

FRANCHISE DISCLOSURE DOCUMENT



RED'S SAVOY FRANCHISE, LLC
A Minnesota limited liability company
1300 NE Godward Street, Suite 1600
Minneapolis, MN 55413
612-849-1869
info@savoypizza.com

WWW.SAVOYPIZZA.COM **FRANCHISE DISCLOSURE
DOCUMENT**

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The franchise offered is for the operation of a franchised store under the mark “THE ORIGINAL RED’S SAVOY PIZZA™”, which makes and sells pizza and related items for dine-in, delivery, and carryout using the Franchisor’s recipes, formulas, business policies, trademarks, service marks, and trade names.

The total investment necessary to begin operation of a RED’S SAVOY PIZZA™ store franchise is between ~~approximately \$225,000 to and \$1,866,500~~ approximately \$215,000 to and \$298,000, depending upon the size of the operation, whether you purchase or lease your equipment, and the market in which the store is located. This range includes approximately ~~between \$215,000 to and \$298,000~~ that must be paid to the Franchisor. The Franchisor also offers to qualified individuals the right to operate multiple RED’S SAVOY PIZZA stores under an Area Development Agreement. The total investment necessary to begin operating under an Area Development Agreement will vary depending upon the number of stores we agree you will open in your designated territory. You must pay the Franchisor an Initial Development Fee of \$30,000 to develop two stores and \$12,500 for each additional store, plus an additional \$7,500 to \$10,500 in other amounts for each store; however you will not pay an initial franchise fee when you sign a Franchise Agreement for each store.

The 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 form that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Michael Mergens, our Senior Vice President, at the telephone number and address above.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read ~~all of your~~ your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov 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: **March 27**~~____~~, 27, 2014~~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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION/LITIGATION IN THE STATE OR FEDERAL COURTS OF MINNESOTA. OUT-OF-STATE ARBITRATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE/LITIGATE WITH US IN MINNESOTA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT MINNESOTA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. WE WERE FORMED ON JUNE 22, 2011 AND HAVE A LIMITED OPERATING HISTORY AND EXPERIENCE IN THE OFFER AND SALE OF FRANCHISES.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

See the following page for State Specific Effective Dates.

STATE SPECIFIC EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

MINNESOTA	<u>Pending</u>
NORTH DAKOTA	<u>Pending</u>
SOUTH DAKOTA	<u>Pending</u>
WISCONSIN	<u>Pending</u>

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

To simplify the language in this Disclosure Document, Red's Savoy Franchise, LLC will be referred to as "we," "us" or "Franchisor." We will refer to the person or entity that buys the franchise as "you" or "Franchisee" throughout the Disclosure Document. If you are a corporation, limited liability company, or a partnership, your owners must sign a personal guaranty agreeing to comply with all the provisions of the Franchise Agreement, and both your owners and the entity are included in the terms "you" and "Franchisee." The term "Red's Savoy Store" means a RED'S SAVOY PIZZA™ franchised store as described in this Disclosure Document.

The Franchisor and its Affiliates

The Franchisor is a limited liability company organized under the laws of the state of Minnesota on June 22, 2011. Our principal business address is 1300 NE Godward Street, Suite 1600, Minneapolis, Minnesota 55413. We do business under our corporate name, and the names "THE ORIGINAL RED'S SAVOY PIZZA™," "RED'S SAVOY™," and "RED'S SAVOY PIZZA™." The Franchisor was formed in order to offer franchises under THE ORIGINAL RED'S SAVOY PIZZA mark and other marks, and had no activities or operations until its formation.

We have a parent company and two affiliates. Our parent company is Red's Savoy Holdings, LLC ("RS Holdings"), a Minnesota limited liability company organized on July 6, 2011, whose principal business address is the same as ours. Our parent company does not operate businesses of the type being franchised, nor does it have other business activities other than ownership of us and one of our affiliates.

Our first affiliate is Red's Savoy USA, LLC ("RS USA"), a Minnesota limited liability company organized on July 6, 2011. RS USA's principal business address is also the same as ours. RS USA owns the trademarks and system for doing business that we license to you.

