's Pizza franchisee with a good record of paying continuing fees in a timely manner, or for a new franchisee with an excellent credit background.

(3) If Franchisee defaults in timely payment of any amount payable to the Company under this Agreement at any time after the second anniversary of the effective date of this Agreement and thereafter timely cures this default and avoids termination of the term of this Agreement, the Company may at its sole discretion require Franchisee to deposit with the Company an amount equal to all continuing fees paid or payable by Franchisee for the two (2) month period immediately before such default. The Company will apply such fund to the timely payment of all continuing fees payable by Franchisee under this Agreement and will upon such exhaustion terminate the term of this Agreement upon written notice to Franchisee but without an opportunity to cure the default, unless Franchisee has resumed timely payment of all charges under the Agreement.

C. TRAINING

The Company may, in its sole discretion, charge to Franchisee a training fee of Five Hundred Dollars (\$500.00), or Two Hundred Fifty Dollars (\$250.00) for trainees for Non-Traditional Locations, for each person trained for Franchisee by the Company either before the commencement or during the term of this Agreement. This training fee will be paid before training commences, and once paid will be non-refundable.

D. DEFINITION OF "NET SALES"

The term "net sales" as used in this Agreement includes all sums charged by Franchisee for goods, merchandise or services sold at or from the Location or from any remote location, including schools or special event venues at which the Company has authorized Franchisee to sell Godfather's Pizza products, including all premiums unless exempted by the Company in writing, and all charges to customers for the delivery of pizza and other approved products. Except for goods, merchandise or services to be delivered as described in Section 1.C., the sale of Godfather's Pizza products away from the Location is not authorized; however, should any such sales be approved in the future, they will be included within the definition of net sales. The term "net sales" for Non-Traditional Locations will mean only the sales of products using the Godfather's Pizza Marks, including all beverage sales made from the Godfather's Pizza area of the Non-Traditional Location. Net sales exclude any federal, state, county or city sales tax, excise tax or similar taxes

collected by Franchisee from customers based upon sales, and cash received as payment in credit transactions where the extension of credit itself has already been included in the figure upon which the continuing fee is computed.

E. INTEREST ON LATE PAYMENTS

All continuing fees, advertising contributions, amounts due for purchases by Franchisee from the Company and its affiliates and other amounts which Franchisee owes to the Company shall bear interest after their due date at the highest applicable legal rate for open account business credit, not to exceed one and one-half percent (1 ½%) per month. It is the intention of the parties to conform strictly to applicable usury laws, and it is agreed that if any excess amount is inadvertently collected it shall be applied to reduce the amount owed by Franchisee to the Company under this Agreement. Franchisee acknowledges that this Paragraph E shall not constitute the Company's agreement to accept such payments after they are due or a commitment by the Company to extend credit to, or otherwise finance Franchisee's operation of, the Location. Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, notwithstanding the provisions of this Paragraph E.

F. APPLICATION OF PAYMENTS

Notwithstanding any designation by Franchisee, the Company shall have sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for continuing fees, advertising contributions, purchases from the Company or its affiliates, interest or any other indebtedness. The acceptance by the Company of a payment from Franchisee for less than the full amount owed shall not be deemed a waiver by the Company or prevent it from pursuing any of its remedies against Franchisee for failure to pay such amounts in a timely manner.

G. OTHER PAYMENT PROVISIONS

Franchisee will utilize the methods and standards for the reporting of net sales and the payment of continuing fees as the Company may specify from time-to-time during the term of the Agreement, which may include requirements to submit product sales information and customer information. Franchisee will pay all fees and any other amounts payable to the Company by the use of electronic funds transfers, if required to do so by the Company. Franchisee will pay the Company a fee of Twenty-five Dollars (\$25.00) if Franchisee's bank fails to honor a check made payable to the Company or if Franchisee's bank fails to transfer the full requested amount of any electronic funds transfers payable to the Company.

If any amount payable by Franchisee to the Company for the initial franchise fee, royalties or service compensation is subject to any gross receipts tax or other form of state income tax, in any state other than the state in which the Company's principal office is located, or sales or use tax in any state, Franchisee must pay to or reimburse the Company for the amount of such tax payable by the Company, so that the amount actually received by the Company after the payment or withholding of such tax will equal the full amount stated to be payable under this Agreement. Such payment or reimbursement will be due and payable within thirty (30) days after Franchisee receives a written notice from the Company describing the amount of the payment or reimbursement.

H. CONTINUING FEE INCREASE

If at any time Franchisee (other than Franchisee of a Non-Traditional Location) is paying continuing fees at a rate less than six percent (6%) of net sales and Franchisee commences the operation of any business selling food products other than Godfather's Pizza products, the Company may require that the rate of continuing fees payable by Franchisee will increase to six percent (6%) of net sales. This increase will be effective on the date Franchisee opens a business selling these other food products.

If at any time Franchisee is paying continuing fees at a rate less than six percent (6%) of net sales, Franchisee receives a Fee Default Letter from the Company for failure to pay in a timely manner continuing fees and other amounts owed to the Company under this Agreement, the Company may require that the rate of continuing fees payable by Franchisee will increase to six percent (6%) of net sales. This increase will be effective on the date Franchisee receives a Fee Default Letter for non-payment. If at any time during the term of this Agreement the Company issues a second notice of default to Franchisee, whether for the same default as was described in a prior notice of default or for another reason, the Company may also require as a condition of curing a second notice of default that Franchisee sign the Company's then current form of franchise agreement, which may contain terms significantly different than this Agreement.

7. CONFIDENTIAL INFORMATION/UNFAIR COMPETITION

The Company possesses certain confidential information, consisting of the following categories of proprietary information, methods, techniques, procedures, and knowledge developed by or for the Company (the "Confidential Information"):

- (1) recipes, menu analysis, and methods of preparation and the serving of food and beverage products sold at Godfather's Pizza locations;
- (2) knowledge of test programs, concepts or results relating to: (i) planning, development and testing of new menu items; (ii) sources of food and beverage products; (iii) marketing programs; (iv) image of locations; and (v) the selection and training of ~~Location~~location managers and other personnel; and
- (3) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of and experience in the development, operation and franchising of Godfather's Pizza locations.

The Company will disclose the Confidential Information to Franchisee in the initial training program and subsequent training, the Operations Manual, ~~the Administrative Procedures Manual~~, and in guidance furnished to Franchisee during the term of the Franchise.

Any menu item, system, equipment, marketing plan or program or operating procedure conceived, modified or developed by Franchisee in connection with the operation of the Location and approved by the Company for use at the Location shall become the property of the Company without the payment of any compensation to Franchisee, and Franchisee shall retain no proprietary rights to that property.

Franchisee acknowledges and agrees that Franchisee will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Location during the term of this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. Franchisee acknowledges and agrees that the Confidential Information is proprietary, may involve trade secrets of the Company and is disclosed to Franchisee solely on the condition that Franchisee agree, and Franchisee does hereby agree, that Franchisee: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; (4) will delete all electronic copies and destroy all paper copies of any Confidential Information the Company declares to be obsolete or otherwise no longer permitted for use by Franchisee and provide a statement that Franchisee has deleted and destroyed such copies; (5) will not disclose the Confidential Information during its involvement with other pizza restaurant companies as part of governmental relations, civic or other activities involving interaction with such other pizza restaurant companies; and (6) will adopt and implement all reasonable procedures prescribed from time-to-time by the Company to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure thereof to employees of Franchisee and the use of nondisclosure and noncompetition clauses in employment agreements with employees who have access to the Confidential Information. The restrictions on Franchisee's disclosure and use of the Confidential Information shall not apply to the following: (i) information, processes or techniques which are or become generally known in the pizza restaurant business, other than through disclosure (whether deliberate or inadvertent) by Franchisee; and (ii) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, but Franchisee shall have used its best efforts, and shall have afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

8. EXCLUSIVE RELATIONSHIP

Franchisee acknowledges and agrees that the Company would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the Company and its Franchisees if owners of Godfather's Pizza locations, the officers and other members of the management team of Franchisee and members of their immediate families were permitted to hold interests in any competitive businesses (with the exception of other Godfather's Pizza locations operated under franchise agreements with the Company), as described below. The Company has entered into this Agreement with Franchisee on the express condition that Franchisee (and its owners, officers, members of the management team of Franchisee and members of their respective immediate families) will deal exclusively with the Company (and its approved suppliers). Franchisee therefore agrees that, during the term of this Agreement, neither Franchisee, any shareholder, member or partner (in the event Franchisee is a corporation, limited liability company or partnership), officer, management team member, nor any member of the immediate family of any person described in this sentence: (1) shall have any direct or indirect interest as a disclosed or beneficial owner in any business offering pizza or other products similar to the products then being offered by Godfather's Pizza locations; (2) shall perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any business offering pizza or other

products similar to the products then being offered by Godfather's Pizza locations; or (3) shall have any direct or indirect interest in any entity which has granted or is granting franchises or licenses to others to operate any location or business offering pizza or other products similar to the products then being offered by Godfather's Pizza locations. The restrictions of this Section 8 shall not be applicable to the ownership by Franchisee or a shareholder, member or partner of Franchisee of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents one percent (1%) or less of the number of shares of that class of securities issued and outstanding.

9. LOCATION IMAGE AND OPERATING STANDARDS

A. CONDITION AND APPEARANCE OF FRANCHISEE'S LOCATION

Franchisee agrees:

(1) that the Location will not be used for any purpose other than the operation of a Godfather's Pizza location in compliance with this Agreement;

(2) to maintain the condition and appearance of the Location (including all of a Non-Traditional Location) in accordance with the standards of the Company and consistent with the image of a Godfather's Pizza location as a clean, sanitary, attractive and efficiently operated business offering high quality food and beverage products and courteous and helpful service;

(3) to effect such maintenance of the Location (including all of a Non-Traditional Location) as is required by the Company from time-to-time to maintain such condition, appearance and efficient operation, including, without limitation: (i) continuous and thorough cleaning and sanitation of the interior and exterior of the Location; (ii) interior and exterior repair of the Location; (iii) replacement of worn-out or obsolete fixtures, equipment and signs with approved improvements, fixtures, equipment and signs; and (iv) periodic painting and decorating of the interior and exterior of the Location;

(4) to upgrade and/or remodel the Location (to reflect changes introduced in new Godfather's Pizza locations and/or required of new Godfather's Pizza franchisees) pursuant to the Company's current approved décor specifications and other plans and specifications provided by the Company at such time during the term of this Agreement as the Company may require; but the Company shall not require a complete remodeling of the Location more than once during the initial term of this Agreement and once during each renewal term of this Agreement, and that a complete remodeling of the Location shall not be required during the last two (2) years of the initial term of this Agreement unless the Franchise has been renewed pursuant to the provisions of Section 14 of this Agreement; and

(5) to place or display at the Location only such signs, logos and display and advertising materials that are from time-to-time approved in writing by the Company.

In the event Franchisee does not maintain the condition and appearance of the Location as required in this Section 9.A, the Company may either consider such failure an event of default under this Agreement or may, upon not less than ten (10) days written notice to Franchisee: (i) arrange for the necessary cleaning or sanitation, repair, remodeling, upgrading, painting or decorating; or (ii) replace the necessary fixtures, equipment or signs. Franchisee shall pay the entire cost thereof on the due date for the next continuing fee payment. ~~For purposes of this section, the term "Location" will include the Godfather's Pizza section only of a Non-Traditional Location.~~

B. APPROVED PRODUCTS, SUPPLIERS AND DISTRIBUTORS

The reputation and goodwill of Godfather's Pizza locations can be maintained only by the sale of distinctive, high quality food and beverage products. Franchisee agrees that the Location will conform to the Company's specifications and quality standards, and will use and offer for sale only those products approved from time-to-time by the Company.

The Company may approve a single distributor or supplier, including the Company, for any product, or type or brand of product, and may approve a distributor or supplier only as to a certain product, or type or brand of product. The Company will provide Franchisee with a list of the then approved products, suppliers and distributors and will issue revisions to the list from time-to-time. In approving suppliers and distributors for the Location, the Company may take into consideration such factors as pricing and reliability of the supplier or distributor. The Company may also require a supplier or distributor to agree, in writing, not to disclose any Confidential Information of the Company which it may have access to or otherwise acquire as a supplier or distributor. The Company may concentrate purchases with one or more suppliers to obtain the lowest prices and/or the best advertising support and/or services for any group of Godfather's Pizza locations franchised or operated by the Company. Approval of a supplier or distributor may be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, and concentration of purchases, as set forth above, and may be temporary, pending a further evaluation of such supplier or distributor by the Company.

C. LOCATION MENU

Franchisee agrees to serve all food and beverage items which the Company may deem appropriate to take advantage of the potential market and achieve standardization among Godfather's Pizza locations, and that Franchisee will not, without the prior written approval of the Company, offer any food or beverage products or services that are not authorized by the Company.

D. SPECIFICATIONS, STANDARDS AND PROCEDURES

Franchisee acknowledges that each and every detail of the appearance, layout, decor, food and beverage products, packaging materials, services and operation of the Location is important to the Company and other Godfather's Pizza locations. Franchisee agrees to comply with all mandatory specifications, standards and operating procedures relating to: (1) type, quality, taste, portions, weight, ingredients, uniformity and manner of preparation and sale of food and beverage products sold by the Location; (2) sales and marketing procedures and customer service; (3) advertising and promotional programs; (4) layout, decor and color scheme of the Location; (5)

appearance and dress of employees; (6) safety, maintenance, appearance, cleanliness, sanitation and standards of service and operation of the Location; (7) submission of requests for approval of types and brands of products, supplies and suppliers; (8) hours and days during which the Location will be open for business; (9) use and illumination of signs, posters, displays, standard formats and similar items; (10) identification of Franchisee as the owners of the Location; and (11) reporting of sales and making payments of continuing fees. Mandatory specifications, standards and operating procedures prescribed from time-to-time by the Company in the Operations Manual ~~and the Administrative Procedures Manual~~, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. To the extent that this document contains the term "this Agreement", all such references shall be construed to include all such mandatory specifications, standards and operating procedures.

E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Location. Franchisee shall operate the Location in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to handling of food products, occupational hazards and health, workers' compensation insurance, unemployment insurance, health insurance for employees and withholding and payment of federal and state income taxes, social security taxes and sales taxes. All advertising and promotion by Franchisee shall be completely factual and tasteful in the judgment of the Company and shall conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, distributors, employees, the Company and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of the Company and the goodwill associated with the Marks and other Godfather's Pizza locations. Franchisee shall notify the Company in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Location or of any notice of violation of any law, ordinance or regulation relating to the cleanliness or sanitation of the Location.

F. MANAGEMENT OF THE LOCATION AND HIRING, TRAINING AND APPEARANCE OF EMPLOYEES

The Location shall be under the direct supervision at all times of Franchisee (or a shareholder, member or general partner of Franchisee if Franchisee is a corporation, limited liability company or a partnership) or a manager who has successfully completed the Company's initial training program or other approved training. Franchisee shall hire and be the sole employer of all employees of the Location, be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of the Location. Franchisee shall require all Location employees to maintain a neat and clean appearance and to conform to the standards of dress and/or uniforms specified by the Company from time-to-time.

G. INSURANCE

During the term of the Franchise, Franchisee shall maintain in force, under policies of insurance issued by carriers rated "A-X" or better by A.M. Best & Company, Inc.: (1) commercial general liability and product liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Location or otherwise in conjunction with the conduct of business by Franchisee pursuant to ~~the Franchise~~[this Agreement](#), including any insurance required by the Company or applicable law in connection with the delivery of products to customers; (2) broad form fire and extended coverage insurance at replacement value for the Location and its contents; and (3) hired/non-owned vehicle coverage, if Franchisee provides delivery services after receiving the Company's approval under this Agreement. Such insurance coverage shall be maintained in such amounts as the Company from time-to-time specifies. The Company may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Such insurance policies shall insure Franchisee and the Company and shall provide for thirty (30) days prior written notice to the Company of any material modification, cancellation or expiration of a policy. Each policy of insurance described above will name Company and its subsidiaries, affiliated and parent companies as additional insureds and shall insure the contractual liability of Franchisee under Section 5 of this Agreement.

If Franchisee fails or refuses to maintain required insurance coverage, or to furnish satisfactory evidence thereof, such failure or refusal will be an event of default under this Agreement. The Company, at its option and in addition to or in place of its other rights and remedies under this Agreement, may obtain such insurance coverage on behalf of Franchisee and Franchisee shall fully cooperate with the Company in its effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain any such insurance, allow any inspections of the Location which are required to obtain such insurance and pay to the Company, on demand, any costs and premiums incurred by the Company.

Franchisee's obligations to maintain insurance coverage not be affected in any manner by reason of any separate insurance maintained by the Company, nor shall the maintenance of such insurance relieve Franchisee of any obligations under Section 5 of this Agreement.

H. TECHNOLOGY MATTERS

Franchisee acknowledges that the use of computers and related technology is important in the successful operation of the Location, and is likely to change rapidly during the term of the Agreement. Franchisee will comply with the following requirements in the use of computers and related technology in the operation of the Location, all of which may be changed from time-to-time by the Company either by a change in the Operations Manual ~~and Administrative Procedures Manual~~ or by such other forms of written communications as may be utilized by the Company during the term of this Agreement:

- (1) Franchisee will use a computer in the operation of the Location that has (a) the amount of memory as may be specified from time-to-time by the Company; (b) internet

services with such capabilities as the Company may require; (c) the ability to operate all software programs as may be required by the Company; and (d) such other capabilities and features as may be specified by the Company;

(2) Franchisee will maintain an email address which Franchisee checks on a regular basis. Franchisee will inform the Company of any changes in this email address at least three (3) days before the effective date of this change;

(3) Upon at least thirty (30) days prior written notice from the Company, Franchisee will install and use from the Location any point of sale cash register system and related equipment and such upgrades and modifications as the Company may require from time-to-time during the term of the Agreement (the "POS System");

(4) Franchisee will submit a report of net sales prepared by such POS System in a form and content specified by the Company along with all payments of continuing fees;

(5) Franchisee will follow all guidelines provided by the Company in connection with the acceptance of debit cards, credit cards and similar methods of payment from customers, including compliance with such security and data privacy guidelines for credit card information as the Company mandates from time-to-time during the term of the Agreement or as required by applicable laws;

(6) Franchisee will comply with all of the requirements specified by the Company for the use of Technology Sites, as that term is defined in Section 10.A of this Agreement; and

(7) Franchisee will offer online ordering or similar forms of customer ordering using technological devices only under the terms and conditions provided by the Company to Franchisee.