Our second affiliate, E & V Schoenheider, Inc. ("E&V"), was incorporated in Minnesota in March 1979. Its principal business address is 421 7th St E, St. Paul, Minnesota 55101. E&V opened the original RED'S SAVOY PIZZA restaurant at this location in 1966, and it is still operating this restaurant as of the date of this Disclosure Document. This restaurant operates as a full-service pizza restaurant serving beer and alcohol. E&V also operates a RED'S SAVOY PIZZA store at 520 White Bear Avenue N, St. Paul, Minnesota 55106. Members of the Schoenheider family also operate a RED'S SAVOY PIZZA store at 1642 ½ Hastings Avenue, Newport, Minnesota 55055. E&V may provide training services to our franchisees, but otherwise does not provide products or services to our franchisees.

Between September 2009 and May 2011, E&V granted a number of license agreements allowing licensees (the "Licensees") to operate pizza restaurants under THE ORIGINAL RED'S SAVOY PIZZA mark. The restaurants operated by these Licensees vary in size and appearance, and the menu offerings also vary among the Licensees. Some of these restaurants offer dine-in service and some serve alcoholic beverages. Their license agreements with E&V varied from each other, and also varied substantially from the Franchise Agreement that you will enter into with us. Since early 2011, we converted all of these locations to franchised locations, and as of the date of this Disclosure Document, there are no remaining locations that are operated by a Licensee.

Except as noted above, we have no affiliates. Each of the above affiliates has used (or presently has the right to use) the RED'S SAVOY PIZZA name and marks in connection with the operation of a pizza restaurant. We do not currently, but may in the future, own or operate RED'S SAVOY PIZZA restaurants of the type being franchised. Other than as described, none of the foregoing affiliates offers franchises in any line of business or provides products and services to our franchisees.

The names and addresses of our agents for service of process are listed on **Exhibit A**.

The Franchise Being Offered

The franchise we are offering you will allow you to operate a store under the mark THE ORIGINAL RED'S SAVOY PIZZA, selling pizza and other related food items. The stores also sell soft drinks, beer and wine, and other non-alcoholic beverages. The food is prepared on premises and served for dine-in, take-out consumption, or delivery. Most RED'S SAVOY PIZZA stores will be located in strip shopping malls, retail areas, or similar locations that are convenient for take-out. The principal customers for the food products and beverages offered and sold in RED'S SAVOY PIZZA stores will be families and young adults, as well as business entities, depending on your location.

The form of Franchise Agreement for the operation of a single RED'S SAVOY PIZZA store is attached to this Disclosure Document as **Exhibit C**. We also offer the right to develop multiple RED'S SAVOY PIZZA stores within a specifically described geographic area under a Development Agreement with us. The form of Development Agreement appears as **Exhibit D**. We will determine the geographic territory and include it in the Development Agreement before you sign it (see Item 12), which will vary depending on the number of units you agree to develop and the local market conditions. You will then open your Red's Savoy Stores according to a development schedule that will also be included in the Development Agreement. For each Red's Savoy Store that you establish, you will be required to sign a new Franchise Agreement under the form of Franchise Agreement that we are offering to new franchisees at the time.

You will have to compete with other businesses and restaurants that serve prepared foods, including those that serve pizza and similar items to those sold in RED'S SAVOY PIZZA stores. The stores also compete with similar products sold through other distribution channels, such as through grocery stores and convenience stores. The restaurant business generally and the pizza restaurant business specifically is a highly competitive industry, and there are many factors outside of your or our control that will affect your success in the industry, such as customer preferences, population trends, economic conditions, and proximity to competitors. The sales of your Red's Savoy Store are not expected to be seasonal.

There are a number of laws and regulations that you must comply with in operating a pizza business. You will be required to comply with all federal, state and local laws, regulations, ordinances and codes applicable to the operation and licensing of a prepared food service outlet, including approvals by health and sanitation agencies. Other applicable laws include driver regulations; employee safety and laws affecting employers generally; state and local codes and ordinances covering the discharge of waste and emissions; and laws applicable to public accommodations and services such as the Americans with Disabilities Act. If you sell alcoholic beverages, you have to obtain a liquor license and comply with laws that apply to sales of alcoholic beverages. There are also numerous local, state and federal laws that apply to the operation of businesses in general that will apply to your business. We urge you to become familiar with these laws and regulations, because we require you to comply with all applicable local, state, and federal laws and regulations in the operation of your Red's Savoy Store.