10. ADVERTISING AND MARKETING

A. BY FRANCHISEE

Franchisee will expend an amount equal to three percent (3%) of weekly net sales to advertise and promote the Location and the name "Godfather's Pizza" through the use of television, radio, newspaper or other form of mass media advertising selected by Franchisee and will expend an additional two percent (2%) of weekly net sales on such mass media or other forms of local advertising and promotion of the Location as are selected by Franchisee and approved by the Company. If the majority of franchised and company-operated Godfather's Pizza locations located in the Designated Market Area ("DMA") of the Location approve the formation of an advertising cooperative or similar entity, the Location will participate in such advertising cooperative or similar entity. In determining whether an advertising cooperative or similar entity will be formed in a DMA each franchised and company-operated location in the DMA will have one vote.

The Company may upon ninety (90) days written notice to Franchisee require that part of the required advertising expenditure described above (up to two percent (2%) of weekly net sales)

be paid to the Company. This sum will be used by the Company in the manner described in Section 10.B of this Agreement. Franchisee will from time-to-time upon the request of the Company submit such documentation as may be deemed necessary by the Company in its sole discretion to verify that Franchisee is making the advertising and promotion expenditures required by this Agreement. Any amount paid by Franchisee to an advertising cooperative or to the Company pursuant to this Section 10.A will reduce Franchisee's required advertising expenditure described above.

The Company may, at its sole discretion, provide advertising materials and services to Franchisee, including copies of television and radio commercials, cover designs for print advertising materials and promotional kits. The Company may provide these advertising materials and services either directly or through the use of such third party vendors of advertising products and services as the Company may select from time-to-time during the term of this Agreement in its sole discretion. Franchisee must pay duplicating and development costs for copies of television commercials and radio commercials, must pay an amount approximating the Company's cost for promotional kits and must pay all fees charged by third party vendors selected by the Company. If Franchisee desires to obtain cover designs for print advertising materials or other materials that differ from the current offers provided by the Company, Franchisee will pay to the Company the Company's then current charges for the preparation of non-standard marketing materials.

Prior to their use Franchisee shall submit samples of all local advertising and marketing materials not prepared or previously approved by the Company by certified mail, email or other method approved by the Company directed to the Company's Marketing Department at least fifteen (15) days in advance of publication or usage. If Franchisee does not receive written disapproval within fifteen (15) days from the date of receipt by the Company of such materials, the Company shall be deemed to have given the required approval. Franchisee shall not use any advertising or marketing materials that the Company has disapproved.

Franchisee shall list the Location in the principal classified directory distributed within its primary trading area, utilizing the Location's standard classified telephone directory advertisement designated by the Company. Such advertising may, with the written approval of the Company, include joint advertising in the appropriate classified directories with other Godfather's Pizza locations.

If Franchisee intends to use a website, social networking site, mobile application, or other means of promotion of its business on the internet, the world wide web or other means of technology, whether now available or developed in the future (collectively referred to as a "Technology Site"), Franchisee will obtain the Company's written approval before commencing to use this Technology Site. Franchisee will provide to the Company the proposed address or other identifying information for such Technology Site. Franchisee agrees to immediately make any changes required by the Company to its Technology Site to provide that the use of the Marks on such Technology Site, information provided about the Godfather's Pizza system and its locations and the advertising and marketing programs of Franchisee are consistent with the Company's then current standards. Franchisee agrees that any coupons or other promotional material made available on any Technology Site shall have clearly defined expiration dates and will clearly specify that such coupons or promotional offers are limited to the Location and any other Godfather's Pizza locations of Franchisee specifically identified in such coupons or promotional

offers. Franchisee will be required to follow the Company's then current privacy policy for the use of Technology Sites to safeguard information provided by customers through the use of such Technology Sites.

B. BY THE COMPANY

The Company may, in its sole discretion, establish national or regional advertising and marketing programs upon ninety (90) days written notice to Franchisee. In the event any such advertising program is established, the Company shall maintain and administer an advertising fund (the "Fund"), which may include one or more regional advertising funds. The Company may offer to Franchisee the opportunity to participate in certain national or regional promotional programs in the Company's sole discretion. Franchisee agrees to participate in such programs; but this participation shall not require Franchisee to spend more on advertising than the amounts otherwise described in this Agreement. Franchisee shall contribute to the Fund the amount designated by the Company, not to exceed two percent (2%) of weekly net sales of the Location (as defined in Section 6.D of this Agreement), payable weekly together with the continuing fee due under this Agreement. All Godfather's Pizza locations owned by the Company shall contribute to the Fund on the same basis as Franchisee; but contributions shall be made only with respect to company-operated stores located in regions in which the Fund is operative. The Company shall have the right at any time, upon ninety (90) days written notice to Franchisee, to increase, decrease or eliminate the amount of such advertising contribution payable by Franchisee, subject to the above limitation. In the event the Company suspends operation of the Fund or any regional or local component of the Fund, the Company shall have the right to resume such operation upon ninety (90) days written notice to Franchisee. The Company shall have the right, upon a majority vote of all Godfather's Pizza locations that are part of any local, regional or national advertising program (one vote may be exercised on behalf of each Godfather's Pizza location whether owned by a franchisee or by the Company), to increase the required contribution to the Fund to an amount in excess of two percent (2%) of the weekly net sales of each Godfather's Pizza location. Such vote shall be binding upon all franchisees that are part of any local, regional or national advertising program.

The Company will direct all such advertising programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements in these programs, and the geographic, market and media placement and allocation of these programs. Franchisee agrees that the Fund may be used to pay the costs of administering advertising programs, including, without limitation, purchasing television, radio, magazine, billboard, newspaper, online and other media advertising; employing advertising agencies to assist the Company; and providing advertising and marketing materials to Godfather's Pizza locations. If the Company permanently discontinues the operation of the Fund, the Company shall use the remaining amounts in the Fund to defray costs associated with the advertising programs described in this paragraph and the overhead amounts described ~~in the following paragraph~~[below](#).

The Fund will not be an asset of the Company. The Fund also will not be a trust. The Company will hold all Fund contributions for the benefit of the contributors and use contributions only for their permitted purposes (described above). The Company will have no fiduciary obligation to you for administering the Fund. The Company will not use Fund contributions for advertising that principally is a solicitation for the sale of franchises. The Company will prepare

an annual, unaudited statement of Fund collections and expenses and give it to you on written request. The Company may incorporate the Fund or operate it through a separate entity. The successor entity will have all of the rights and duties described in this Agreement.

The Fund shall be accounted for separately from all other funds of the Company and shall not be used to defray any of the Company's general operating expenses, except for such reasonable salaries, administrative costs and overhead as the Company may incur in activities reasonably related to the administration of the Fund and its advertising programs, including, without limitation, conducting market research, preparing advertising and promotional materials, clearance costs, legal expenses and collecting and accounting for contributions to the Fund. The Company may spend in any fiscal year an amount greater or less than the aggregate contributions of Godfather's Pizza locations contributing to the Fund in that year. The Company may make loans to the Fund (and the Fund may borrow from the Company or other lenders) bearing reasonable interest to cover any deficits of the Fund. The Company may also cause the Fund to invest any surplus for future use by the Fund. Franchisee authorizes the Company in its sole discretion to collect and contribute to the Fund any advertising monies or credits due from any supplier to Franchisee. All interest earned or advertising monies contributed to the Fund will be used to pay advertising costs of the Fund. A report of monies collected and costs incurred by the Fund shall be prepared annually by the Company and shall be made available for inspection by Franchisee upon request.

Franchisee understands and acknowledges that the Fund is intended to maximize general public recognition of the Marks and patronage of Godfather's Pizza locations for the benefit of all Godfather's Pizza locations. The Company undertakes no obligation to ensure that expenditures by the Fund are proportionate or equivalent to contributions to the Fund by any Godfather's Pizza location or that any Godfather's Pizza location will benefit directly or in proportion to its contributions to the Fund from the conduct of marketing programs or the placement of advertising. Except as expressly provided in this Paragraph B, the Company assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Fund.

11. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

Franchisee shall establish and maintain at Franchisee's expense an accounting and recordkeeping system conforming to the requirements prescribed by the Company from time-to-time. Franchisee shall furnish to the Company on such forms as are prescribed by the Company from time-to-time: (1) on Wednesday of each week, a report of gross and net sales for the preceding week (Monday through Sunday); (2) within twenty-five (25) days after the end of each calendar quarter an unaudited quarterly and year-to-date profit and loss statement and quarterly balance sheet in the format prescribed by the Company; (3) within ninety (90) days after the end of each fiscal year of the Location, an unaudited annual statement of profit and loss of the Location for the fiscal year and a balance sheet for the Location as of the end of the fiscal year; and (4) within ten (10) days after the Company's request, such other forms, records, books and other information as the Company may require. Each such report and financial statement shall be signed and verified by Franchisee in the manner prescribed by the Company. The Company shall have the right to disclose data derived from such sales reports where the Company determines, in its reasonable business judgment, that such disclosure is necessary or advisable. The Company

reserves the right to require Franchisee to have audited or reviewed financial statements prepared on an annual basis. The Company may also require that Franchisee provide information to the Company regarding local market conditions and product pricing by competitors.

12. INSPECTIONS AND AUDITS

A. THE COMPANY'S RIGHT TO INSPECT THE LOCATION

To determine whether Franchisee is complying with this Agreement and with all specifications, quality standards and operating procedures relating to the operation of the Location, the Company or its designated agents shall have the right during normal business hours and without prior notice to Franchisee to: (1) inspect the Location; (2) observe and interview Franchisee and any managers and employees of the Location; and (3) interview customers of the Location. Franchisee shall present to its customers such evaluation forms as are periodically prescribed by the Company and shall participate and/or request its customers to participate in any marketing surveys performed by or on behalf of the Company. The Company will provide Franchisee with a written report of inspections of the Location.

B. THE COMPANY'S RIGHT TO AUDIT

The Company shall have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit, or cause to be inspected and audited, the business and accounting records, cash register tapes, computer records, invoices, payroll records, sales and income tax records and returns and other records of the Godfather's Pizza business at the Location and of any entity which holds the Franchise. Franchisee shall fully cooperate with representatives of the Company and independent accountants hired by the Company to conduct any such inspection or audit. Within ten (10) days after receipt of a written request from the Company, Franchisee will provide to the Company copies of its most recent federal and/or state income tax return, the federal and/or state income tax returns of any person who signs a personal guaranty of this Agreement, and sales tax returns for the Location for the period specified in such written notice, not to exceed twenty-four (24) months. In the event any such inspection or audit shall disclose an understatement of the net sales of the Franchise, Franchisee shall pay to the Company, within fifteen (15) days after receipt of the inspection or audit report, the continuing fees and advertising contributions due on the amount of such understatement, plus interest (at the rate and on the terms provided in Section 6.E of this Agreement) from the date originally due until the date of payment. In the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records or other required information, or to furnish such reports, records or information on a timely basis, or if an understatement of net sales for the period of any audit (which shall not be for less than four (4) weeks) is greater than five percent (5%) Franchisee shall reimburse the Company for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and attorneys and the travel expenses, room and board and compensation of employees of the Company. Franchisee's understatement of net sales by greater than five percent (5%) and payment of continuing fees on such understated sales will be considered a cured default for purposes of Section 15.B(8) of this Agreement. The foregoing remedies shall be in addition to all other remedies and rights of the Company under this Agreement or under applicable law.

13. ASSIGNMENT

A. BY THE COMPANY

This Agreement and the Franchise are fully assignable by the Company and shall inure to the benefit of any assignee or other legal successor to the interest of the Company in this Agreement.

B. FRANCHISEE MAY NOT ASSIGN WITHOUT APPROVAL OF THE COMPANY

Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee or its owners and that the Company has granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee or its owners. Therefore, neither the Franchise (or any interest in the Franchise), the Location, or in the case of a Non-Traditional Location that portion of the Location used for the sale of Godfather's Pizza products, nor any part or all of the ownership of Franchisee may be transferred without the prior written approval of the Company and any such assignment or transfer without such approval shall constitute a breach hereof and convey no rights to or interests in the Franchise. As used in this Agreement the term "transfer" shall mean the voluntary, involuntary, direct or indirect assignment, sale or other transfer by Franchisee or its owners of any interest in: (1) this Agreement; (2) the Franchise; (3) the ownership of Franchisee; or (4) the Location. An assignment, sale or other transfer shall include: (a) the transfer of ownership or capital stock, membership interests, partnership interests or other ownership interests; (b) merger or consolidation or issuance of additional securities representing an ownership interest in Franchisee; (c) any sale of capital stock of Franchisee, any security convertible to capital stock, or units of ownership of a non-corporate Franchisee; (d) transfer of an interest in Franchisee, this Agreement, the Franchise or the Location, in a divorce, insolvency, dissolution proceeding or otherwise by operation of law; or (e) transfer of an interest in this Agreement, the Franchise, Franchisee, or the Location in the event of the death of Franchisee or an owner of Franchisee, by will, declaration of or transfer in trust, or under the laws of intestate succession or the disability of Franchisee or an owner of Franchisee. All issued and outstanding stock certificates or other documents indicating ownership in an entity other than a corporation shall bear a legend reflecting or referring to the restrictions of Section 13.B and 13.C. The proposed transferee must comply with all requirements of this Agreement for a transfer, but may be required to sign a new Franchise Agreement in the Company's then-current form. This new Franchise Agreement will be for a term of either five (5) years from the effective date of the assignment or for the remainder of the term of the existing Franchise Agreement, as determined by the Company in the sole exercise of its discretion. The signing of a new form of Franchise Agreement by the proposed transferee shall not serve to release the guarantees provided by the owners of the existing Franchisee, unless GPI specifically agrees in writing to a release in its sole discretion.

C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

The Company shall not unreasonably withhold its approval of an assignment that meets all of the applicable requirements of this Section 13.C. The proposed transferee or its owners must be

individuals of good moral character and otherwise meet the Company's then applicable standards for franchisees. If the transfer is of the Franchise, or of a controlling interest in Franchisee, or is one of a series of transfers which in the aggregate constitute the transfer of a controlling interest in Franchisee, all of the following conditions must be met prior to, or concurrently with, the effective date of the assignment: (a) the assignee must have sufficient business experience, aptitude and financial resources to own and operate the Location; (b) the transferee must execute the Company's then standard franchise agreement if required by the Company (which may provide for different rights and obligations than are provided by this Agreement); (c) Franchisee must pay, or the transferee must give assurance of payments and performance satisfactory to the Company of, such continuing fees, advertising contributions, amounts owed for purchases by Franchisee from the Company and any other amounts owed to the Company which are then unpaid; (d) Franchisee must submit all reports and statements required by Section 11 of this Agreement to the extent that Franchisee has failed to previously submit such reports and statements; (e) the assignee or its designated managers must have completed the Company's initial training program to the satisfaction of the Company; (f) Franchisee must return to the Company the ~~Operations Manual and the Administrative Procedures~~ Manual loaned by the Company to Franchisee; (g) the lessor of the Location must have consented to the assignment or sublease of the Location to the assignee, or the assignee must secure a substitute Location approved by the Company; (h) if Franchisee finances any part of the sale price of the transferred interest, Franchisee and its owners agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by Franchisee or its owners in the assets of the Location shall be subordinate to the obligations of the transferee to pay continuing fees, advertising contributions and other amounts due to the Company and its affiliates, and otherwise to comply with this Agreement or the franchise agreement executed by the transferee; (i) Franchisee or the assignee must pay a training and assignment fee to the Company in an amount equal to Three Thousand Dollars (\$3,000.00); (j) Franchisee and its owners must execute a general release, in form satisfactory to the Company, of any and all claims against the Company and its officers, directors, employees and agents; (k) the Company must approve the material terms and conditions of such assignment, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Location by the assignee; and (l) Franchisee, its owners, members of its management team and members of the immediate families of any of them must execute a non-competition covenant in favor of the Company and the assignee, agreeing that for a period of two (2) years, commencing on the effective date of the assignment, Franchisee and its owners will not have any interest as an owner, investor, partner, member, manager, director, officer, employee, consultant, representative or agent, or in any other capacity in any location or business offering pizza or other products similar to the products then being offered by Godfather's Pizza locations if such business is located or operating within a ten (10) mile radius of the Location or within a ten (10) mile radius of any Godfather's Pizza location in operation or under construction on the effective date of such assignment.

D. EFFECT OF CONSENT TO ASSIGNMENT

The Company's consent to an assignment of the Franchise or any interest in Franchisee subject to the restrictions of this Section 13 shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Company's right to demand exact compliance with any of the terms or conditions of the Franchise by the assignee.

E. THE COMPANY'S RIGHT OF FIRST REFUSAL

If Franchisee or its owners shall at any time determine to sell or otherwise transfer an interest in the Location, other than a Non-Traditional Location, or an ownership interest in a Franchisee of a Traditional Location, Franchisee or its owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit a complete copy of such offer to the Company along with such additional information regarding the offer and the purchaser as the Company may request. The Company shall have the right, exercisable by written notice delivered to Franchisee or its owners within thirty (30) days from the date of delivery of such offer to the Company, to purchase such interest in the Location or such ownership interest in Franchisee for the price and on the terms and conditions contained in such offer, but the Company may substitute cash for any form of payment proposed in such offer and shall have not less than sixty (60) days to prepare for closing. The Company's credit shall be deemed equal to the credit of any proposed purchaser. If the Company does not exercise its right of first refusal, Franchisee or its owners may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to the Company's approval of the purchaser as provided in this Section 13, but if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to the Company, or there is any material change in the terms of the sale, the Company shall again have the right of first refusal granted under this section. The Company's right of first refusal shall not apply to the sale or transfer of an interest in Franchisee or the Location to a member of a Franchisee's (or its owners') immediate family (other than a transfer of a controlling interest in Franchisee) or between or among the owners of Franchisee.

14. RENEWAL

A. FRANCHISEE'S RIGHT TO RENEW

If upon expiration of the initial term of the Franchise: (1) Franchisee has substantially complied with all provisions of this Agreement, and any Area Development Agreement and any other agreement with the Company; and (2) (a) Franchisee maintains possession of and agrees to refurbish the Location as required by Company; or (b) if Franchisee is unable to maintain possession of the Location, or if in the judgment of the Company the Location should be relocated, Franchisee secures a substitute Location approved by the Company and Franchisee agrees to develop such substitute Location in compliance with then applicable standards utilized in the grant of franchises for Godfather's Pizza locations; then Franchisee shall have the right to renew the Franchise only for one additional term of five (5) years. Franchisee must pay a renewal fee of Two Thousand Dollars (\$2,000.00), which must be paid in full before the first day of the renewal term of the Agreement. No part of any renewal fee paid by Franchisee will be refunded by the Company upon termination of this Agreement.