ITEM 2: BUSINESS EXPERIENCE

PRESIDENT, CHIEF OPERATIONS OFFICER AND GOVERNOR: LEN GHILANI

Len Ghilani joined us in October 2012 as an Operations Consultant. He became our Vice President of Operations in January 2013 and our President in March 2014. Len has also been the President of Ghilani

Group, Inc., a full-service hospitality solutions company specializing in new concept development, performance enhancement and operations management, since September 2008. Prior to forming Ghilani Group, Inc., Len was Vice President of the Restaurant Division for Morrissey Hospitality Companies, Inc., a hospitality management company located in St. Paul, Minnesota, from October 2005 until September 2008.

GOVERNOR: CRAIG E. ERICKSON

Craig was our President from June 2011 to March 2014. He has served on our Board of Governors since our inception in June 2011. He remains Chief Manager of our parent company Red Savoy Holdings, LLC. Craig has counseled E&V as its general corporate attorney since 2007, in his role as the Managing Partner of Erickson & Wessman, P.A., a law firm in Minneapolis, Minnesota. Craig has held this position since he formed the law firm, then called Erickson & Associates, P.A., in November 2005.

CHIEF FINANCIAL OFFICER AND GOVERNOR: DAVID C. STENSETH

David has been our Chief Financial Officer and has served on our Board of Governors since our inception in June 2011. David, either through himself individually, or through his role with Stenseth, Samuelson and Boese, Ltd. or its predecessor, has provided accounting and tax services to E&V since the 1970s. David founded Stenseth, Samuelson and Boese, Ltd., an accounting firm located in Woodbury, Minnesota, in 1996, and has served as its Managing Partner since that time.

SENIOR VICE PRESIDENT: MEREDITH A. BAUER

Meredith had been our Vice President of Operations and has served on our Board of Governors since our inception in June 2011. She remains as Senior Vice President and a Governor of our parent Red Savoy Holdings, LLC. Since January 2013 Meredith has served as corporate counsel for Anytime Fitness. Meredith has also been a partner at EntrePartner Law Firm, PLLC, a private law firm in Minneapolis, Minnesota since June 2011, practicing in franchise and business law. Prior to that date, she was an attorney with Larkin Hoffman Daly & Lindgren Ltd., a law firm in Minneapolis, Minnesota, from January 2008 to June 2011.

SENIOR VICE PRESIDENT AND GENERAL COUNSEL AND GOVERNOR: MICHAEL J. MERGENS

Michael was elected as our Senior Vice President and General Counsel in January 2013. He was also elected Governor in March 2014. Mike has also been the Managing Partner of EntrePartner Law Firm, PLLC, a private law firm in Minneapolis, Minnesota since January 2013, practicing in franchise, business, and litigation matters. Prior to joining us, he was elected as a shareholder at Larkin Hoffman Daly & Lindgren Ltd., a law firm in Minneapolis, Minnesota in April 2012, and was an associate at this law firm until April 2012.

SECRETARY: KATHLEEN M. GERSHIN

Kathleen was elected our Secretary in March 2014. Kathleen has been with us since our inception in June 2011. In addition, Kathleen is a paralegal with Erickson & Westman, P.A., a law firm in Minneapolis, Minnesota.

GOVERNOR: RORY A. SCHOENHEIDER

Rory has served on our Board of Governors since our inception in June 2011. He worked for E&V in its restaurant operations for over 25 years, and has run and operated a pizza restaurant in St. Paul, Minnesota

~~under the mark THE ORIGINAL RED'S SAVOY PIZZA since approximately 1989.~~

GOVERNOR: VALERIE J. ANDREWS

~~Valerie has served on our Board of Governors since our inception in June 2011. She has worked for E&V in its restaurant operations in a variety of capacities for more than 25 years.~~

SENIOR VICE PRESIDENT: ~~GOVERNOR: CYNTHIA M. COCKRIEL~~

Cynthia is the daughter of our founder Earl "Red" Schoenheider. She has served on our Board of Governors since our inception in June 2011. She has worked for E&V in an administrative and financial capacity for more than 25 years. She was elected as our Senior Vice President in January 2015.