B. NOTICE OF RENEWAL AND NONRENEWAL

Franchisee shall give the Company written notice of Franchisee's desire to exercise the option to renew at least one hundred eighty (180) days and not more than two hundred forty (240) days prior to the expiration of the term of this Agreement. The Company agrees to give Franchisee written notice of any deficiencies in Franchisee's operation of the Location which could cause the Company not to renew the Franchise within ninety (90) days after receipt by the Company of

written notice from Franchisee of an election to renew the Franchise. Such notice shall state what actions Franchisee must take to correct the deficiencies in Franchisee's operation of the Location and shall specify the time period in which such deficiencies must be corrected. Renewal of the Franchise shall be conditional upon Franchisee's continued compliance with all of the terms and conditions of this Agreement up to the date of expiration. In the event the Company fails to give Franchisee notice of deficiencies in Franchisee's operation of the Location within ninety (90) days after receipt of Franchisee's election to renew the Franchise, the Company may extend the term of this Agreement for such period of time as is necessary in order to provide Franchisee reasonable time to cure deficiencies or to give the minimum notice of nonrenewal required under this Agreement .

C. RENEWAL AGREEMENTS/RELEASES

To renew the Franchise, the Company, Franchisee and its owners shall execute the then current form of standard franchise agreement and any ancillary agreements then used by the Company in the grant or renewal of franchises for the ownership and operation of a Godfather's Pizza location, and Franchisee and its owners shall execute general releases (to the extent permitted by applicable law), in form satisfactory to the Company, of any and all claims against the Company and its officers, directors, employees and agents. Failure by Franchisee and its owners to sign such agreements and releases within thirty (30) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to renew the Franchise.

15. TERMINATION OF FRANCHISE

A. BY FRANCHISEE

If Franchisee is in substantial compliance with this Agreement and the Company breaches this Agreement and fails to cure such breach within thirty (30) days after written notice thereof is delivered to the Company, Franchisee may terminate this Agreement effective ten (10) days after delivery to the Company of notice thereof. A termination of this Agreement by Franchisee for any reason other than breach of this Agreement by the Company and the Company's failure to cure such breach within thirty (30) days after receipt of written notice thereof shall be deemed a termination by Franchisee without cause.

B. BY THE COMPANY

This Agreement shall automatically terminate without an opportunity to cure upon delivery of notice of termination to Franchisee, if Franchisee or any of its owners:

- (1) abandons, surrenders, fails to actively operate or transfers control of the operation of the Location without the Company's consent, other than a temporary closing of the Location following a fire, weather related damage or similar causes for a period of time approved by the Company in writing in the sole exercise of its discretion;
- (2) suffers cancellation of or termination of the lease of the Location;
- (3) has made any material misrepresentation or omission in Franchisee's application for the Franchise;

(4) is convicted by a trial court of or pleads guilty or no contest to a felony, or another crime or offense that is likely to adversely affect the reputation of Franchisee, the Location, other Godfather's Pizza locations or the Company;

(5) makes an unauthorized transfer of the Franchise or an ownership interest in Franchisee;

(6) makes any unauthorized use or disclosure of any Confidential Information or uses, duplicates or discloses any portion of the Operations ~~Manual or Administrative Procedures~~ Manual in violation of this Agreement;

(7) fails or refuses to comply with any mandatory specification, standard or operating procedure prescribed by the Company relating to the cleanliness or sanitation of the Location, violates any health, safety or sanitation law, ordinance or regulation, or continues to sell a product or service after being informed in writing by the Company that such product or service is not approved for sale at the Location, and does not correct such failure, refusal or violation within seventy-two (72) hours after written notice thereof is delivered to Franchisee;

(8) fails on three (3) or more separate occasions during the term of the Agreement, including any extension thereof, to submit when due reports or other data, information or supporting records, to pay when due the continuing fees, advertising contributions or other payments due to the Company or its affiliates, or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

(9) fails to pay in a timely manner federal, state, or local taxes including but not limited to income tax, payroll tax, sales tax, licenses and permits; or

(10) violates any Anti-Terrorism Laws, as that term is defined in Section 17.J of this Agreement.

In addition to the foregoing, this Agreement shall terminate without further action by the Company or notice to Franchisee, if Franchisee or its owners:

(1) fail to pay the initial fee for the Location within five (5) days after opening, fail to accurately report the gross or net weekly sales of the Location or fail to make payments of any amount due to the Company for continuing fees, advertising contributions or any other amounts due to the Company or its affiliates under this Agreement or any other agreement, and do not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee; or

(2) fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by the Company and do not correct such failure within five (5) days after written notice of such failure to comply is delivered to Franchisee if such failure relates to the use of any Mark, failure to provide then current insurance certificates showing that Franchisee has in effect all insurance coverage required by this Agreement, or to the quality of the food and beverage products used or

sold at the Location, and does not correct any other failure to comply with any provisions of this Agreement within thirty (30) days after written notice of such failure to comply is delivered to Franchisee.

Any breach or default by Franchisee under the terms of any other Franchise Agreement or Agreement for License and Service entered into by Franchisee (or any affiliate of Franchisee) and the Company will constitute and may be treated as a default under this Agreement as well.

16. RIGHTS AND OBLIGATIONS OF THE COMPANY AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF FRANCHISE

A. PAYMENTS OF AMOUNTS OWED TO THE COMPANY

Franchisee agrees to pay to the Company within fifteen (15) days after the effective date of termination or expiration of the Franchise, or such later date that the amounts due to the Company are determined, such continuing fees, advertising contributions, amounts owed for purchases by Franchisee from the Company or its affiliates, interest due on any of the foregoing and all other amounts owed to the Company or its affiliates which are then unpaid. In addition to the Company's other remedies under this Agreement and under applicable law, including other forms of damages, Company may require Franchisee to pay to the Company in the event Franchisee terminates this Agreement without cause liquidated damages equal to the amount of continuing fees payable by Franchisee for the last six (6) complete calendar months before the date of such termination. Franchisee acknowledges and agrees that the actual damages to the Company in connection with a termination of this Agreement without cause by Franchisee are very difficult to ascertain, and that the amount described in the previous sentence represents a reasonable estimate of such damages.

B. MARKS

Franchisee agrees that after the termination or expiration of this Agreement, Franchisee and its owners will: (1) not directly or indirectly at any time or in any manner identify themselves or any business as a current or former Godfather's Pizza location, or as a licensee or franchisee of or as otherwise associated with the Company, or use any Mark, any colorable imitation thereof or other indicia of a Godfather's Pizza location in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with the Company; (2) remove within seven (7) days after the termination or expiration of this Agreement all interior and exterior signs, sign-faces and return to the Company or destroy all advertising materials and other materials containing any Mark or otherwise identifying or relating to a Godfather's Pizza location; (3) make such other interior and exterior design and appearance changes as the Company determines to be necessary to distinguish the Location from a Godfather's Pizza location; (4) take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark; (5) change the telephone number of the Location, other than a Non-Traditional Location; (6) take down, or arrange for the Company to assume the operation of, any website, social networking site pages or mobile applications or eliminate from any websites, social networking sites or mobile applications any references to the Company (including but not limited to references in website or

social networking addresses), the Marks, or the fact that Franchisee was a former Godfather's Pizza franchisee; and (7) furnish to the Company, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to the Company of Franchisee's compliance with the foregoing obligations. If Franchisee fails to take the actions described in (2) above within seven (7) days after the termination or expiration of this Agreement, the Company shall have the right to enter the Location at Franchisee's expense to remove all of the items described in (2) above without being guilty of trespass or tort of any kind.

C. CONFIDENTIAL INFORMATION

Franchisee agrees that upon termination or expiration of the Franchise, Franchisee will immediately cease to use any Confidential Information of the Company disclosed to Franchisee pursuant to this Agreement in any business or otherwise, and return to the Company all copies of the Operations Manual, ~~the Administrative Procedures Manual~~ and any other confidential materials which have been loaned to Franchisee by the Company, or at the Company's option will delete all electronic copies and destroy all paper copies of any Confidential Information, including the Operations Manual ~~and Administrative Procedures Manual~~, and provide a statement that Franchisee has deleted and destroyed such copies.

D. THE COMPANY HAS RIGHT TO LEASE THE LOCATION

Upon termination of this Agreement following an uncured default by Franchisee, the Company will have the right for itself or for any other person to acquire by assignment of lease, by lease, or by any other reasonable means the right to use the Location (other than a Non-Traditional Location) for operation of a Godfather's Pizza location or to execute a franchise agreement for the Location with any other person. Franchisee agrees to sign and to cause the lessor of the Location to sign, a lease addendum in form and content satisfactory to the Company permitting the Company or its designee to acquire the right to use the Location and the right to enter the Location after termination or expiration of this Agreement to remove all items bearing the Company's trademarks or other intellectual property.

E. COVENANT NOT TO COMPETE

Upon termination or expiration of this Agreement, Franchisee and each of its owners agree that for a period of two (2) years, commencing on the effective date of expiration or termination, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee, any shareholder, member or partner (if Franchisee is a corporation, limited liability company or partnership), members of the management team of Franchisee, nor any member of the immediate family of Franchisee or any shareholder, member, partner or management team member of Franchisee will have any direct or indirect interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity in any location or business offering pizza or other products similar to the products then being offered by Godfather's Pizza locations if such business is located or operating at the Location, within a ten (10) mile radius of the Location or within a ten (10) mile radius of any other Godfather's Pizza location in operation or under construction on the effective date of expiration or termination.

F. CONTINUING OBLIGATIONS

All obligations of the Company and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

17. ENFORCEMENT

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

Except as otherwise expressly stated in this Agreement, each section and provision of this Agreement, and any portion thereof, shall be considered severable. If any provision of this Agreement is held to be invalid in a final ruling in a proceeding to which the Company is a party, that ruling shall not impair the operation of, or have any other effect upon, the other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties. To the extent that Section 13.C (1), Section 16.E, or any clause thereof, is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but could be enforceable by reducing any or all thereof, Franchisee and the Company agree that they shall be enforced to the fullest extent permissible under the laws applied in the jurisdiction in which enforcement is sought. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew than is required under this Agreement, or the taking of some other action not required under this Agreement, or if under any applicable law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement, and the Company shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

B. WAIVER OF OBLIGATIONS

The Company and Franchisee may in writing unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or such other effective date stated in the notice of waiver. Any waiver granted by the Company shall be without prejudice to any other rights the Company may have, will be subject to continuing review by the Company and may be revoked, in the Company's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of ten (10) day's prior written notice. The Company and Franchisee shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant, or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its term), because of any failure, refusal or neglect of the Company or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including, without limitation, any mandatory specification, standard or operating procedure; any waiver, forbearance, delay, failure or omission by the Company to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Godfather's Pizza locations;

or the acceptance by the Company of any payments due from Franchisee after any breach of this Agreement. Neither the Company nor Franchisee shall be liable for loss or damage or be in breach of this Agreement for its failure to perform its obligations resulting from: (1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) fires, strikes, embargoes, war or riot; or (5) any other similar event or cause. Any delay resulting from any of ~~said~~these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that ~~said~~these causes shall not excuse payments of amounts owed at the time of such occurrence or payment of continuing fees and other amounts due on any sales thereafter.

C. INJUNCTIVE RELIEF

Nothing contained in this Agreement shall bar the Company's or Franchisee's right to obtain injunctive relief against actual or threatened conduct that will cause it irreparable loss or damages, under customary equity rules. Franchisee and the Company agree that each may have such injunctive relief, without bond, but upon due notice, in addition to any other relief as may be available at equity or law (all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by the Company and Franchisee).

D. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the Company and Franchisee under this Agreement are cumulative and no exercise or enforcement by the Company or Franchisee of any right or remedy under this Agreement shall preclude the exercise or enforcement by the Company or Franchisee of any other right or remedy under this Agreement or which the Company or Franchisee is entitled by law or equity to enforce, including the right of the Company to seek an award for the amount of continuing fees and advertising payments the Company would have been entitled to receive during the remainder of the term of this Agreement if the Company had not terminated the Agreement following a default by Franchisee.

E. COSTS AND ATTORNEY'S FEES

If a claim for amounts owed by Franchisee to the Company is asserted in any legal proceeding before a court of competent jurisdiction, or if the Company or Franchisee is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees.

F. GOVERNING LAW/CONSENT TO JURISDICTION

Except to the extent governed by the United States Trademark Act (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or by the franchise laws of the state of the Location, this Agreement and the Franchise shall be governed by the laws of the State of Nebraska. Franchisee agrees that the Company may institute any action against Franchisee arising out of or relating to this Agreement

in any state or federal court of general jurisdiction in the State of Nebraska and Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection he or she may have to either the jurisdiction or venue of such court.

G. BINDING EFFECT

This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by authorized representatives of both Franchisee and the Company.

H. CONSTRUCTION

The preambles and exhibits are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Company and Franchisee relating to the subject matter of this Agreement; however, nothing in this Agreement or in any other agreement is intended to disclaim any representations made by the Company in its Franchise Disclosure Document. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Except where this Agreement expressly obligates the Company to reasonably approve or not unreasonably withhold its approval of any action or request by Franchisee, the Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee. The headings of the sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The term "Franchisee" is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee, whether or not as partners or joint ~~ventures~~venturers, their obligations and liabilities to the Company shall be joint and several. References to a controlling interest in Franchisee shall mean fifty percent (50%) or more of the equity or voting control of Franchisee. This Agreement may be executed in multiple counterpart copies, each of which shall be deemed an original.

I. GUARANTY

All owners of Franchisee, including any new owners of Franchisee approved under the terms of Section 13.B, shall sign the Owners' Guaranty and Assumption of Franchisee's Obligations attached to this Agreement within five (5) days after acquiring an ownership interest in Franchisee.

J. COMPLIANCE WITH ANTI-TERRORISM LAWS

Franchisee and Franchisee's owners agree to comply, and to assist the Company to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (defined below). Franchisee and Franchisee's owners certify, represent, and warrant that none of their property or interests is subject to being blocked under, and that Franchisee and Franchisee's owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and other

requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners, or any blocking of Franchisee or Franchisee's owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

18. NOTICES AND PAYMENTS

All written notices permitted or required to be delivered by the provisions of this Agreement or of the Operations ~~Manual or the Administrative Procedures~~ Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after placement with a nationally recognized overnight delivery service or three (3) business days after placement in the United States Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. All payments and reports required by this Agreement shall be directed to the Company at the address notified to Franchisee from time-to-time, or to such other persons and places as the Company may direct from time-to-time. Any required payment or report not actually received by the Company during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior to the due date) shall be deemed delinquent.

The parties have executed, sealed and delivered this Agreement in counterparts on the day and year first written above.

GODFATHER'S PIZZA, INC.

FRANCHISEE:

By _____
Name: _____
Title: _____
Date: _____

By _____
Name: _____
Title: _____
Date: _____

EXHIBIT "A"

OWNER' S GUARANTY AND ASSUMPTION OF
FRANCHISEE' S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the preceding Franchise Agreement (the "Agreement") by Godfather's Pizza, Inc. (the "Company"), each of the undersigned hereby personally and unconditionally: (1) guarantees to the Company and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the undersigned waives:

- (1) acceptance and notice of acceptance by the Company of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (5) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty shall be joint and several;
- (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
- (3) such liability shall not be contingent or conditioned upon pursuit by the Company of any remedies against Franchisee or any other person; and
- (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Company may from time-to-time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement and each successive extension thereof.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

WITNESS

GUARANTOR(S)

Printed Name(s): _____

EXHIBIT "B"

MINNESOTA AMENDMENT

Pursuant to Section 17G of this Agreement, the following amendment will and does from the effective date constitute a part of this Agreement:

1. MINNESOTA LAW: With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

2. PROCEDURE, FORUM AND REMEDIES: Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit Company from requiring litigation to be conducted outside Minnesota. In addition, nothing in Company's franchise disclosure document or this Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies, provided for by the laws of the jurisdiction.

3. GENERAL RELEASES: Minnesota Rule 2860.4400(D) prohibits Company from requiring a franchisee to assent to a general release.

4. EFFECTIVE DATE: The effective date of this Exhibit will be _____.

GODFATHER'S PIZZA, INC.

By _____
Its _____

Company

By _____
Its _____

Franchisee

EXHIBIT "B-2"

GODFATHER'S PIZZA

**AGREEMENT
FOR
AREA DEVELOPMENT**

COMPANY: GODFATHER'S PIZZA, INC.

DEVELOPER

DEVELOPMENT AREA:

GODFATHER'S PIZZA

AGREEMENT

for

AREA DEVELOPMENT

This AGREEMENT, made effective _____, by and between

GODFATHER'S PIZZA, INC.
Company,

and

Developer,

~~WITNESSETH: THAT, Whereas~~ Company engages in the franchising of restaurant operations under the name, "Godfather's Pizza"; and Developer proposes to enter into this Agreement to develop such restaurants;

Now, Therefore, in consideration of the charges and development fees paid or to be paid and of the matters herein recited and their mutual promises exchanged in this Agreement, the receipt and sufficiency of which the parties hereby acknowledge;

IT IS AGREED by and between Company and Developer as follows:

1. General Matters: The provisions of the Franchise Agreement will apply in this Agreement with the following modifications:

a. Original Definitions and Other Usage: As used in this Agreement and repeated from the attached format of Franchise Agreement and unless otherwise required by the context, expressions defined in the Franchise Agreement will have in this Agreement as to Developer the respective meanings as to Franchisee as indicated in

the Franchise Agreement.

b. Further Definitions: As used in this Agreement and unless otherwise required by the context, certain additional expressions will have the following indicated meanings:

(1) "Agreement" will mean the contractual arrangement between Company and Developer as evidenced by the provisions of this document, as originally executed or as from time to time thereafter modified by any additional amendatory or supplementary provisions.

(2) "Balance of initial fee" will mean for each licensed location for which a Contract is issued the remainder, if any, of the initial fee therefor under the provisions of such Contract whose amount is indicated in the schedule ~~hereto~~ attached [to this Agreement as](#) Exhibit "A".

(3) "Commencement of development" will mean for any development location proposed by Developer and approved by Company the completion of acquisition by or for Developer through lease, option, purchase, or otherwise of the right to build and operate thereon a restaurant.

(4) "Company" will mean Godfather's Pizza, Inc., a Delaware business corporation, with its principal office in Omaha, Douglas County, Nebraska, or any permitted assign, successor, or representative.

(5) "Completion of development" will mean for any development location proposed by Developer and approved by Company for which a Contract has been issued the commencement of business by Developer as Franchisee under such Contract.

(6) "Contract" will mean for any development location proposed by Developer and approved by Company a document with provisions identical or substantially similar to those of the attached format of Franchise Agreement ("Exhibit B").

(7) "Developer" will mean, _____ or any permitted assign, successor, or representative.

(8) "Development area" will include and mean all of that territorial area whose description and location are indicated in the attached Exhibit "A".

(9) "Development fee" will mean for the development area the amount indicated in the attached Exhibit "A".

(10) "Development location" will mean any potential licensed location within the development area as proposed by Developer and approved by Company under the provisions of this Agreement.

(11) "Effective date" will mean the effective date of the original execution of this document.

(12) "Franchise Agreement" will mean the Franchise Agreement between Company and Developer as ~~Franchise~~Franchisee with provisions identical or substantially similar to those in the attached Exhibit "B".

(13) "Governing law" will mean for interstate franchise regulation or other matters subject to jurisdiction of the Federal Trade Commission or for any other specific interstate matter subject to concurrent or exclusive federal jurisdiction the applicable federal law, regulations, and rules of the United States, will mean for intrastate franchise regulation or any other specific

intrastate matter subject to concurrent or exclusive jurisdiction of the state or states of the development area the applicable state law, regulations, and rules of such state, and will mean for all other matters the applicable law specified under the provisions of this ~~agreement~~Agreement.

(14) "Interest in Developer" will mean the ownership of all or any part of the equity of a sole proprietorship, the units of ownership of a general or limited partnership or limited liability company, the equity securities of a corporation, the units of ownership of a joint venture, or any other medium or mode of ownership of all or any part or parts of the equity.

(15) "Like agreement" will mean a contract between Company and Developer or any other person or persons for an arrangement similar to the arrangement effected by this Agreement as to a territory other than the development area with provisions similar to the provisions of this Agreement.

(16) "Like developer" will mean any person or persons other than Developer with whom Company has entered into a like agreement.

(17) "Managerial personnel" will mean those individuals employed by Developer at each of Developer's licensed locations whose employment function includes but is not limited to the management of day-to-day operation of the licensed location.

(18) "Managerial personnel training program" will mean a program of content and format to the satisfaction of Company for training proposed managerial personnel of Developer as Franchisee and of like franchisees provided by or for Company to educate and instruct such personnel in the

efficient discharge of the duties and the proper exercise of the functions of such positions with Developer as Franchisee.

(19) "Market promotion records" will include and mean the promotion records for all licensed locations for which a Contract has been issued to Developer as ~~Licensee~~Franchisee together with all original invoices, records, statements, and all other business data, computer compilations, information, and materials constituting identification or substantiation for all advertising campaigns and other advertising and promotion permitted or required to be effected by Developer.

(20) "Non-public entity" will include and mean Developer or any other person for so long as such person is not a public entity.

(21) "Public entity" will include and mean Developer or any other person for so long as such person is subject to the jurisdiction of the Securities and Exchange Commission or to governing law securities regulations.

(22) "Supervisory personnel" will mean any one or more individuals employed by Developer in any supervisory capacity over any two (2) or more licensed locations of Developer as Franchisee and any one or more individuals employed by Developer in any capacity responsible for the training and general supervision of other employees of Developer as Franchisee thereof or otherwise.

(23) "Supervisory personnel training program" will mean a program of content and format to the satisfaction of Company for training proposed supervisory personnel of Developer and of like developers devised and

provided by or for Company to educate and instruct such personnel in the efficient discharge of the duties and the proper exercise of the functions of such positions with Developer.

(24) "Transfer" will mean any direct or indirect assignment, creation of a security interest, encumbrance, gift, mortgage, pledge, sale or other form of conveyance of an interest in Developer.

c. **Divisions and Titles:** As used in this Agreement for convenience only, the division of the text into separate Paragraphs and subordinate parts and the titles thereof will have no independent effect upon the application or construction of the provisions of this Agreement.

d. **Original, Counterparts, and Copies:** Company will keep and maintain custody of the executed original or any executed counterpart of this document and of each exhibit; and any person may rely upon and treat as the executed original thereof any executed counterpart of this document or of any exhibit of additional amendatory or supplementary provisions with the certificate of Company to the effect that such document then comprises an accurate and complete copy of the original document and of all subsequent exhibits of additional amendatory or supplementary provisions.

e. **Conflict of Provisions:** The provisions of this Agreement will supersede the provisions of the attached format of Franchise Agreement and of any Contract issued to the extent required for resolution of any discrepancy or other inconsistency between such provisions.

f. **Relationship of Company and Developer:** Developer will be and remain an

independent contractor under this Agreement without any expressed or implied authority or power as agent or otherwise to act for or bind Company; and Company will have no fiduciary or other relationship with Developer, except for the contractual relationship expressed by the provisions of this instrument, and no liability or other responsibility to Developer and its secured or unsecured creditors or to any other person or persons for the financial or other commercial success of Developer.

g. **Third Persons**: No secured or unsecured creditor of Developer or any other third person will be a party to this Agreement; but, under the provisions of this instrument and without any obligation upon the part of Company, each owner of an interest in Developer will be a party to this Agreement to the extent so provided.

h. **Applicable Law**: As to employment, franchise, tax, and other matters of federal concern or of concern to the state or states of the development area, the appropriate federal or state governing law will prevail; but as to contractual and all other matters, this Agreement and all of the provisions of this instrument will be and remain subject to application, construction, enforcement, and interpretation under the governing law of Nebraska.

2. **Development Rights, Procedure, and Personnel**: Development will be effected and permitted in the following manner under this Agreement:

a. **Rights**: Company ~~will and~~ hereby ~~does grant~~grants to Developer, and will grant to no other person, the right during the term of this Agreement to develop and thereafter as Franchisee to operate one restaurant for each licensed location within the development area; and Company will issue ~~or procure to be issued~~ to Developer

as Franchisee for each development location a Contract therefor as a licensed location under the provisions of the attached format of Franchise Agreement.

b. **Procedure:** The following procedure will govern the course and order of development under this Agreement:

(1) Developer will, at intervals and with frequency adequate to assure the actual, and not average or cumulative, completion of development of not fewer than the number of development locations indicated in the schedule hereto attached as Exhibit "A" for each successive period of twelve (12) months begun with the effective date, from time to time during the term of this Agreement submit to Company for its prior written approval a written proposal of each proposed development location; and Developer will, with timeliness adequate to assure the commencement of development of the first development location within thirty (30) days of the effective date, promptly submit to Company for its prior written approval a proposal of one or more first proposed development locations.

(2) Company will have and retain the right at its sole discretion before issuance of a Contract to grant or to withhold its prior written approval of any potential development location proposed by Developer and will by written response promptly advise Developer of its approval or disapproval of each potential development location so proposed; ~~and Company will not unreasonably withhold such approval.~~

(3) Developer will effect the completion of development of the first and each subsequent proposed and approved development location within one

hundred twenty (120) days of the commencement of development of such development location.

(4) Company will ~~effect the~~ issue to Developer as Franchisee ~~of~~ a Contract for each development location at the completion of development.

(5) Developer will have no rights after the term of this Agreement for exclusive or nonexclusive development as to any location within the development area for which no Contract has been issued as required by the provisions of this Agreement.

c. **Personnel:** Developer may or will avail itself of the following personnel training programs:

(1) Developer will not employ and use any of its supervisory personnel in such capacity unless and until such individual has, at the sole cost and expense of Developer, including the payment of any training fee described in the Franchise Agreement, attended and satisfactorily completed the supervisory personnel training program.

(2) Developer will furnish Company with a list or lists of all such individuals from time to time proposed to be employed or used as managerial personnel at each licensed location before any thereof is so employed and used; and Company will have the right at its sole discretion to require Developer as Franchisee at its sole cost and expense including the payment of any training fee described in the Franchise Agreement, to secure the attendance at and satisfactory completion by such individual of the managerial personnel training program before employment by Developer in

such capacity.

3. **Charges and Fees:** Developer will pay Company the following charges and fees:

a. **Development Fee:** Developer will at the effective date pay Company the aggregate development fee; and, effective with the receipt of the development fee the entire fee will be considered to be earned, and no part of the development fee will be repaid to Developer by Company.

b. **Initial Fee and Extension Fees:** Developer will at the time provided in each Contract pay Company the initial fee required for such issued Contract and will thereafter pay each extension fee required for all such Contracts; and, no part of any balance of initial fee or extension fee will be repaid by Company to Developer.

c. **Charges Under Franchise Agreement:** Developer will as Franchisee under each Contract issued fully and promptly pay all charges required under the provisions of such Contract inclusive of royalties, service compensation, and other costs and fees as therein specified.

4. **Representations and Limitations:** The following representations and limitations will apply to this Agreement:

a. **Company Representations:** Company ~~will and~~ hereby ~~does represent~~represents to Developer that it has control of all confidential information and intellectual property described in the Franchise Agreement, and will discharge and perform all of its service and other obligations under the provisions of this Agreement and under the provisions of each Contract issued.

b. **Developer Representation:** Developer ~~will and~~ hereby ~~does represent~~represents to Company that it has the capacity to and will discharge and

perform all of its development and other obligations under the provisions of this Agreement and under the provisions of each Contract issued.

c. **Retention of Interests:** Company will retain all ownership of, property in, and title to its confidential information and its intellectual property; and Developer will have no claim thereto or right therein except as expressly authorized under the provisions of each Contract issued.

d. **Control of Name:** Developer will not without the express written consent of Company make any use whatever of the name, "Godfather's Pizza", except to the extent permitted or required under the provisions of each Contract issued.

5. **Acquisitions, Assignment, and Encumbrance:** This Agreement will be subject to the following limitations upon acquisitions, assignment, and encumbrance:

a. **Transfer by Company:** Company will have the right to assign or transfer to any other person all or part of its interest under the provisions of this Agreement if such assignee by express written undertaking assumes all of the liabilities and other obligations of Company to Developer under the provisions of this Agreement; and Company will have the right to encumber, pledge, or make some other security transfer to any creditor, lender, or other secured person all or any part or parts of the charges due or to become due from Developer under this Agreement.

b. **Transfer by Developer:** Transfers by or like actions by or for Developer will be subject to the following limitations:

(1) Developer will not without the express written consent of Company transfer to any person any part of its interest under the provisions of this Agreement.

(2) Neither Developer nor any person owning an interest in Developer, ~~if,~~ while it is, ~~and as~~ a non-public entity, will without the express written consent of Company transfer to any person or persons of all or any part or parts of an interest in Developer; and neither Developer nor any person owning an interest in Developer, ~~if,~~ while it is, ~~and as~~ a public entity, will transfer to any person or persons of all or any part or parts of an interest in Developer, which, together with any one or more previous, contemporaneous, or proposed subsequent transfers, results or would result in a transfer of control of Developer.

(3) Developer will notify Company in writing not fewer than thirty (30) days before the proposed effective date of any transfer proposed by direct or indirect action; and upon receipt of such notice of any such transfer proposed to be made in good faith, Company will have the right at its sole discretion and in place of such proposed transferee to acquire such interest for consideration and upon conditions and other terms not inferior to those offered by or to such proposed transferee.

c. **Spendthrift Protection:** This Agreement will be and remain personal to Developer exclusively; and to the fullest extent authorized or permitted by law, no part of any interest of Developer under the provisions of this Agreement will be subject to attachment, garnishment, levy, or seizure by any creditor or any other person claiming against or in the right of Developer under any proceeding or writ at law or in equity.

d. **Non-exploitation:** Developer will not without the express written consent of

Company by way of private or public securities offer or placement, syndication, or other mechanism allocate, divide, or otherwise transfer all or any part or parts of its interests under the provisions of this Agreement or of any Contract issued.

e. **Acquisitions by and Combinations of Developer:** Neither Developer nor any person owning an interest in Developer will without the express written consent of Company obtain by acquisition of assets or securities, consolidation, merger, or other form of combination the rights of any like developer under the provisions of a like agreement or of any like franchisee under the provisions of a like Contract.

6. **Breach and Duration:** The following provisions will govern breach and duration of this Agreement:

a. **Term of Agreement:** This Agreement will be in effect and remain operative in its entirety for a term beginning with the effective date and ending with the close of business twelve (12) months after the effective date or at any subsequent anniversary thereof before which Developer has ceased or otherwise failed to complete the actual, and not average or cumulative, development of development locations required under this Agreement; but the term of this Agreement will remain subject to extension and termination under the other provisions of this Agreement.

b. **Default:** Breach by Company or Developer will give rise to the following cumulative and nonexclusive remedies and rights:

(1) Upon any breach, default, or other material failure by Developer under the provisions of this Agreement or under the provisions of any Contract issued, Company will have the right by an express written notice given to Developer to terminate the term of this Agreement at any date not less than

thirty (30) days thereafter so specified by such notice if Developer fails to cure such breach, default or other material failure within such notice period; provided that Company shall not be required to permit Developer to cure any failure to comply with the development schedule set forth in this Agreement. Upon any breach, default, or material failure by Company under the provisions of any Contract issued, Developer will have the right by an express written notice given to Company to terminate the term of this Agreement at any date not less than thirty (30) days thereafter so specified by such notice if Company fails to cure such breach, default or other material failure within such notice period.

(2) Upon any breach, default or other material failure by Developer under the provisions of this Agreement or under the provisions of any Contract issued, Company will have the right, at its sole discretion and in place of termination of the term of this Agreement, to alter, amend, reduce, or otherwise to limit or modify the development area, the development fee, or all or any part or parts of the schedule hereto described in Exhibit "A", and all or any part or parts of any other provision of this Agreement relevant to such failure; and Company and Developer will execute either an appropriate and entirely new document to supersede this Agreement or an appropriate exhibit or exhibits to amend the provisions of this Agreement.

(3) No declination of Company or Developer to declare or otherwise act upon any failure by the other will be or constitute a waiver of the provision or provisions so breached or of any other provisions of this Agreement.

c. **Extension:** Company and Developer may by express written agreement extend the term of this Agreement from time to time.

d. **Post-termination Rights:** Upon termination of this Agreement, Developer will retain all rights under each Contract issued and not then in default upon the part of Developer as Franchisee subject, however, to the provisions of each such Contract; and Company will have the right otherwise to arrange for development of the remainder of the development area.

7. **Information, Notices, and Addresses:** The following provisions will govern information, notices, and addresses under this Agreement:

a. **Disclosure:** If and to the extent so specified by governing law, Developer by execution of this Agreement acknowledges the following disclosure and receipt of documents in compliance with governing law and all other requirements of the Federal Trade Commission:

(1) Developer will and does acknowledge receipt by it or for it by its duly authorized representative of a Franchise Disclosure Document as prepared by or for Company as to this Agreement at least fourteen (14) calendar days, or such longer period required by applicable state law, before the original execution by Developer of this document or of any Franchise Agreement or other document imposing upon Developer any legally binding obligation or the payment by Developer of any consideration for any such document.

b. **Mailed Notice:** Any express written notice or other communication permitted or required under the provisions of this Agreement will be effective and operative from the date of mailing if and when mailed with adequate postage paid, or one

business day after being given to a nationally recognized overnight delivery service,

either by Company to Developer or by Developer to Company at their respective from time to time then currently designated mailing addresses.

c. **Mailing Addresses:** The mailing addresses of Company and Developer will be designated and may be changed in the following manner:

(1) The initial designated mailing addresses of Company and Developer will be the following indicated addresses:

Company, at
2808 North 108th Street
Omaha, Nebraska 68164; and

Developer, at

(2) Company and Developer may from time to time change their respective designated mailing addresses by an express written notice of such change given by one to the other at its then most recently so designated mailing address.

d. **Ownership Information:** Developer, if it is a non-public entity, will at the effective date and at any time or from time to time thereafter upon the request of Company or upon significant change therein furnish to Company a list of the names and respective then current business or other mail address of each director, officer, owner, partner, principal, proprietor, and other owner of an interest in Developer together with a description of the nature of such entity and of the extent and nature of the control over, position with, or ownership of Developer of each such individual or other person.

e. **Retention and Examination of Market Promotion Records:** Developer will preserve market promotion records and make them available for examination in the following manner:

(1) Developer will maintain and preserve all market promotion records related to each year for a period ended not sooner than three (3) years after the end of such year.

(2) Company will have the right at reasonable times to examine and otherwise to exercise unrestricted access to all promotion records required to be maintained and preserved by Developer.

f. **Notice of Ownership Transfer Restrictions:** Developer, ~~if, while it is, and as~~ a non-public entity, will cause its articles of incorporation, articles of partnership, articles of organization, by-laws, joint venture agreement, operating agreement, partnership agreement, or other formation documents to contain a provision restricting the transfer of any interest in Developer pursuant to the provisions of this Agreement; and Developer, ~~if, while it is, and as~~ a non-public entity, will cause each certificate or other document evidencing or representing ownership of any interest in Developer to bear and contain an appropriate legend indicating the applicability of such restriction upon transfer.

8. **Additional Provisions and Documents:** Additional provisions may be made a part of this Agreement in the following manner:

a. **Supplement:** The additional provisions, if any, set out in any hereto attached and initialed or signed exhibit as supplementary to the provisions of this Agreement at the effective date will be and remain from such date an integral part of the

provisions of this Agreement as if herein set out in full.

b. **Modifications**: The additional provisions, if any, set out in any one or more hereto attached, dated, and signed exhibits as amendatory to the provisions of this Agreement after the effective date will become and remain from the respective effective dates of execution of such exhibits integral parts of the provisions of this Agreement.

9. **Guaranty, Enforcement, Entirety, and Severability**: The following provisions will govern guaranty, enforcement, entirety, and severability of this Agreement:

a. **Consent**: When the prior written or other consent of Company or of Developer is required for any action or decision by the other, such consent may be withheld by Company or by Developer for cause; but in the absence of such cause, such consent will not be unreasonably withheld.

b. **Entirety**: This Agreement will and does constitute the entirety of the contractual arrangement between Company and Developer as to the development area; provided, however, nothing in this Agreement or in any other agreement is intended to disclaim any representations made by the Company in its Franchise Disclosure Document.

c. **Severability of Provisions**: Invalidity of any of the provisions of this Agreement or of any application or construction thereof will not affect the validity of the other provisions thereof or other applications or constructions thereof to which effect may reasonably be given without such invalid provisions or without such invalid application or construction thereof; and to such end, the provisions of this Agreement will be and remain severable from each other.

d. **Binding Effect:** This Agreement will be and remain binding upon each person owning an interest in Developer as appropriate, convenient, or necessary for its effectuation and to the same extent as Developer as a party to this Agreement.

e. **Guaranty:** Each owner of an interest in Developer, ~~if, while it is, and as~~ a non-public entity, will at the effective date and at any time or from time to time thereafter at the request of Company furnish Company the following guaranty of this Agreement:

(1) Each such owner will by one or more separate documents of content and format to the satisfaction of Company jointly and severally with all other such owners guarantee to Company the payment and other performance by Developer of all of its obligations pursuant to the provisions of this Agreement.