DIRECTOR OF DEVELOPMENT: JEFFREY THAMES

Jeff joined Red's Savoy Franchise in January 2013 as Director of Franchise Development. He is also President of Thames Holdings, LLC a firm specializing in assisting Franchises and small companies with their growth initiatives, and has been since July 2012. Prior to forming Thames Holdings, LLC, he was Chief Operating Officer of Anytime Fitness, LLC., a Franchise specializing in boutique fitness centers headquartered in Hastings, Minnesota, a position he held from September 2004 to July 2012

DIRECTOR OF MARKETING: REED DANIELS

Reed joined us in April of 2012 as a Marketing Manager. In April 2013, he became our Director of Marketing. Reed has also been the Founder and President of KABYT, LLC, a marketing company that specializes in online marketing and brand engagement, since 2012. Prior to opening KABYT, Reed was the Director of Sales and Marketing for BizzyWeb, an online marketing company based out of Minneapolis, Minnesota.

ITEM 3: LITIGATION

State of Minnesota Department of Commerce Determination, File Number FR 1100279. In September 2011, we voluntarily acknowledged to the State of Minnesota Department of Commerce that the rights offered and sold by our affiliate, E & V Schoenheider, Inc., in Minnesota under certain license agreements may have been franchises within the meaning of Minnesota Statutes §80C.02 (the "Minnesota Law"). On November 1, 2011, we voluntarily entered into a Consent Order with the Minnesota Department of Commerce and agreed to notify E&V's Licensees of their right to rescind their License Agreements, to disclose the Consent Order in this Franchise Disclosure Document for a period of one year from the date of the Consent Order, and to pay a fine of \$3,500 for this violation.

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

ITEM 4: BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5: INITIAL FRANCHISE FEE

Initial Franchise Fee and Initial Development Fee

You must pay us an Initial Franchise Fee of \$17,500. The Initial Franchise Fee is due in full to us when you sign the Franchise Agreement. The Initial Franchise Fee is nonrefundable.

If you sign a Development Agreement to develop more than one Red's Savoy Store, you must pay us an Initial Development Fee of \$30,000 to develop ~~2~~two Red's Savoy Stores, plus \$12,500 for each additional Red's Savoy Store. The Initial Development Fee is not refundable under any circumstances and is payable in full when you sign the Development Agreement. For each Red's Savoy Store you open under your Development Agreement, you will not be charged an Initial Franchise Fee.

We also have a Veteran's program that offers reduced franchise fees to current members of the United States military, and veterans who received an honorable discharge from a branch of the United States military. If you qualify for this discount, we will reduce the Initial Franchise Fee to \$12,500. This reduction only applies to Franchise Agreements you enter into with us during the time we offer this program, and it does not apply to development fees payable under a Development Agreement. We reserve the right to modify or terminate the program at any time, but no modification or termination will affect any Franchise Agreements you signed while the program was offered.

The Initial Franchise Fee and Initial Development Fee are contemplated to be uniform as to all persons currently acquiring a franchise from us. We may, in our sole business judgment, agree to reduce the initial fees in certain situations, including situations where a prospective franchisee or its affiliates have experience with the RED'S SAVOY PIZZA system of operation, or in situations where we believe an incentive is needed to induce the franchisee to develop a RED'S SAVOY PIZZA store. However, we may freely choose not to reduce your Initial Franchise Fee or Initial Development Fee, or to negotiate with you, even in the situations described above.

~~In our last fiscal year, we collected one reduced one franchise agreement was signed, but the Initial Franchise Fee of \$8,000 for the conversion of an existing pizza location. We also signed one franchise agreement under an existing development agreement so no additional Initial Franchise Fee was due. was waived as an incentive to open the initial "fast casual" model. As such, We collected no amounts for initial fees referenced in this Item 5. We collected one Initial Development Fee in the last fiscal year for \$32,500.00 for three stores.~~

Technology Fee

We will establish and maintain an Internet website to advertise and promote the Red's Savoy Pizza franchise system (the "Red's Savoy Home Page"). The Red's Savoy Pizza Home Page will be the hub for all store web pages. We will provide a required template for ~~this your page,~~ which you must follow, review information, and manage your page for you, which will include a picture slider, menu, map, and pertinent store information (hours, phone number, delivery information, etc.). ~~We will review and manage your page for you.~~ Once complete, your webpage will be linked to the Red Savoy Home Page and maintained by us. All changes to the website will be done by Franchisor. Any changes must be submitted electronically to and approved by us. You must pay our then-current Technology Fee in connection with this service when you sign your Franchise Agreement, which is \$1,500 per year as of the date of this Disclosure Document. This fee is nonrefundable. The initial fee is due upon signing the franchise agreement and includes the construction of your webpage. For each subsequent year, the fee is due on the 2nd of January.