(2) Each such owner will by one or more separate documents of content and format to the satisfaction of Company personally agree and consent to be bound by the obligations of Developer as Franchisee under the provisions of each Contract issued as to the payment and other performance by Developer as Licensee of its obligations under the Contract including, but not limited to obligations relating to confidentiality of business information of Company, exclusivity of use of business information and business property of Company, and non-competition with Company.

f. **Benefit and Burden:** This Agreement will be and remain binding upon and will inure to the benefit of Company and Developer and their respective assigns, successors, and representatives; and after the term of this Agreement, all provisions

of this Agreement of then continuing materiality to the relationship of Company and Developer will otherwise be and remain binding upon and will inure to the benefit of Company and Developer and their respective assigns, successors, and representatives until the expiration or other lapse of the materiality of such provisions.

IN WITNESS WHEREOF, Company and Developer have executed this Agreement.

GODFATHER'S PIZZA, INC.

BY _____

Company

BY _____

Developer

EXHIBIT "A"

Agreement For Area Development

Schedule of Development Area, Development Fee, Development Schedule and Balances
of Initial ~~Fee, and Development Locations~~ Fees

1. **Development Area:**

2. **Development Fee:**

3. **Development Schedule:**

4. **Initial Fee:**

5. **Effective Date:**

EXHIBIT "B"

Agreement for Area Development

Format of Contract (Franchise Agreement)

EXHIBIT “C”

Agreement for Area Development

Schedule of Supplementary Provisions

GODFATHER’S PIZZA, INC.

By: _____

Company

NAME OF DEVELOPER

By: _____

Developer

By: _____

Its: _____

Developer

EXHIBIT “C-1”

Agreement for Area Development

Schedule of Supplementary Provisions

1. GUARANTEE: Pursuant to Paragraph 9(e), the undersigned owners of all interests in Developer hereby jointly and severally personally guarantee to Company the payment and other performance by Developer of all obligations of Developer under this Agreement. The undersigned further agree and consent to be personally bound by the obligations of Developer under the provisions of this Agreement as to confidentiality of business information of Company, exclusivity of use of business information and business property of Company and non-competition with Company. This Guaranty will be deemed to be continuing throughout the term of this Agreement, and will survive the expiration or termination of this Agreement. The consideration for this Guaranty includes the matters recited and the promises exchanged by Company and Developer in this Agreement.

2. EFFECTIVE DATE: The effective date of this Guarantee will be _____,
_____.

EXHIBIT "D-"

Agreement for Area Development

Schedule of Amendatory Provisions

Pursuant to Paragraph 8b, the following amendatory provisions will be part of the Agreement from the date set forth below:

1.

2. **EFFECTIVE DATE:** The effective date of this Exhibit will be

_____, _____.

GODFATHER'S PIZZA, INC.

BY _____

Company

BY _____

Developer

EXHIBIT "B-3"

PROMISSORY NOTE

\$ _____, _____, 20____

FOR VALUE RECEIVED, the undersigned, _____ ("Borrower") promises to pay to the order of GODFATHER'S PIZZA, INC., a Delaware corporation ("GPI"), at the office of the Financial Department of GPI at 2808 North 108th Street, Omaha, Nebraska, or at any other location as GPI may designate in writing, the principal sum of _____ (\$ _____) plus interest at the rate of _____ (%) per annum. This Promissory Note ("Note") will be paid in the manner provided in the amortization schedule attached to this Note and incorporated herein by reference.

Each installment shall be applied first to the payment of accrued interest and then to the reduction of principal. Interest on this Note will be computed on the basis of a year of three hundred sixty-five/three hundred sixty-six (365/366) days for the actual number of days elapsed. Any installment of principal and/or interest unpaid at the maturity thereof (whether by acceleration or fixed maturity) shall bear interest from and after maturity until paid, at the lesser of the highest rate allowed by applicable law or eighteen percent (18%) per annum.

This Note may be voluntarily prepaid in full or in part at any time, without premium or penalty, by payment of the principal amount to be prepaid, together with all interest accrued hereon to the date of prepayment. All partial prepayments shall be applied against the installments of principal due under this Note in the inverse order of their maturities.

In the event Borrower shall subsequently sell, assign, transfer or otherwise dispose of any of the restaurants acquired under the Agreement for Purchase and Sale of Assets to which this Note is attached (the "Purchase Agreement") or any part thereof or interest therein (referred to in this Note as the "Restaurants"), including without limitation any assignment of the leases for the Restaurants or subletting of any of the Restaurants, or any transfer of control of the business by way of a management contract or similar arrangement, the Note shall be prepaid in full immediately upon the completion of such sale, assignment, transfer or other disposition.

Payment of this Note is secured by a security agreement bearing the same date as this Note (the "Security Agreement") given by Borrower, as debtor, to GPI, as secured party, and covering all leasehold improvements, furnishings, fixtures, equipment and other tangible personal property installed or located on or used in connection with the operation of the Restaurants. Reference is hereby made to the Security Agreement for a description of the nature and extent of the security and the rights of the holder of this Note with respect to such security. Payment of this Note is guaranteed by a Guaranty from _____ and _____ under a Guaranty bearing the same date as this Note (the "Guaranty"). Reference is made to the Guaranty for a description of the nature and extent of the Guaranty and the rights of the holder of this Note with respect to the Guaranty.

No delay or omission on the part of the holder of this Note to exercise any right or option given to the holder under the terms hereof (including the giving of any notice hereunder) shall impair such right or option or be considered as a waiver thereof or as a waiver of or acquiescence in any default hereunder; and the express waiver of any default, right or option shall not be construed as a waiver of any other default, right or opinion.

All rights, options, powers and remedies granted in this Note shall extend to GPI and to any subsequent holder hereof, shall be binding upon the Borrower and its successors and assigns, and shall be applicable to this Note and all renewals and/or extensions hereof.

GPI may assign or otherwise transfer its rights under this Note without the consent of Borrower or any guarantor, and such assignee will have all rights conveyed to GPI under the terms of this Note.

If default is made in the payment of this Note, and the default is not cured within twenty days (20) after Borrower receives notice of the default, or in the observance of the terms and conditions of the Purchase Agreement or any of the Franchise Agreements between GPI and Borrower, or if any payments under this Note are due and a receiver or trustee is appointed for the property of Borrower or any proceedings are commenced by or against Borrower under insolvency or bankruptcy laws, then the entire principal and accrued interest will at once become due and payable upon demand at the option of the holder of this Note. Failure to exercise this option will not constitute a waiver of the right to declare the entire principal amount of this Note and interest on this Note due and payable at once at any later time.

All notices required to be given under this Note to Borrower shall be deemed given and delivered, whether actually received or not, when delivered in person, or one business day after being deposited with a national overnight delivery service, or three days after being deposited in the U.S. mail, postage prepaid, certified mail, return receipt requested, addressed to _____

If this Note is not paid when due and is referred to an attorney for collection (whether or not litigation is commenced), or for representation of the holder in proceedings under the United States Bankruptcy Code or other insolvency proceedings as presently enacted or hereafter amended, the undersigned promises to pay, and the holder shall be entitled to recover, the cost of collection of this Note, including the reasonable fees and expenses of the attorney in addition to the full amount of this Note and accrued interest. This Note will be construed under the applicable law of the State of Nebraska.

Borrower, for itself and its legal representatives, successors and assigns, and all endorsers, guarantors or any other persons who may at any time become liable for payment under this Note, consent to any and all extensions of time, renewals, waivers or modifications that may be granted or consented to by GPI or the holder of this Note with regard to the time of payment of this Note. The undersigned, for itself and its legal representatives, successors and assigns, and all endorsers, guarantors or any other persons who may become liable for payment under this Note, hereby waives presentment, demand and protest.

In witness of the foregoing provisions, the undersigned has caused this Note to be signed in _____ and delivered in Omaha, Nebraska as of the day and year first written above.

By _____

Its _____

EXHIBIT "B-4"

SECURITY AGREEMENT

A. PREAMBLE

1. Security Agreement: This Security Agreement (the "Agreement"), dated as of _____, is entered into by and between _____, INC., a _____ corporation, (the "Debtor"), and GODFATHER'S PIZZA, INC., a Delaware corporation (the "Secured Party").

2. Purchase Agreement: This Agreement is made in accordance with and pursuant to that certain Agreement for Purchase and Sale of Assets effective as of _____ (the "Purchase Agreement") by and between the Debtor and the Secured Party. Each and every term, condition, covenant, warranty and representation contained in the Purchase Agreement is hereby incorporated into this Agreement by reference as if the same were fully stated in this Agreement.

B. SECURITY INTEREST

1. Grant of Security Interest: The Debtor hereby grants to the Secured Party a security interest in the Collateral described in Section C below to secure performance and payment of all obligations and indebtedness of the Debtor to the Secured Party (a) under a certain promissory note executed by the Debtor and payable to the Secured Party dated _____ in the principal amount of _____ (the "Promissory Note"); (b) under the Purchase Agreement; (c) under the franchise agreements for the Godfather's Pizza restaurants described in Section C below; and (d) under any and all obligations now existing or hereafter arising owed by the Debtor to the Secured Party (collectively referred to as the "Indebtedness").

C. COLLATERAL

1. Collateral: The security interest granted herein will extend to all leasehold improvements, furnishings, fixtures, equipment and other tangible personal property in the Godfather's Pizza restaurants (the "Restaurants") located at _____, _____, _____ (referred to as the "Collateral").

D. DEBTOR'S PAYMENT OBLIGATIONS

1. Promise to Pay: The Debtor will pay the Secured Party, in accordance with the terms of the Indebtedness and the terms of this Agreement, all sums that may become due pursuant to the Indebtedness and all renewals, rearrangements or extensions of the Indebtedness.

2. Secured Party's Expenses: The Debtor will pay the Secured Party on demand all expenses (including reasonable attorney's fees and other legal costs) incurred or paid by the Secured Party in exercising or protecting its interests, rights and remedies under this Agreement.

E. REPRESENTATIONS, WARRANTIES, COVENANTS, AND AGREEMENTS

1. Financial Statements: All information supplied and statements made by the Debtor in any financial, credit or accounting statement or application for credit prior to, contemporaneously with, or subsequent to the execution of this Agreement are and will be true, correct, complete, valid and genuine.

2. No Prior Lien: No financing statement executed by Debtor covering the Collateral or its proceeds is on file in any public office, and there is no lien, security interest, or encumbrance created by Debtor in or on the Collateral, prior to the lien created hereby.

3. Location of Collateral: The Collateral will be kept at the addresses indicated in Section C of this Agreement. Except as may be required in the ordinary course of the Debtor's business, the Collateral will not be removed from such locations unless the Debtor notifies the Secured Party in writing and the Secured Party consents in writing in advance of its removal to another location. Debtor and the Secured Party agree that as part of the ordinary course of its business Debtor may remove items of the Collateral from the Restaurant, provided they are immediately replaced with items of like quality which will immediately be covered by the security interest granted in this Agreement.

4. Use of Collateral: Until default, the Debtor may use the Collateral in any lawful manner not inconsistent with this Agreement or with the terms or conditions of any policy of insurance on the Collateral.

5. Taxes, Charges, Liens and Assessments: The Debtor will pay prior to delinquency all taxes, charges, liens, and assessments of any kind against the Collateral.

6. Insurance: Debtor will maintain at all times during the term of this Agreement insurance for all hazards covered by broad form fire and extended coverage policies of insurance in an amount equal to the full replacement cost of the Collateral. Such insurance will be under policies issued by carriers rated "A" or better by Alfred M. Best & Company, Inc.

F. EVENTS OF DEFAULT

1. Events of Default: The Debtor will be in default under this Agreement upon the happening of any condition or event stated below (an "Event of Default").

(a) The Debtor fails to pay any of the Indebtedness when due and such failure is not cured within the applicable grace period;

(b) The Debtor defaults in the punctual performance of any obligation, covenant, term or provision contained or referred to in this Agreement or in any note secured hereby and such default is not cured within the applicable grace period;

(c) Any warranty, representation, or statement contained in the Agreement or made or furnished to the Secured Party by or on behalf of the Debtor in connection with this Agreement or to induce the Secured Party to make a loan to

the Debtor proves to have been false in any material respect when made or furnished;

(d) A writ of garnishment or writ of attachment is issued against or served on the Secured Party for the attachment of any of the Debtor's property or any indebtedness owed to the Debtor and such writ is not satisfied, stayed, suspended, or vacated on or before the tenth (10th) day after service;

(e) The Debtor or any guarantor of any of the Indebtedness (i) is or becomes insolvent; (ii) voluntarily files a (or is the subject of an involuntary) petition under the United States Bankruptcy Code; or (iii) terminates operation of a Godfather's Pizza Restaurant at which any part of the Collateral is located without the Secured Party's consent;

(f) Any statement of the financial condition of the Debtor submitted to the Secured Party proves to be false in any material respect; or

(g) A default occurs under the Purchase Agreement, or any franchise agreement issued for the Restaurants purchased pursuant to the Purchase Agreement, or any other franchise agreement or other obligation between the Secured Party or the affiliates of the Secured Party and the Debtor or the affiliates of the Debtor and such default is not cured within the time provided for curing the default in the document under which the default occurred, or any written extension of the cure period granted by the Secured Party.

2. Notice and Curing of Default: The Secured Party will give the Debtor prompt written notice, at the address of any of the Restaurants or such other address as the Debtor designates in writing for such purpose, of the occurrence of any Event of Default. The Debtor may cure such default other than a default under Section F.1.(c), by the date for curing defaults specified in the document that sets forth the obligation the breach of which created the Event of Default, or if no date for curing defaults is specified in such document, within twenty (20) days after notice of default is given pursuant to this paragraph.

G. SECURED PARTY'S RIGHTS AND REMEDIES REGARDLESS OF DEFAULT

1. Assignment of Secured Party's Rights: The Secured Party may from time to time assign this Agreement, the Secured Party's rights hereunder, or all or any part of the Indebtedness. In any such case, the assignee will be entitled to all rights, privileges, and remedies granted to the Secured Party by this Agreement, and the Debtor will not assert against the assignee any claim or defense it may have against the Secured Party, except those granted in this Agreement.

2. Inspection of Collateral: The Secured Party may with reasonable notice enter upon the Debtor's premises at any reasonable time to inspect the Collateral and the Debtor's books and records pertaining to the Collateral, and the Debtor will assist the Secured Party in making any such inspection.

3. Protection and Preservation of Collateral: At its option, the Secured Party:
 - (a) May discharge taxes, liens, security interests or encumbrances or assessments at any time levied or placed on the Collateral;
 - (b) May pay for the insurance on the Collateral; and
 - (c) May pay for the maintenance and preservation of the Collateral.

If the Secured Party takes any of the actions described in this Paragraph G.3., Debtor will reimburse the Secured Party for the cost of such actions within ten (10) days after Debtor receives written notice of the cost thereof from the Secured Party.

H. SECURED PARTY'S RIGHTS AND REMEDIES IN EVENT OF DEFAULT

1. Acceleration, Repossession and Sale: On the occurrence of an uncured Event of Default or at any time thereafter, the Secured Party may declare all or any part of the Indebtedness to be immediately due and payable and will have the rights and remedies of a secured party under the Uniform Commercial Code.

2. Notice of Sale: Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will send the Debtor reasonable notice of (a) the time and place of any public sale of the Collateral or (b) the time after which any private sale or other disposition thereof is to be made. The requirement of sending reasonable notice will be met if such notice is received by the Debtor at least ten (10) business days before the time of the sale or disposition or such longer time as may be required by applicable law.

3. Expenses of Repossession or Sale: The Secured Party will be entitled to recover its expenses to repossess and sell the Collateral. Expenses of retaking, holding, preparing for sale, selling or the like will include the Secured Party's reasonable attorney's fees and legal expenses.

The Debtor will remain liable for any deficiency remaining on the Indebtedness after disposition of the Collateral.

I. ADDITIONAL AGREEMENTS

1. Gender and Number: In this Agreement the masculine will be construed as feminine or neuter, and the singular as plural, as the occasion may require.

2. Parties Bound: "Secured Party" and "Debtor" as used in this Agreement, include any successor, representative, receiver, trustee, custodian or assign of any of such parties.

3. Captions: The article and section captions appearing in this Agreement are for convenience only and will not be given any substantive meaning or significance whatever in construing the terms and provisions of this Agreement.

4. Other Defined Terms: Any term that is used in this Agreement that is defined in Articles 1 through 9 of the Nebraska Uniform Commercial Code is used with the meaning as defined in such article.

5. Governing Law: This Agreement will be governed by the law of the State of Nebraska in force as of the effective date of this Agreement.

DATED as of the _____ day of _____, _____.

GODFATHER'S PIZZA, INC.

By: _____
Its _____

Secured Party

By: _____

Its President

Debtor

STATE OF)
) SS.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, _____ by, _____ President of _____, a _____ corporation on behalf of said corporation.

Notary Public

STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this _____ day of _____, _____ by _____, _____ of Godfather's Pizza, Inc., a Delaware corporation, on behalf of said corporation.

Notary Public

Godfather's Pizza, Inc. and Subsidiaries

**Consolidated Financial Statements and
Independent Auditors' Report**

May 31, 2015 and May 25, 2014



Godfather's Pizza, Inc. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Godfather's Pizza, Inc. and Subsidiaries
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Godfather's Pizza, Inc., a Delaware corporation, and Subsidiaries, which comprise the consolidated balance sheets as of May 31, 2015 and May 25, 2014, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Godfather's Pizza, Inc. and Subsidiaries as of May 31, 2015 and May 25, 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 7 to the financial statements, the Company changed its method of accounting for entities with certain common control leasing arrangements. Our opinion is not modified with respect to this matter.

Lutz & Company, P.C.