Training and Opening Team Expense

We provide our initial training program for two people at no cost but will charge our then-current fees for each additional trainee. We also will send a minimum of one on-site ~~on-site~~ trainer to your premises to assist with the training of your own employees and the opening of your Red's Savoy Store (the "Opening Team"). You must reimburse us for the travel expenses and pay the then-current fees that we charge in connection with this service ("Opening Team Expenses"). A member of the Opening Team will visit your premises for one day before your opening week, generally at least two to three weeks before your scheduled opening. The Opening Team will then return to your Red's Savoy Store for at least the three-day period before your grand opening and the three-day period after your grand opening (see Item 11). We reserved the right to require additional training if we determine, in our sole discretion, that you or your team do not fully comprehend the System. The Opening Team Expenses ~~se~~ expenses are nonrefundable and will total from \$3,000 to \$6,000. Additionally, we will provide Point of Sale ("POS") installation and training. These expenses are nonrefundable and will total \$4,000. Upon completion of this opening assistance, we will send you an invoice for the actual amount of Opening Team Expenses due from you to us. You must pay this invoice within twenty (20) days. We may, in our sole business judgment, waive or reduce this requirement in certain circumstances, including when a franchisee has previous experience with the RED'S SAVOY PIZZA system of operation, or is an experienced operator within the pizza and food service industry.

ITEM 6: OTHER FEES

OTHER FEES

Type of Fee ¹	Amount ²	Due Date	Remarks
MONTHLY FEE	4.5% of your Gross Revenues	On or before the tenth day of each month via EFT withdrawal.	Gross Revenues includes all of your revenue from operating your Red's Savoy Store (including delivery and catering charges, and sales of gift or loyalty cards), excluding sales or use tax and other customer refunds, credits and discounts given in good faith.
ADVERTISING CONTRIBUTION	\$1 2-% of your Gross Revenues	On or before the tenth day of each month via EFT withdrawal.	Subject to cost of living adjustment. (Note 3)
TECHNOLOGY FEE	\$1,500 per year	Upon signing your Franchise Agreement and then January 2 of each successive year	

Type of Fee ¹	Amount ²	Due Date	Remarks
ADDITIONAL INITIAL TRAINING	Our then-standard rate for the initial training program (currently \$2,000 per person), plus out-of-pocket expenses	This amount is due 20 days after your receipt of our invoice.	You only pay this fee if we provide the initial training program to someone other than you or your initial manager, or if you retrain people in our training program.
ADDITIONAL ONGOING TRAINING	Our then-standard rate for additional training (currently \$500 per day per trainee, plus out-of-pocket expenses)	This amount is due 20 days after your receipt of our invoice.	If you request additional assistance beyond the initial training program <u>or if we determine that you require more training</u> , you must pay us a per diem fee as well as any travel and living expenses we incur in providing this training. We reserve the right to increase this fee by giving you 60 <u>30</u> days written notice.
ANNUAL CONVENTION FEE	Currently \$300	Within 20 days of the invoice date	If we establish a franchisee convention, you must pay this fee, along with the costs of attendance for you and your attendees.
TRANSFER FEE	\$5,000	Before completing a transfer of the Franchise or Development Agreement	This fee is only due if you transfer your franchise, or your interest in it or the Franchise or Development Agreement.
RENEWAL FEE	\$5,000	At the time you sign a new Franchise Agreement	This fee is only due if you decide to renew your Franchise Agreement.
PERIODIC REFURBISHING	Varies	As arranged	You may be required to refurbish your Red's Savoy Store, at your expense. See Section 7(g) of the Franchise Agreement.
LATE CHARGES	1.5% per month on unpaid balances, or the maximum amount permitted by law	Immediately after notice from us.	This fee is only due when you do not pay other fees you owe on time.
AUDIT COSTS	The amount will vary.	Within 20 days after invoice.	If an audit reveals that you understated your Gross Revenues in any report to us by more than 2%, you must reimburse us for all costs related to the audit.

Type of Fee ¹	Amount ²	Due Date	Remarks
COSTS AND ATTORNEYS FEES	The amount will vary.	Within 20 days after invoice	You agree to pay our costs and attorneys fees only if we prevail in any dispute with you under the Franchise Agreement.
INDEMNIFICATION	The amount will vary.	Within 20 days after invoice	You must reimburse us if we are held liable for claims arising from your operation of your Red's Savoy Store.
LIQUIDATED DAMAGES	\$5,000 for each undeveloped Red's Savoy Store under your Development Agreement	Within 3 business days of termination or expiration of your Development Agreement.	You must pay us this amount if your Development Agreement expires or it is terminated and you have not developed all of the Red's Savoy Stores that you agreed to develop under the Development Agreement.
PERSONAL GUARANTY	Varies	Upon demand	You must personally guarantee all obligations in the Franchise Agreement
POINT OF SALE INSTALLATION AND TRAINING⁴	\$4,000	At installation	
<u>ONLINE ORDERING FEE</u>	<u>\$110</u>	<u>Monthly</u>	<u>We collect the online ordering fee charge by our mandatory vendor without markup</u>

Notes:

¹ Unless otherwise stated, all fees are imposed by and are payable to us and none are imposed by any cooperative. All fees are non-refundable. All fees are uniformly imposed for all new franchisees; however, in certain unique circumstances, we may waive or reduce one or more of these fees.

² For all amounts you owe to us or our affiliates, we have the right to collect these fees by EFT or ACH transfer from your designated account, or by pre-authorized check draft or pre-authorized credit card charge. If your state, or any governmental body in your state, charges a tax on the fees we receive from you, then you must pay an additional fee equal to the amount of this tax. This does not apply to federal or Minnesota income taxes we or our affiliates have to pay. If you do not timely report your Gross Revenue, we may debit your account for 120% of the last Monthly Fee that we previously debited (plus late payment charges and all other amounts due to us or our affiliates). If the amounts we debit are less than the amounts you actually owe us or our affiliates, we will debit your account for the balance on the date we specify. If the amounts we debit exceed the amounts you actually owe us, we will credit the excess against the amounts due the next payment date.

³ We reserve the right, in our sole discretion, for business purposes and upon thirty (30) days written notice to increase the Advertising Contribution. In no event shall such contribution exceed ~~two~~ five percent (5%) of your Gross Revenue.

⁴ You will be required to use the designated point of sale system, which is an integral part of our move towards online ordering. We have a certified installer on our staff who will install the system you

purchase and provide at least two days training to you on its operation at a nonrefundable expense of \$4,000.

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ITEM 7: YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure ¹	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ²	\$17,500	Lump Sum	Due in full upon execution of the Franchise Agreement	Us
Technology Fee	\$1,500	Lump Sum	Due in full upon execution of the Franchise Agreement	Us
Rent (3 Months) and Security Deposit ³	\$6,000--\$21,000	Lump Sum	At time of signing of lease and monthly thereafter	Lessor
Leasehold Improvements ⁴	\$58,500-- \$450 <u>212,500,000</u>	As Incurred	As Incurred	Contractors, Architects and Engineers
Equipment, Furniture and Trade Fixtures ⁵	\$75,500--\$186,000	Lump Sum	Before Opening	Vendors
Point of Sale equipment, installation and training	\$15,000--\$25,000	Lump sum	Before Opening	Us and Vendors
Opening Inventory, Supplies and Smallwares ⁶	\$ 8 <u>12,000--35</u> 20,000	Lump Sum	Before Opening	Vendors
Signage	\$ 5 <u>9,000--13</u> 0,000	As Incurred	As Incurred	Varies
Licenses ⁷	\$2,000--\$3,000	Lump Sum	Before Opening	Licensing Authority
Legal and Accounting Expenses	\$2,000--\$4,000	As Incurred	Before Opening	Vendors
Grand Opening Advertising and Opening Team Expense ⁸	\$5,500-- \$20,000	Lump Sum	Due to us in full 20 days after invoice; payments to vendors as incurred <u>As incurred</u>	Us and to Vendors
Opening Team Expense ⁹	\$3,000-\$6,000	Lump Sum	<u>Due to us in full 20 days after invoice.</u>	Us
Travel and Living Expenses While Training	\$500--\$1,500	As Incurred	Before and during training	Vendors (e.g., travel, hotel, restaurants)
Insurance	\$2,000--\$4,000	As Incurred	Before Opening	Insurance Carrier

Type of Expenditure ¹	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds – 3 months ¹⁹⁰	\$20,000--\$40,000	Lump Sum, As Incurred	As Incurred Before and After Opening	Various Parties, Including Employees
Total: ¹¹⁰	\$21925,000 \$818668575,0500			

This table relates to the estimated initial investment for a start-up pizza restaurant. Your initial investment to convert an existing restaurant may be less because the expenses on equipment and other opening items may be lower.