August 4, 2015

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Balance Sheets

May 31, 2015 and May 25, 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,409,000	\$ 1,266,000
Net Receivables	429,000	485,000
Due from Affiliate	339,000	4,000
Current Portion of Notes Receivable		
Affiliate	33,000	32,000
Other	-	27,000
Inventories	95,000	119,000
Prepaid Expenses	139,000	109,000
Refundable Income Taxes	-	321,000
Total Current Assets	2,444,000	2,363,000
PROPERTY AND EQUIPMENT	2,179,000	2,457,000
OTHER ASSETS		
Franchise Rights and Trademarks	3,073,000	3,073,000
Goodwill, Net	2,204,000	2,470,000
Notes Receivable, Less Current Portion		
Affiliate	1,312,000	1,403,000
Other	-	60,000
Other Assets	195,000	189,000
Total Other Assets	6,784,000	7,195,000
TOTAL ASSETS	\$ 11,407,000	\$ 12,015,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Balance Sheets

May 31, 2015 and May 25, 2014

LIABILITIES		2015	2014
CURRENT LIABILITIES			
Revolving Bank Line of Credit	\$	-	\$ 115,000
Current Portion of Long-Term Debt		477,000	430,000
Current Portion of Reserve for Restaurant Closings		-	27,000
Accounts Payable		519,000	852,000
Other Accrued Liabilities		1,736,000	1,603,000
Income Taxes Payable		29,000	-
Total Current Liabilities		2,761,000	3,027,000
LONG-TERM LIABILITIES			
Long-Term Debt, Less Current Portion		851,000	1,156,000
Other Long-Term Liabilities		522,000	499,000
Deferred Income Taxes		1,217,000	1,346,000
Total Long-Term Liabilities		2,590,000	3,001,000
Total Liabilities		5,351,000	6,028,000
STOCKHOLDERS' EQUITY			
COMMON STOCK			
\$.01 Par Value, Authorized, 1,000,000 Shares			
Issued, 200,000 Shares; and Outstanding, 99,012 Shares			
and 98,908 Shares, Respectively			
		2,000	2,000
ADDITIONAL PAID IN CAPITAL		574,000	572,000
RETAINED EARNINGS		7,152,000	7,086,000
		7,728,000	7,660,000
TREASURY STOCK, AT COST		(1,672,000)	(1,673,000)
Total Godfather's Pizza, Inc. Stockholders' Equity		6,056,000	5,987,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	11,407,000	\$ 12,015,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Statements of Operations

Years Ended May 31, 2015 and May 25, 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Sales by Company-Operated Restaurants	\$ 11,210,000	\$ 11,599,000
Franchise Revenues	6,266,000	6,360,000
Total Revenues	17,476,000	17,959,000
COST OF SALES AND RESTAURANT OPERATING COSTS	11,694,000	12,652,000
GROSS PROFIT	5,782,000	5,307,000
GENERAL AND ADMINISTRATIVE EXPENSES	5,627,000	6,036,000
INCOME (LOSS) FROM OPERATIONS	155,000	(729,000)
OTHER INCOME AND EXPENSES		
Other Income	74,000	96,000
Interest Expense	(115,000)	(98,000)
Loss on Sale of Property and Equipment	(14,000)	(27,000)
Start-up Costs	-	(172,000)
Total Other Income and Expenses	(55,000)	(201,000)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	100,000	(930,000)
PROVISION FOR INCOME TAXES	34,000	(328,000)
NET INCOME (LOSS)	\$ 66,000	\$ (602,000)

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Years Ended May 31, 2015 and May 25, 2014

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
BALANCES, May 26, 2013	\$ 2,000	\$ 563,000	\$ 7,688,000	\$ (1,662,000)	\$ 6,591,000
Net Loss	-	-	(602,000)	-	(602,000)
Purchase of Treasury Stock	-	-	-	(20,000)	(20,000)
Sale of Treasury Stock	-	9,000	-	9,000	18,000
BALANCES, May 25, 2014	2,000	572,000	7,086,000	(1,673,000)	5,987,000
Net Income	-	-	66,000	-	66,000
Sale of Treasury Stock	-	2,000	-	1,000	3,000
BALANCES, May 31, 2015	\$ 2,000	\$ 574,000	\$ 7,152,000	\$ (1,672,000)	\$ 6,056,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended May 31, 2015 and May 25, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 66,000	\$ (602,000)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	870,000	857,000
Loss on Sale of Property and Equipment	14,000	27,000
Adjustment of Reserve for Restaurant Closings	-	25,000
Net Cash Used for Reserve for Restaurant Closings	(27,000)	(18,000)
Deferred Income Taxes	(129,000)	(49,000)
Changes in Assets and Liabilities		
Decrease in Net Receivables	56,000	138,000
Increase in Due from Affiliate	(335,000)	(1,000)
Decrease in Inventories	24,000	6,000
Increase in Prepaid Expenses	(30,000)	(2,000)
Decrease (Increase) in Refundable Income Taxes	321,000	(295,000)
Decrease (Increase) in Other Assets	(6,000)	12,000
Decrease in Accounts Payable	(333,000)	(93,000)
Increase in Income Taxes Payable	29,000	-
Increase (Decrease) in Other Accrued Liabilities	133,000	(304,000)
Increase in Other Long-Term Liabilities	23,000	21,000
Net Cash Provided by (Used in) Operating Activities	676,000	(278,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	-	270,000
Purchase of Property and Equipment	(183,000)	(207,000)
Payments Received on Notes Receivable	177,000	470,000
Cash Paid to Acquire Restaurant Locations and Related Territory	-	(125,000)
Net Provided by (Used in) Investing Activities	(6,000)	408,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Advances on (Repayments of) Revolving Bank Line of Credit	(115,000)	115,000
Issuance of Long-Term Debt	50,000	-
Payments on Long-Term Debt	(465,000)	(258,000)
Purchase of Treasury Stock	-	(20,000)
Sale of Treasury Stock	3,000	18,000
Net Cash Used in Financing Activities	(527,000)	(145,000)
Net Increase (Decrease) in Cash and Cash Equivalents	143,000	(15,000)
Cash and Cash Equivalents, Beginning of Year	1,266,000	1,281,000
Cash and Cash Equivalents, End of Year	\$ 1,409,000	\$ 1,266,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended May 31, 2015 and May 25, 2014

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest Paid	\$	115,000	\$ 101,000
Income Taxes Paid (Refunded), Net		(187,000)	16,000
NONCASH INVESTING AND FINANCING ACTIVITIES			
Long-Term Debt Incurred to Purchase Property and Equipment	\$	157,000	\$ 403,000
Long-Term Debt Incurred to Purchase Goodwill through Acquisition of Franchisee		-	725,000
<u>Acquisition of Restaurant Locations and Related Territory</u>			
Property and Equipment	\$	-	\$ 50,000
Goodwill		-	75,000
<hr/>			
Cash Paid to Acquire Restaurant Locations and Related Territory	\$	-	\$ 125,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Godfather's Pizza, Inc. and its wholly-owned subsidiaries GPBCM, Inc. and GPTB, Inc., collectively (the "Company"), which are under common ownership and control. All significant intercompany accounts and transactions have been eliminated in consolidation.

Gartlan Real Estate Holdings, LLC, which was previously consolidated as a Variable Interest Entity (VIE), has been removed from the financial statements under the Company's elected change in accounting method (See Note 7).

Nature of Business

Godfather's Pizza, Inc. was incorporated under the laws of the State of Delaware in October 1988 and was formed to operate and franchise a concept servicing pizza and other food products.

GPBCM, Inc. was incorporated under the laws of the State of Nebraska in May 2013 and was formed to operate and franchise a concept servicing pizza and other food products and utilizing buffet service in such restaurants. The Company discontinued this concept as of May 31, 2015.

GPTB, Inc. was incorporated under the laws of the State of Nebraska in May 2013 and was formed to operate and franchise a concept servicing made to order take and bake pizza and other food products.

The following is a summary of restaurants operated by the Company and its franchisees at May 31, 2015 and May 25, 2014:

	<u>Company Operated</u>	<u>Franchisees</u>	<u>Total</u>
Open, May 26, 2013	21	594	615
Openings	2	20	22
Net Transfers	2	(2)	-
Closings	(6)	(39)	(45)
Open, May 25, 2014	19	573	592
Openings	-	18	18
Net Transfers	-	-	-
Closings	(2)	(54)	(56)
Open, May 31, 2015	17	537	554

The Company reserves for future costs associated with closed restaurants. Annually, management reviews and evaluates Company operations to determine if additional restaurants are to be included in the reserve.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

Fiscal Year

The Company's fiscal year ends on the last Sunday in May.

Use of Estimates

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

Advertising Costs

The cost of advertising is expensed as incurred. Advertising costs were approximately \$589,000 and \$836,000 for the years ended May 31, 2015 and May 25, 2014, respectively.

Cash and Cash Equivalents

The Company maintains zero balance accounts as a part of their cash management. Checks not yet presented for payment are included in accounts payable and totaled approximately \$171,000 at May 31, 2015 and \$223,000 at May 25, 2014. For purposes of the consolidated statements of cash flows, the Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

The Company has two types of financial instruments subject to credit risk. The Company maintains bank accounts in which the balances sometimes exceed the federally insured limit. Net receivables also subject the Company to credit risk.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of restaurant food items and paper supplies.

Property and Equipment

Property and equipment are stated at cost with depreciation and amortization computed on the straight-line method over the assets' estimated useful lives. Upon sale or retirement of property and equipment, the related costs and accumulated depreciation and amortization are removed from the accounts and any related gain or loss is reflected currently.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

Major classes of property and equipment at May 31, 2015 and May 25, 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 164,000	\$ 164,000
Buildings	383,000	383,000
Leasehold Improvements	2,690,000	2,833,000
Equipment	4,848,000	4,685,000
	<u>8,085,000</u>	<u>8,065,000</u>
Less Accumulated Depreciation and Amortization	5,906,000	5,608,000
	<u>\$ 2,179,000</u>	<u>\$ 2,457,000</u>

Other Intangible Assets and Goodwill

The Company's intangible assets consist of franchise rights, trademarks and goodwill, which represent the value assigned to those assets. The Company determined that franchise rights and trademarks were deemed to have indefinite useful lives. Accordingly, the Company does not amortize these intangibles. The Company reviews the carrying amount of their franchise rights and trademarks for possible impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill represents the carrying amount of the cost in excess of net assets acquired. Effective May 27, 2013, the Company adopted FASB Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which allows the Company to amortize goodwill prospectively on a straight-line basis up to ten years. Management believes that the new method more accurately reflects periodic results of operations and has elected to amortize its existing goodwill over ten years, which represents the estimated useful life. Accordingly, amortization expense of \$266,000 and \$193,000 was recorded during the years ended May 31, 2015 and May 25, 2014, respectively, in the accompanying consolidated statement of operations. The Company will continue to review goodwill for possible impairment when a triggering event has occurred. Amortization expense over the next five years is anticipated to be approximately \$266,000 annually.

Goodwill, Net of Accumulated Amortization is as follows at May 31, 2015 and May 25, 2014:

	<u>2015</u>	<u>2014</u>
Balance, Beginning of Period	\$ 2,663,000	\$ 1,863,000
Additional Goodwill Recognized	<u>-</u>	<u>800,000</u>
	2,663,000	2,663,000
Less Accumulated Amortization	<u>(459,000)</u>	<u>(193,000)</u>
Balance, End of Period	<u>\$ 2,204,000</u>	<u>\$ 2,470,000</u>

As part of the purchase of three restaurant locations and related territory in Council Bluffs, Iowa during 2014, the Company acquired Goodwill of \$800,000 and Property and Equipment of \$50,000.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

Income Taxes

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company follows the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. When income tax returns are filed, it is highly certain that some positions would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the Company's consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold would be measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying Company's consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits would be classified as additional income taxes in the consolidated statement of operations.

Management believes it is more likely than not that the benefits recognized from tax positions taken on the Company's consolidated financial statements will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Accordingly, no liability for unrecognized tax benefits is reflected on the accompanying consolidated balance sheets.

The Company believes it is no longer subject to income tax examinations by federal, state, or local tax authorities for years ending before May 27, 2012.

Franchise Operations

The Company records initial franchise fees as revenue when the Company has performed its service requirements, normally concurrent with the opening of a restaurant.

Continuing franchise fees are determined as a percentage of franchise restaurant sales. These fees are recognized as revenue in the period sales are earned by the franchisee. The Company does not require collateral for these receivables because they are generally collected within their normal terms of 30 days.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

The Company provides franchise personnel whose responsibilities are to support and assist franchise restaurant owners and operators. In addition, franchise owners receive assistance in construction and remodeling consultation and marketing from other Company personnel who also furnish these services to Company-operated restaurants. Costs and expenses related to the above franchise services are approximately 45% and 44% of general and administrative expenses for 2015 and 2014, respectively.

Reclassification

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued and may require potential recognition or disclosure in the Company's consolidated financial statements. Management has considered such events or transactions through August 4, 2015.

2. Notes Receivable, Other

Notes receivable, Other consisted of various installment notes receivable from corporations, due in monthly installments, including interest ranging from 3.12% to 8.00%, collateralized by certain property and equipment and the personal guarantees of the owners of the corporations. These notes were paid in full during 2015.

3. Long-Term Debt and Credit Arrangements

Long-term debt consists of the following as of May 31, 2015 and May 25, 2014:

	<u>2015</u>	<u>2014</u>
<u>Godfather's Pizza, Inc.</u>		
Note payable to a corporation, due in monthly installments of \$14,287 through February 2017 which includes interest at 4.50%. This note is collateralized by all leasehold improvements, furnishings, fixtures, equipment and other tangible personal property of a restaurant located in Lincoln, Nebraska	\$ 275,000	\$ 430,000
Note payable to a corporation, due in monthly installments of \$893 through November 2020, which includes interest at 8.50%. This note is collateralized by all leasehold improvements, furnishings, fixtures and equipment of a restaurant located in Omaha, Nebraska.	47,000	53,000

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

	<u>2015</u>	<u>2014</u>
Various capitalized lease obligations payable to a corporation, due in monthly installments ranging from \$139 to \$2,859, including implicit interest ranging from 0% to 17.45% due at various times through April 2020, collateralized by certain equipment.	\$ 334,000	\$ 333,000
Note payable to a bank, due in monthly installments of \$536 through March 2016, which includes interest of 3.24%. This note is collateralized by a certain vehicle.	5,000	11,000
Note payable to a corporation, due in monthly installments of \$9,478 through March 2020, which includes interest of 3.00%. This note is collateralized by all assets of certain restaurants located in Council Bluffs, Iowa.	527,000	624,000
Unsecured zero interest note payable to an advertising coop, due in monthly installments of \$4,216 through March 2016.	51,000	101,000
Insurance note payable to a corporation, due in monthly installments of \$5,155 through September 2015, which includes interest of 7.75%, collateralized by certain insurance policies.	26,000	-
<u>GPTB, LLC</u>		
Various capitalized lease obligations payable to a corporation, due in monthly installments ranging from \$732 to \$801, including implicit interest ranging from 9.86% to 10.27%, due at various times through October 2019, collateralized by certain equipment.	63,000	34,000
Total Long-Term Debt	1,328,000	1,586,000
Less Current Portion	477,000	430,000
Long-Term Debt, Less Current Portion	<u>\$ 851,000</u>	<u>\$ 1,156,000</u>

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

As of May 31, 2015, the combined aggregate maturities for all long-term debt is as follows:

<u>Year Ending,</u>	
2016	\$ 477,000
2017	325,000
2018	203,000
2019	175,000
2020	143,000
Thereafter	5,000
	<u>\$ 1,328,000</u>

Certain financing arrangements contain various restrictive covenants. The Company was in compliance with all covenants at May 31, 2015 and May 25, 2014.

The Company secured a letter of credit agreement with a bank in the amount of \$50,000 for the purpose of covering any potential workman's compensation claims from formerly owned and operated restaurants in the State of Washington. There were no amounts drawn on this letter of credit as of May 31, 2015 and May 25, 2014.

The Company maintains an open line of credit in the amount of \$350,000, with an interest rate at the bank prime rate less 0.50% (the bank prime rate was 4.5% at May 31, 2015), collateralized by substantially all business assets of the Company. There were outstanding borrowings of \$0 and \$115,000 at May 31, 2015 and May 25, 2014, respectively.

4. Leases - Commitments

The Company leases certain land, buildings and equipment under long-term operating lease agreements which expire on various dates through 2023. Certain leases contain provisions for additional rent based on a percentage of sales. Most of the leases require the Company to pay maintenance, insurance and property taxes. Most of the leases also contain renewal options.

Total rent expense under operating leases included in the consolidated statements of operations amounted to \$941,000 in 2015 and \$1,334,000 in 2014.

Minimum future obligations on leases having an initial term greater than one year (exclusive of leases for restaurants included in the reserve for restaurant closings) are as follows:

<u>Year Ending,</u>	
2016	\$ 1,142,000
2017	985,000
2018	790,000
2019	731,000
2020	439,000
Thereafter	810,000
	<u>\$ 4,897,000</u>

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

5. Income Taxes

The components of the provision for income taxes are as follows:

	<u>2015</u>	<u>2014</u>
Current Income Tax Expense (Benefit)	\$ 163,000	\$ (279,000)
Deferred Income Tax Expense (Benefit) Reversal of Temporary Differences	<u>(129,000)</u>	<u>(49,000)</u>
Provision for Income Taxes	<u>\$ 34,000</u>	<u>\$ (328,000)</u>

Temporary differences and carry-forwards which give rise to a significant portion of deferred tax assets and liabilities are as follows:

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Reserve for restaurant closings and other liabilities	\$ 59,000	\$ 104,000
Other, Net	<u>137,000</u>	<u>42,000</u>
	<u>196,000</u>	<u>146,000</u>
<u>Liabilities</u>		
Intangible amortization	1,167,000	1,166,000
Depreciation	246,000	326,000
Other, Net	<u>-</u>	<u>-</u>
	<u>1,413,000</u>	<u>1,492,000</u>
Net Deferred Tax Liability	<u>\$ 1,217,000</u>	<u>\$ 1,346,000</u>

6. Commitments and Contingencies

Stockholder Agreements

The Company is committed under an Executive Stock Purchase Agreement with certain executives to repurchase up to 6,012 shares of common stock in the event of their termination. The repurchase price is equivalent to the executive's original purchase price (which was \$109,000 as of May 31, 2015) plus interest at 10% per annum from the date of original purchase. Under certain circumstances, an additional severance amount of up to one year of a terminated executive's salary could be paid under the agreement. Under this agreement, the Company repurchased zero shares in 2015 and 104 shares for \$20,000 in 2014.

Deferred Compensation Plan

The Company has a Deferred Compensation Plan, which includes two executives. This liability includes amounts deferred by the executives plus interest based on a bond index rate. The deferred liability will be paid to the executives upon his termination from employment or death. The amount of the liability was \$522,000 at May 31, 2015 and \$499,000 at May 25, 2014. These amounts are included in Other Long-Term Liabilities.