Notes:

¹ The expenditures are not refundable except as follows: (i) the Initial Franchise Fee may be refundable as described in Item 5; and (ii) the security deposit for the Red’s Savoy Store’s location/premises may be refundable depending upon the terms of the lease. This is an estimate of the initial costs you will incur during the first 3 months of operation. It does not include your salary and assumes you will be working full time at the store. It also does not include interest and depreciation expenses.

² The Initial Franchise Fee is generally \$17,500 for a Red’s Savoy Store. However, we may discount this fee in certain specific circumstances. Some of these discounts are tied to you signing a Development Agreement, and committing to open two or more Red’s Savoy stores. We also have a Veteran’s Program for current and former members of the United States military. All of these discounts are described in Item 5.

³ We have not projected any cost for the purchase of any land or building, because we do not recommend you purchase a building for your business. Instead, we recommend that you lease a site in a retail space, preferably a strip mall or in a freestanding building in a retail area. You will need a retail location of between 1,200 and 3,000 square feet, and all of our estimates are based on these assumptions. The annual lease costs should range between \$15 and \$28 per square foot per year, although it may be higher in certain locations. It also may vary from site to site, depending on the layout of the site, amenities offered, your wishes, the amount of tenant improvement allowance that you negotiate, and your financial capabilities. You may also be required under the terms of your lease to pay your landlord common area maintenance fees, property taxes and percentage rent based on sales of your Red’s Savoy Store.

⁴ If you lease the land and building for the Red’s Savoy Store, then you will need to make certain improvements in order to bring the building up to our standards of operation. You will need to hire contractors to build the required improvements. These costs will depend on the site’s condition, location and size, the demand for the site among prospective lessees, the site’s previous use, and construction allowances the landlord grants. The above range arises from the variance in work needed for a leasehold and construction cost variance by geographic location. If the space does not require extensive renovations and is a “restaurant ready” location, the leasehold improvement costs is expected to fall in the lower range. If the existing space does not include restrooms or air cleaning equipment for the kitchen or is otherwise an “unfinished space”; the costs of improvement, including but not limited to plumbing and/or mechanical equipment, add significant expense, which can exceed \$150,000.00. Your landlord may also cover some of the leasehold improvement costs.

- ⁵ We require you to purchase or lease certain types of equipment in order to maintain uniformity of the product sold, to maintain the quality of the product sold, and to maintain the efficient operation of the franchise. The estimates assume you purchase all of your equipment. The total cost of the equipment will vary depending on various factors, including whether you purchase or lease the equipment, and what equipment you obtain. The estimate for furnishings includes the purchase of furniture for the waiting area and seating area in your Red's Savoy Store.
- ⁶ This estimate also includes your initial inventory of food, beverages, dishes, glassware, silverware, smallwares, cups, carry-out wrappers, bags and pizza boxes. This estimate does not include any replacement inventory you will need after you open. Some of these items are available only from one vendor that we designate.
- ⁷ You may be required to obtain certain business licenses. You will need to confirm with the local and state government agencies what licenses are required. The cost to obtain a liquor license is not included in the estimate of your initial investments, as this cost varies greatly depending on the licensing authority involved and whether a license must be purchased from a seller or governmental entity. In our experience, liquor licenses have been obtained for as little as \$100 up to \$50,000 or more. This variation reflects the fact that some states issue only a limited number of new liquor licenses each year, or none at all, and you may therefore need to purchase an existing liquor license at its fair market value, which may be substantial. You must investigate the cost of obtaining a liquor license in your area and consider the costs for your area in your evaluation of this franchise.
- ⁸ The low estimate is the minimum amount we recommend that you spend on grand opening advertising, ~~and the Opening Team Expenses for the time spent at your Red's Savoy Store before and after you open for business.~~ We encourage you to spend more than this amount. Some franchisees, particularly people who sign Development Agreements to control an entire market, will spend much more on grand opening advertising because they believe they will receive a return on that investment.
- ⁹ We will send at least one on-site trainer to your premises during "Opening Week" to assist you in training your employees and opening your franchise. This "Opening Week" usually includes three days' worth of on-site time immediately before and immediately after your grand opening. You must pay our then-standard rate for this training plus out-of-pocket expenses, which will likely result in a total between \$3,000 and \$6,000. The low estimate is the minimum amount you will spend on Opening Team Expense, and it assumes you are an experienced franchisee and have opened (and are currently operating in good standing) at least one other Red's Savoy Store. The high estimate is the amount franchisees opening their first Red's Savoy Store can expect, though we may require you and your team to get additional training if we determine you need it. These expenses are non-refundable.
- ^{10⁹} This amount is an estimate of your initial start-up expenses during the initial 3 months. In addition to having a reserve for unforeseen contingencies, it is estimated that you will expend this for payroll costs, insurance, and the other operating costs you will incur during the first 3 months of operating your business. These estimates do not include replacement of initial inventory and the fees you owe to us, and also do not include any owners draw amounts. These estimates assume you will work full-time at your Red's Savoy Store. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. We recommend that you have additional funds available to you to fund your business. Your costs will depend on factors such as: how much the business is staffed; your sales and management skills, experience and business acumen; local economic conditions; the local market for your product and services; the prevailing wage rate; competition; the ability to obtain favorable real estate and equipment rates; and how closely you