Godfather's Pizza, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

May 31, 2015 and May 25, 2014

Litigation

The Company is a party to legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Company's consolidated financial position or results of operations.

7. Affiliated Entity

The Company leases office space from and provides management services for Gartlan Real Estate Holdings, LLC, an affiliated company owned by common ownership. Monthly rent ranges from \$16,308 to \$24,000 with the lease term through December 2020. Lease payments under this lease agreement are included in the future minimum lease payments disclosed in Note 4. Rent expenditure related to this lease was approximately \$234,000 and \$299,000 for the years ended May 31, 2015 and May 25, 2014, respectively.

The Company has concluded that Gartlan Real Estate Holdings, LLC qualifies as a variable interest entity (VIE) due to the fact that the Company guarantees certain debt obligations of this entity and the Company makes rental payments through the lease agreement described above. Gartlan Real Estate Holdings, LLC is an operating entity formed to own the land and a building to be used as the Company's office which is then leased to the Company for use in the ordinary course of business. At May 31, 2015 and May 25, 2014, the Company is potentially liable for Gartlan Real Estate Holdings, LLC's long-term debt of approximately \$2,100,000, which carries an interest rate ranging from 3.125% to 3.50% and a maturity of July 2020, as the Company acts as the guarantor on this debt.

Notes receivable, affiliate consists of three notes receivable from Gartlan Real Estate Holdings, LLC. One of these notes is an installment note receivable with a balance of \$510,000 and \$542,000 at May 31, 2015, respectively, with interest at 3.66%, due in monthly installments of \$4,248 through November 2027. The remaining two notes are balloon notes, with interest ranging from 0.25% to 0.41%, with principal of \$835,000 and \$893,000 at May 31, 2015, respectively, due on various dates through May 2017.

Effective May 27, 2013, the Company adopted an accounting alternative as provided for in FASB Accounting Standards Update 2014-07, Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements. Pursuant to this election, the Company has elected not to consolidate the above VIE in the accompanying financial statements. Management believes that this presentation more accurately reflects the overall financial status of the Company and will continue to review the relationship between the VIE and the Company to assure that it continues to meet the criteria for applying this alternative accounting policy.

Lutz

**Godfather's Pizza, Inc. and Subsidiaries
and Affiliate**

**Consolidated Financial Statements and
Independent Auditors' Report**

May 25, 2014 and May 26, 2013

Lutz

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Godfather's Pizza, Inc. and Subsidiaries and Affiliate
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Godfather's Pizza, Inc. and Subsidiaries and Affiliate, a Delaware corporation, which comprise the consolidated balance sheets as of May 25, 2014 and May 26, 2013, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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; this includes 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Godfather's Pizza, Inc. and Subsidiaries and Affiliate as of May 25, 2014 and May 26, 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company has elected an accounting alternative as provided for in Accounting Standards Update No. 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, issued by the Financial Accounting Standards Board (FASB). Pursuant to this election, the Company has changed its method of accounting for goodwill and has amortized \$193,000 of goodwill for the year ended May 25, 2014. Our opinion is not modified with respect to this matter.

Lutz & Company, P.C.

August 1, 2014

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Balance Sheets

May 25, 2014 and May 26, 2013

ASSETS		2014	2013
CURRENT ASSETS			
Cash and Cash Equivalents	\$	1,266,000	\$ 1,281,000
Net Receivables		485,000	623,000
Current Portion of Notes Receivable		27,000	55,000
Inventories		119,000	125,000
Prepaid Expenses		109,000	107,000
Refundable Income Taxes		321,000	26,000
Total Current Assets		2,327,000	2,217,000
PROPERTY AND EQUIPMENT			
		5,722,000	6,310,000
OTHER ASSETS			
Franchise Rights and Trademarks		3,073,000	3,073,000
Goodwill, Net		2,470,000	1,863,000
Notes Receivable, Less Current Portion		60,000	104,000
Other Assets		189,000	201,000
Total Other Assets		5,792,000	5,241,000
TOTAL ASSETS	\$	13,841,000	\$ 13,768,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Balance Sheets

May 25, 2014 and May 26, 2013

LIABILITIES		
	2014	2013
CURRENT LIABILITIES		
Revolving Bank Line of Credit	\$ 115,000	\$ -
Current Portion of Long-Term Debt	555,000	320,000
Current Portion of Reserve for Restaurant Closings	27,000	20,000
Accounts Payable	852,000	945,000
Other Accrued Liabilities	1,484,000	1,830,000
Total Current Liabilities	3,033,000	3,115,000
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	3,230,000	2,672,000
Other Long-Term Liabilities	499,000	478,000
Deferred Income Taxes	1,346,000	1,395,000
Total Long-Term Liabilities	5,075,000	4,545,000
Total Liabilities	8,108,000	7,660,000
STOCKHOLDERS' EQUITY		
COMMON STOCK		
\$.01 Par Value, Authorized, 1,000,000 Shares Issued, 200,000 Shares; and Outstanding, 98,908 Shares and 98,490 Shares, Respectively	2,000	2,000
ADDITIONAL PAID IN CAPITAL	572,000	563,000
RETAINED EARNINGS	7,086,000	7,688,000
TREASURY STOCK, AT COST	(1,673,000)	(1,662,000)
Total Godfather's Pizza, Inc. Stockholders' Equity	5,987,000	6,591,000
NONCONTROLLING INTEREST IN AFFILIATE	(254,000)	(483,000)
Total Stockholders' Equity	5,733,000	6,108,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,841,000	\$ 13,768,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Statements of Operations

Years Ended May 25, 2014 and May 26, 2013

	<u>2014</u>	<u>2013</u>
REVENUES		
Sales by Company-Operated Restaurants	\$ 11,599,000	\$ 13,567,000
Franchise Revenues	6,360,000	6,418,000
Total Revenues	17,959,000	19,985,000
COST OF SALES AND RESTAURANT OPERATING COSTS	12,652,000	13,791,000
GROSS PROFIT	5,307,000	6,194,000
GENERAL AND ADMINISTRATIVE EXPENSES	5,755,000	5,808,000
INCOME (LOSS) FROM OPERATIONS	(448,000)	386,000
OTHER INCOME AND EXPENSES		
Other Income	78,000	168,000
Interest Expense	(169,000)	(229,000)
Gain on Sale of Property and Equipment	10,000	581,000
Start-up Costs	(172,000)	-
Total Other Income and Expenses	(253,000)	520,000
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(701,000)	906,000
PROVISION FOR INCOME TAXES	(328,000)	318,000
Income (Loss) before Noncontrolling Interest in Income of Affiliate	(373,000)	588,000
LESS: NONCONTROLLING INTEREST IN INCOME OF AFFILIATE	229,000	128,000
NET INCOME (LOSS)	\$ (602,000)	\$ 460,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Statements of Stockholders' Equity

Years Ended May 25, 2014 and May 26, 2013

	Godfather's Pizza, Inc. Common Stock	Godfather's Pizza, Inc. Additional Paid In Capital	Godfather's Pizza, Inc. Retained Earnings	Godfather's Pizza, Inc. Treasury Stock	Noncontrolling Interest in Affiliate	Total Stockholders' Equity
BALANCES, May 27, 2012	\$ 2,000	\$ 563,000	\$ 7,228,000	\$ (1,642,000)	\$ (611,000)	\$ 5,540,000
Net Income	-	-	460,000	-	128,000	588,000
Purchase of Treasury Stock	-	-	-	(20,000)	-	(20,000)
BALANCES, May 26, 2013	2,000	563,000	7,688,000	(1,662,000)	(483,000)	6,108,000
Net Income (Loss)	-	-	(602,000)	-	229,000	(373,000)
Sale of Treasury Stock	-	9,000	-	9,000	-	18,000
Purchase of Treasury Stock	-	-	-	(20,000)	-	(20,000)
BALANCES, May 25, 2014	\$ 2,000	\$ 572,000	\$ 7,086,000	\$ (1,673,000)	\$ (254,000)	\$ 5,733,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Statements of Cash Flows

Years Ended May 25, 2014 and May 26, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (602,000)	\$ 460,000
Adjustments to Reconcile Net Income (Loss) to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	976,000	766,000
Gain on Sale of Property and Equipment	(10,000)	(581,000)
Write Off of Notes Receivable	-	22,000
Adjustment of Reserve for Restaurant Closings	25,000	(8,000)
Deferred Income Taxes	(49,000)	107,000
Noncontrolling Interest in Income of Affiliate	229,000	128,000
Changes in Assets and Liabilities		
Decrease (Increase) in Net Receivables	138,000	(98,000)
Decrease (Increase) in Inventories	6,000	(11,000)
Increase in Prepaid Expenses	(2,000)	(6,000)
Increase in Refundable Income Taxes	(295,000)	(26,000)
Decrease (Increase) in Other Assets	12,000	(31,000)
Increase (Decrease) in Accounts Payable	(93,000)	206,000
Decrease in Income Taxes Payable	-	(47,000)
Increase (Decrease) in Other Accrued Liabilities	(346,000)	67,000
Increase in Other Long-Term Liabilities	21,000	22,000
Net Cash Used for Reserve for Restaurant Closings	(18,000)	(83,000)
Net Cash Provided by (Used in) Operating Activities	(8,000)	887,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	475,000	670,000
Purchase of Property and Equipment	(207,000)	(529,000)
Payments Received on Notes Receivable	72,000	41,000
Increase of Goodwill	-	(45,000)
Cash Paid to Acquire Restaurant Locations and Related Territory	(125,000)	-
Net Provided by Investing Activities	215,000	137,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Advances on Revolving Bank Line of Credit	115,000	-
Payments on Long-Term Debt	(335,000)	(1,119,000)
Purchase of Treasury Stock	(20,000)	(20,000)
Sale of Treasury Stock	18,000	-
Net Cash Used in Financing Activities	(222,000)	(1,139,000)
Net Decrease in Cash and Cash Equivalents	(15,000)	(115,000)
Cash and Cash Equivalents, Beginning of Year	1,281,000	1,396,000
Cash and Cash Equivalents, End of Year	\$ 1,266,000	\$ 1,281,000

See Notes to Consolidated Financial Statements.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidated Statements of Cash Flows

Years Ended May 25, 2014 and May 26, 2013

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest Paid	\$	171,000	\$	244,000
Income Taxes Paid, Net		16,000		284,000

NONCASH INVESTING AND FINANCING ACTIVITIES

Long-Term Debt Incurred to Purchase Property and Equipment	\$	403,000	\$	9,000
Long-Term Debt Incurred to Purchase Goodwill through Acquisition of Franchisee		725,000		-
Issuance of Note Receivable from Sale of Franchise and Related Property and Equipment		-		100,000

Acquisition of Restaurant Locations and Related Territory

Property and Equipment	\$	50,000	\$	-
Goodwill		75,000		-

Cash Paid to Acquire Restaurant Locations Related Territory

\$	125,000	\$	-
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Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Godfather's Pizza, Inc. and its wholly-owned subsidiaries GPBCM, Inc. and GPTB, Inc., and affiliate Gartlan Real Estate Holdings, LLC, collectively (the "Company"), which are under common ownership and control. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements include Gartlan Real Estate Holdings, LLC because the Company has concluded that Gartlan Real Estate Holdings, LLC qualifies as a Variable Interest Entity (VIE) and Godfather's Pizza, Inc. is the primary beneficiary since Godfather's Pizza, Inc. guarantees certain debt obligations of Gartlan Real Estate Holdings, LLC and makes rental payments to Gartlan Real Estate Holdings, LLC.

Nature of Business

Godfather's Pizza, Inc. was incorporated under the laws of the State of Delaware in October 1988 and was formed to operate and franchise concept servicing pizza and other food products.

GPBCM, Inc. was incorporated under the laws of the State of Nebraska in May 2013 and was formed to operate and franchise concept servicing pizza and other food products and utilizing buffet service in such restaurants.

GPTB, Inc. was incorporated under the laws of the State of Nebraska in May 2013 and was formed to operate and franchise concept servicing made to order take and bake pizza and other food products.

The following is a summary of restaurants operated by the Company and its franchisees at May 25, 2014 and May 26, 2013:

	<u>Company Operated</u>	<u>Franchisees</u>	<u>Total</u>
Open, May 27, 2012	23	598	621
Openings	1	31	32
Net Transfers	-	-	-
Closings	(3)	(35)	(38)
Open, May 26, 2013	<u>21</u>	<u>594</u>	<u>615</u>
Openings	2	20	22
Net Transfers	2	(2)	-
Closings	(6)	(39)	(45)
Open, May 25, 2014	<u>19</u>	<u>573</u>	<u>592</u>

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

Fiscal Year

The Company's fiscal year ends on the last Sunday in May.

The Company has a reserve for future costs associated with closed restaurants. Annually, management reviews and evaluates Company operations to determine if additional restaurants are to be included in the reserve.

Use of Estimates

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

Advertising Costs

The cost of advertising is expensed as incurred. Advertising costs were approximately \$836,000 and \$881,000 for the years ended May 25, 2014 and May 26, 2013, respectively.

Cash and Cash Equivalents

The Company maintains zero balance accounts as a part of their cash management. Checks not yet presented for payment are included in accounts payable and totaled approximately \$223,000 at May 25, 2014 and \$184,000 at May 26, 2013. For purposes of the consolidated statements of cash flows, the Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk

The Company has two types of financial instruments subject to credit risk. The Company maintains bank accounts in which the balances sometimes exceed the federally insured limit. Net receivables also subject the Company to credit risk.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of restaurant food items and paper supplies.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

Property and Equipment

Property and equipment are stated at cost with depreciation and amortization computed on the straight-line method over the assets' estimated useful lives. Upon sale or retirement of property and equipment, the related costs and accumulated depreciation and amortization are removed from the accounts and any related gain or loss is reflected currently.

Major classes of property and equipment at May 25, 2014 and May 26, 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 644,000	\$ 771,000
Buildings	3,548,000	3,969,000
Leasehold Improvements	3,183,000	3,705,000
Equipment	4,700,000	5,097,000
	<u>12,075,000</u>	<u>13,542,000</u>
Less Accumulated Depreciation and Amortization	6,353,000	7,232,000
	<u>\$ 5,722,000</u>	<u>\$ 6,310,000</u>

Other Intangible Assets and Goodwill

The Company's intangible assets consist of franchise rights, trademarks and goodwill, which represent the value assigned to those assets. The Company determined that franchise rights and trademarks were deemed to have indefinite useful lives. Accordingly, the Company does not amortize these intangibles. The Company reviews the carrying amount of their franchise rights and trademarks for possible impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill represents the carrying amount of the cost in excess of net assets acquired. Effective May 27, 2013, the Company adopted FASB Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which allows the Company to amortize goodwill prospectively on a straight-line basis for up to ten years. Management believes that the new method more accurately reflects periodic results of operations and has elected to amortize its existing goodwill over ten years, which represents the estimated useful life. Accordingly, as a result of the change in accounting principle, \$193,000 of amortization expense was recorded during the year ended May 25, 2014 in the accompanying consolidated statement of operations. The Company will continue to review goodwill for possible impairment when a triggering event has occurred. Amortization expense over the next ten years is anticipated to be approximately \$266,000 annually.

Prior to May 27, 2013, goodwill was not amortized but was reviewed for possible impairment at least annually or more frequently upon occurrence of an event or when circumstances indicate that the fair value of the specific reporting units had dropped below the carrying amount. The Company had determined no impairment existed related to its goodwill for the year ended May 26, 2013 under the previous accounting rules provided in Topic 350.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

Goodwill, Net of Accumulated Amortization is as follows at May 25, 2014 and May 26, 2013:

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Period	\$ 1,863,000	\$ 1,818,000
Additional Goodwill Recognized	<u>800,000</u>	<u>45,000</u>
	2,663,000	1,863,000
Less Accumulated Amortization	<u>(193,000)</u>	<u>-</u>
Balance, End of Period	<u>\$ 2,470,000</u>	<u>\$ 1,863,000</u>

As part of the purchase of three restaurant locations and related territory in Council Bluffs, Iowa during 2014, the Company acquired Goodwill of \$800,000 and Property and Equipment of \$50,000.

As part of the purchase of a restaurant location and related territory in Omaha, Nebraska during 2013, the Company acquired Goodwill of \$45,000 and Property and Equipment of \$5,000.

Income Taxes

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company follows the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. When income tax returns are filed, it is highly certain that some positions would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the Company's consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold would be measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying Company's consolidated balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits would be classified as additional income taxes in the consolidated statement of operations.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

Gartlan Real Estate Holdings, LLC, with the consent of its partners, elected under the Internal Revenue Code to be taxed as a partnership. Accordingly, taxable income, deductions and credits flow through to the partners each year as earned and are reported on their personal income tax returns. Therefore, no provision or liability for income taxes related to this entity has been included in the consolidated financial statements of the Company.

Management believes it is more likely than not that the benefits recognized from tax positions taken on the Company's consolidated financial statements will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Accordingly, no liability for unrecognized tax benefits is reflected on the accompanying consolidated balance sheets.

The Company believes it is no longer subject to income tax examinations by federal, state, or local tax authorities for years ending before May 29, 2011.

Franchise Operations

The Company records initial franchise fees as revenue when the Company has performed its service requirements, normally concurrent with the opening of a restaurant.

Continuing franchise fees are determined as a percentage of franchise restaurant sales. These fees are recognized as revenue in the period sales are earned by the franchisee. The Company does not require collateral for these receivables because they are generally collected within their normal terms of 30 days.

The Company provides franchise personnel whose responsibilities are to support and assist franchise restaurant owners and operators. In addition, franchise owners receive assistance in construction and remodeling consultation and marketing from other Company personnel who also furnish these services to Company-operated restaurants. Costs and expenses related to the above franchise services are approximately 44% and 45% of general and administrative expenses for 2014 and 2013, respectively.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued and may require potential recognition or disclosure in the Company's consolidated financial statements. Management has considered such events or transactions through August 1, 2014. See Note 3 for a description of subsequent events.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

2. Notes Receivable

The Company's notes receivable as of May 25, 2014 and May 26, 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Various installment notes receivable from Corporations, payable in monthly installments, including interest ranging from 3.12% to 8.00%, through February 2018. These notes are collateralized by certain property and equipment and the personal guarantees of the owners of the Corporations.	\$ 87,000	\$ 159,000
Less Current Portion	<u>27,000</u>	<u>55,000</u>
Notes Receivable, Less Current Portion	<u>\$ 60,000</u>	<u>\$ 104,000</u>

As of May 25, 2014, the combined aggregate maturities for all notes receivable are as follows:

<u>Year Ending,</u>	
2015	\$ 27,000
2016	20,000
2017	21,000
2018	<u>19,000</u>
	<u>\$ 87,000</u>

3. Long-Term Debt and Credit Arrangements

Long-term debt consists of the following as of May 25, 2014 and May 26, 2013:

	<u>2014</u>	<u>2013</u>
<u>Godfather's Pizza, Inc.</u>		
Note payable to a corporation, due in monthly installments of \$14,287 through February 2017 which includes interest at 4.50%. This note is collateralized by all leasehold improvements, furnishings, fixtures, equipment and other tangible personal property of a restaurant located in Lincoln, Nebraska	\$ 430,000	\$ 579,000
Note payable to a corporation, due in monthly installments of \$893 through November 2020, which includes interest at 8.50%. This note is collateralized by all leasehold improvements, furnishings, fixtures and equipment of a restaurant located in Omaha, Nebraska.	53,000	59,000

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

	<u>2014</u>	<u>2013</u>
Various capitalized lease obligations payable to a corporation, due in monthly installments ranging from \$139 to \$2,859, including implicit interest ranging from 0% to 14.58% due at various times through November 2018, collateralized by certain equipment.	\$ 333,000	\$ 61,000
Note payable to a bank, due in monthly installments of \$536 through March 2016, which includes interest of 3.24%. This note is collateralized by a certain vehicle.	11,000	17,000
Note payable to a corporation, due in monthly installments of \$9,478 through March 2020, which includes interest of 3.00%. This note is collateralized by all assets of certain restaurants located in Council Bluffs, Iowa.	624,000	-
Unsecured zero interest note payable to an advertising coop, due in monthly installments of \$4,216 through March 2016.	101,000	-
<u>Gartlan Real Estate Holdings, LLC</u>		
Commercial note payable to a bank due in monthly installments of \$16,071 through June 2017, which includes interest of 3.125%. In July 2017, the monthly installments increase to \$16,544 including interest at 3.50%, through July 2020 at which time a final payment for the unpaid principal and accrued interest is due. This note is collateralized by a deed of trust on real estate owned by the Company. This note was refinanced in July 2013.	2,199,000	2,276,000
<u>GPTB, LLC</u>		
Capitalized lease obligation payable to a corporation, due in monthly installments of \$732 through March 2019, including implicit interest of 9.86%, collateralized by certain equipment.	34,000	-
Total Long-Term Debt	3,785,000	2,992,000
Less Current Portion	555,000	320,000
Long-Term Debt, Less Current Portion	<u>\$ 3,230,000</u>	<u>\$ 2,672,000</u>

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

As of May 25, 2014, the combined aggregate maturities for all long-term debt is as follows:

<u>Year Ending,</u>	
2015	\$ 555,000
2016	558,000
2017	424,000
2018	325,000
2019	284,000
Thereafter	1,639,000
	<u>\$ 3,785,000</u>

Certain financing arrangements contain various restrictive covenants. The Company was in compliance with all covenants at May 25, 2014 and May 26, 2013.

The Company secured a letter of credit agreement with a bank in the amount of \$545,000 for the purpose of covering any potential workman's compensation claims from formerly owned and operated restaurants in the State of Washington. There were no amounts drawn on this letter of credit as of May 25, 2014 and May 26, 2013. Subsequent to May 25, 2014, the Company reduced its letter of credit to \$50,000.

Effective July 2013, the Company maintains an open line of credit in the amount of \$350,000, with an interest rate at the bank prime rate less 0.50% (the bank prime rate was 4.5% at May 25, 2014), collateralized by substantially all business assets of the Company. There were outstanding borrowings of \$115,000 at May 25, 2014.

4. Leases - Commitments

The Company leases certain land, buildings and equipment under long-term operating lease agreements which expire on various dates through 2023. Certain of the leases contain provisions for additional rent based on a percentage of sales. Most of the leases require the Company to pay maintenance, insurance and property taxes. Most of the leases also contain renewal options.

Total rent expense under operating leases included in the consolidated statements of operations amounted to \$1,334,000 in 2014 and \$1,485,000 in 2013.

Minimum future obligations on leases having an initial term greater than one year (exclusive of leases for restaurants included in the reserve for restaurant closings) are as follows:

<u>Year Ending,</u>	
2015	\$ 848,000
2016	722,000
2017	665,000
2018	500,000
2019	441,000
Thereafter	793,000
	<u>\$ 3,969,000</u>

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

5. Income Taxes

The components of the provision for income taxes are as follows:

	<u>2014</u>	<u>2013</u>
Current Income Tax Expense (Benefit)	\$ (279,000)	\$ 211,000
Deferred Income Tax Expense (Benefit) Reversal of Temporary Differences	<u>(49,000)</u>	<u>107,000</u>
Provision for Income Taxes	<u>\$ (328,000)</u>	<u>\$ 318,000</u>

Temporary differences and carry-forwards which give rise to a significant portion of deferred tax assets and liabilities are as follows:

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Reserve for restaurant closings and other liabilities	\$ 104,000	\$ 117,000
Other, Net	<u>42,000</u>	<u>-</u>
	<u>146,000</u>	<u>117,000</u>
<u>Liabilities</u>		
Intangible amortization	1,166,000	1,165,000
Depreciation	326,000	300,000
Other, Net	<u>-</u>	<u>47,000</u>
	<u>1,492,000</u>	<u>1,512,000</u>
Net Deferred Tax Liability	<u>\$ 1,346,000</u>	<u>\$ 1,395,000</u>

6. Commitments and Contingencies

Stockholder Agreements

The Company is committed under an Executive Stock Purchase Agreement with certain executives to repurchase up to 5,908 shares of common stock in the event of their termination. The repurchase price is equivalent to the executive's original purchase price (which was \$105,000 as of May 25, 2014) plus interest at 10% per annum from the date of original purchase. Under certain circumstances, an additional severance amount of up to one year of a terminated executive's salary could be paid under the agreement. Under this agreement, the Company repurchased 104 shares for \$20,000 in 2014 and 200 shares for \$20,000 in 2013.

Deferred Compensation Plan

The Company has a Deferred Compensation Plan, which includes two executives. This liability includes amounts deferred by the executives plus interest based on a bond index rate. The deferred liability will be paid to the executives upon his termination from employment or death. The amount of the liability was \$499,000 at May 25, 2014 and \$478,000 at May 26, 2013. These amounts are included in Other Long-Term Liabilities.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Notes to Consolidated Financial Statements

May 25, 2014 and May 26, 2013

Litigation

The Company is a party to legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Company's consolidated financial position or results of operations.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors and Management
Godfather's Pizza, Inc. and Subsidiaries and Affiliate
Omaha, Nebraska

We have audited the consolidated financial statements of Godfather's Pizza, Inc. and Subsidiaries and Affiliate as of and for the years ended May 25, 2014 and May 26, 2013, and have issued our report thereon, dated August 1, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

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

Lutz & Company, P.C.

August 1, 2014

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Balance Sheets

May 25, 2014

ASSETS	Godfather's Pizza, Inc.					Gartlan Real Estate Holdings, LLC		Eliminations	Consolidated
	Godfather's Pizza, Inc.	GPBCM, Inc.	GPTB, Inc.	Gartlan Real Estate Holdings, LLC					
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 1,259,000	\$ 4,000	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 1,266,000	
Net Receivables	473,000	2,000	10,000	-	-	-	-	485,000	
Due from Affiliate	4,000	-	-	119,000	-	(123,000)	-	-	
Due from Subsidiaries	340,000	-	-	-	-	(340,000)	-	-	
Current Portion of Notes Receivable	59,000	-	-	-	-	(32,000)	-	27,000	
Inventories	97,000	17,000	5,000	-	-	-	-	119,000	
Prepaid Expenses	107,000	2,000	-	-	-	-	-	109,000	
Income Taxes Refundable from Parent	-	176,000	47,000	-	-	(223,000)	-	-	
Refundable Income Taxes	321,000	-	-	-	-	-	-	321,000	
Total Current Assets	2,660,000	201,000	65,000	119,000	-	(718,000)	-	2,327,000	
PROPERTY AND EQUIPMENT	2,127,000	260,000	70,000	3,265,000	-	-	-	5,722,000	
OTHER ASSETS									
Franchise Rights and Trademarks	3,073,000	-	-	-	-	-	-	3,073,000	
Goodwill, Net	2,470,000	-	-	-	-	-	-	2,470,000	
Notes Receivable, Less Current Portion	1,802,000	-	-	-	-	(1,742,000)	-	60,000	
Other Assets	187,000	-	2,000	-	-	-	-	189,000	
Total Other Assets	7,532,000	-	2,000	-	-	(1,742,000)	-	5,792,000	
TOTAL ASSETS	\$ 12,319,000	\$ 461,000	\$ 137,000	\$ 3,384,000	\$ -	\$ (2,460,000)	\$ -	\$ 13,841,000	

See Independent Auditors' Report on Supplemental Information.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Balance Sheets

May 25, 2014

LIABILITIES	Gartlan					
	Godfather's Pizza, Inc.	GPBCM, Inc.	GPTB, Inc.	Real Estate Holdings, LLC	Eliminations	Consolidated
CURRENT LIABILITIES						
Revolving Lines of Credit	\$ 115,000	\$ -	\$ -	\$ -	\$ -	\$ 115,000
Current Portion of Long-Term Debt	424,000	-	6,000	157,000	(32,000)	555,000
Current Portion of Reserve for Restaurant Closings	27,000	-	-	-	-	27,000
Accounts Payable	800,000	31,000	21,000	-	-	852,000
Due to Affiliate	-	-	-	4,000	(4,000)	-
Due to Subsidiaries	-	203,000	137,000	-	(340,000)	-
Income Taxes Payable to Subsidiaries	223,000	-	-	-	(223,000)	-
Other Accrued Liabilities	1,578,000	13,000	12,000	-	(119,000)	1,484,000
Total Current Liabilities	3,167,000	247,000	176,000	161,000	(718,000)	3,033,000
LONG-TERM LIABILITIES						
Long-Term Debt, Less Current Portion	1,128,000	339,000	28,000	3,477,000	(1,742,000)	3,230,000
Company's Obligation to Subsidiaries	264,000	-	-	-	(264,000)	-
Other Long-Term Liabilities	499,000	-	-	-	-	499,000
Deferred Income Taxes	1,274,000	65,000	7,000	-	-	1,346,000
Total Long-Term Liabilities	3,165,000	404,000	35,000	3,477,000	(2,006,000)	5,075,000
Total Liabilities	6,332,000	651,000	211,000	3,638,000	(2,724,000)	8,108,000
STOCKHOLDERS' EQUITY						
COMMON STOCK	2,000	-	-	-	-	2,000
ADDITIONAL PAID IN CAPITAL	572,000	-	-	-	-	572,000
RETAINED EARNINGS	7,086,000	(190,000)	(74,000)	-	264,000	7,086,000
	7,660,000	(190,000)	(74,000)	-	264,000	7,660,000
TREASURY STOCK, AT COST	(1,673,000)	-	-	-	-	(1,673,000)
Total Godfather's Pizza, Inc. Stockholders' Equity	5,987,000	(190,000)	(74,000)	-	264,000	5,987,000
NONCONTROLLING INTEREST IN AFFILIATE	-	-	-	(254,000)	-	(254,000)
Total Stockholders' Equity	5,987,000	(190,000)	(74,000)	(254,000)	264,000	5,733,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,319,000	\$ 461,000	\$ 137,000	\$ 3,384,000	\$ (2,460,000)	\$ 13,841,000

See Independent Auditors' Report on Supplemental Information.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Balance Sheets

May 26, 2013

ASSETS	Godfather's Pizza, Inc.	Gartlan Real Estate Holdings, LLC	Eliminations	Consolidated
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,281,000	\$ -	\$ -	\$ 1,281,000
Net Receivables	623,000	-	-	623,000
Due from Affiliate	3,000	77,000	(80,000)	-
Current Portion of Notes Receivable	78,000	-	(23,000)	55,000
Inventories	125,000	-	-	125,000
Prepaid Expenses	107,000	-	-	107,000
Refundable Income Taxes	26,000	-	-	26,000
Total Current Assets	2,243,000	77,000	(103,000)	2,217,000
PROPERTY AND EQUIPMENT				
	2,758,000	3,552,000	-	6,310,000
OTHER ASSETS				
Franchise Rights and Trademarks	3,073,000	-	-	3,073,000
Goodwill	1,863,000	-	-	1,863,000
Notes Receivable, Less Current Portion	1,914,000	-	(1,810,000)	104,000
Other Assets	201,000	-	-	201,000
Total Other Assets	7,051,000	-	(1,810,000)	5,241,000
TOTAL ASSETS	\$ 12,052,000	\$ 3,629,000	\$ (1,913,000)	\$ 13,768,000

See Independent Auditors' Report on Supplemental Information.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Balance Sheets

May 26, 2013

LIABILITIES	Godfather's Pizza, Inc.	Gartlan Real Estate Holdings, LLC	Eliminations	Consolidated
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	\$ 198,000	\$ 145,000	\$ (23,000)	\$ 320,000
Current Portion of Reserve for Restaurant Closings	20,000	-	-	20,000
Accounts Payable	945,000	-	-	945,000
Due to Affiliate	-	3,000	(3,000)	-
Other Accrued Liabilities	1,907,000	-	(77,000)	1,830,000
Total Current Liabilities	3,070,000	148,000	(103,000)	3,115,000
LONG-TERM LIABILITIES				
Long-Term Debt, Less Current Portion	518,000	3,964,000	(1,810,000)	2,672,000
Other Long-Term Liabilities	478,000	-	-	478,000
Deferred Income Taxes	1,395,000	-	-	1,395,000
Total Long-Term Liabilities	2,391,000	3,964,000	(1,810,000)	4,545,000
Total Liabilities	5,461,000	4,112,000	(1,913,000)	7,660,000
STOCKHOLDERS' EQUITY				
COMMON STOCK	2,000	-	-	2,000
ADDITIONAL PAID IN CAPITAL	563,000	-	-	563,000
RETAINED EARNINGS	7,688,000	-	-	7,688,000
TREASURY STOCK, AT COST	(1,662,000)	-	-	(1,662,000)
Total Godfather's Pizza, Inc. Stockholders' Equity	6,591,000	-	-	6,591,000
NONCONTROLLING INTEREST IN AFFILIATE	-	(483,000)	-	(483,000)
Total Stockholders' Equity	6,591,000	(483,000)	-	6,108,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,052,000	\$ 3,629,000	\$ (1,913,000)	\$ 13,768,000

See Independent Auditors' Report on Supplemental Information.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Statements of Operations

Year Ended May 25, 2014

	Godfather's Pizza, Inc.	GPBCM, Inc.	GPTB, Inc.	Gartlan Real Estate Holdings, LLC	Eliminations	Consolidated
REVENUES						
Sales by Company-Operated Restaurants	\$ 11,120,000	\$ 449,000	\$ 30,000	\$ -	\$ -	\$ 11,599,000
Franchise Revenues	6,360,000	-	-	-	-	6,360,000
Total Revenues	17,480,000	449,000	30,000	-	-	17,959,000
COST OF SALES AND RESTAURANT OPERATING COSTS						
	11,961,000	618,000	73,000	-	-	12,652,000
GROSS PROFIT	5,519,000	(169,000)	(43,000)	-	-	5,307,000
GENERAL AND ADMINISTRATIVE EXPENSES						
	6,015,000	17,000	4,000	129,000	(410,000)	5,755,000
LOSS FROM OPERATIONS	(496,000)	(186,000)	(47,000)	(129,000)	410,000	(448,000)
OTHER INCOME AND EXPENSES						
Other Income	95,000	1,000	-	410,000	(428,000)	78,000
Losses from Subsidiaries	(264,000)	-	-	-	264,000	-
Interest Expense	(87,000)	(10,000)	(1,000)	(89,000)	18,000	(169,000)
Gain (Loss) on Sale of Property and Equipment	(27,000)	-	-	37,000	-	10,000
Start up Cost	-	(106,000)	(66,000)	-	-	(172,000)
Total Other Income and Expenses	(283,000)	(115,000)	(67,000)	358,000	(146,000)	(253,000)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(779,000)	(301,000)	(114,000)	229,000	264,000	(701,000)
PROVISION FOR INCOME TAXES	(177,000)	(111,000)	(40,000)	-	-	(328,000)
Income (Loss) before Noncontrolling Interest in Income of Affiliate	(602,000)	(190,000)	(74,000)	229,000	264,000	(373,000)
NONCONTROLLING INTEREST IN INCOME OF AFFILIATE	-	-	-	-	(229,000)	(229,000)
NET INCOME (LOSS)	\$ (602,000)	\$ (190,000)	\$ (74,000)	\$ 229,000	\$ 35,000	\$ (602,000)

See Independent Auditors' Report on Supplemental Information.

Godfather's Pizza, Inc. and Subsidiaries and Affiliate

Consolidating Statements of Operations

Year Ended May 26, 2013

	<u>Godfather's Pizza, Inc.</u>	<u>Gartlan Real Estate Holdings, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUES				
Sales by Company-Operated Restaurants	\$ 13,567,000	\$ -	\$ -	\$ 13,567,000
Franchise Revenues	6,418,000	-	-	6,418,000
Total Revenues	19,985,000	-	-	19,985,000
COST OF SALES AND RESTAURANT OPERATING COSTS				
	13,791,000	-	-	13,791,000
GROSS PROFIT	6,194,000	-	-	6,194,000
GENERAL AND ADMINISTRATIVE EXPENSES				
	6,097,000	121,000	(410,000)	5,808,000
INCOME (LOSS) FROM OPERATIONS	97,000	(121,000)	410,000	386,000
OTHER INCOME AND EXPENSES				
Other Income	212,000	410,000	(454,000)	168,000
Interest Expense	(112,000)	(161,000)	44,000	(229,000)
Gain on Sale of Property and Equipment	581,000	-	-	581,000
Total Other Income and Expenses	681,000	249,000	(410,000)	520,000
INCOME BEFORE PROVISION FOR INCOME TAXES	778,000	128,000	-	906,000
PROVISION FOR INCOME TAXES				
	318,000	-	-	318,000
Income before Noncontrolling Interest in Loss of Affiliate	460,000	128,000	-	588,000
NONCONTROLLING INTEREST IN LOSS OF AFFILIATE	-	-	(128,000)	(128,000)
NET INCOME	\$ 460,000	\$ 128,000	\$ (128,000)	\$ 460,000

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