follow our methods and procedures. No assurance can be given that these amounts will be sufficient or that substantial additional working capital will not be required.

¹¹⁹ These figures are estimates based on our affiliates' experience in operating a full-service pizza restaurant and take-out pizza businesses in and around St. Paul, Minnesota as well as the experience of our franchisee in a new fast-casual restaurant and take-out pizza business in and around Edina, Minnesota. Your actual expenses of establishing and operating this business could vary significantly from these estimates, particularly if you lease rental space in a location that is more expensive than we recommend or a location that requires more extensive remodeling than we recommend. It is possible to significantly exceed costs in any of the areas above. Neither we nor our affiliates offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your creditworthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include finance charges, interest, or debt service obligations.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All equipment, fixtures, supplies, uniforms, inventory, insurance, computer hardware and software, and signs you purchase for use or sale in your business must meet our specifications. Those specifications may include minimum standards for delivery, performance, design, appearance and quality. We will give these specifications to you before you begin operating. We may include these specifications in our operating and any other manuals (the "Manuals") that we loan to you, or we may separately issue them. The Manuals may be amended at any time, and we may require you to obtain additional or alternative furnishings, smallwares, kitchen equipment, computer hardware and software, or other products or services that we believe to be appropriate or necessary for the operation your Red's Savoy Store.

As of the date of this Disclosure Document, we do not ~~have specifications for~~ specify the type of local advertising you create use to promote your business. However, any local advertising you must use our then-current brand art and other brand identification standards, and you must obtain our approval before using any all advertising materials you prepare from our designated vendor. ~~and we~~ We may adopt ~~those new or modify existing~~ specifications at any time. ~~—~~ You may not establish or maintain any Internet presence relating to or making reference to us, your business, or the RED'S SAVOY PIZZA franchise system, without our approval.

Since most of the items you will purchase to begin operating your business must meet our specifications, you can expect that the items you purchase that must meet our specifications will represent more than 90% of the total purchases you will make to begin operations. Once you begin operating, we expect that these items will represent approximately 75% - 90% of your total annual expenses. We will require designated suppliers, or suggest approved suppliers, for many of the items you will need to purchase. We will give you lists of designated and approved suppliers in the same manner as the lists of specifications that we give you. We may change designated or approved suppliers of the products you are required to use at times based on product availability, pricing, or incentives offered to us or our franchisees. Other items and food products for menu items must meet the specifications before they can be used, and may be purchased from approved suppliers but can also be purchased from other vendors as long as the products meet our standards.

As indicated in Item 5, there are certain items you must purchase from us when you begin operating your business. As of the date of this Disclosure Document, they include initial training, the Technology Fee, and the Opening Team Expenses. In addition, we provide the installation and training of the mandatory point of sale system. We are the only approved supplier of these items. We reserve the

right to designate additional products or services for which we or our affiliates may be approved suppliers, or the only approved suppliers.

We generally negotiate preferred vendor agreements with our approved vendors. The preferred vendor contracts usually provide favorable pricing to our franchisees, and may provide payments to us based on the quantity and cost of products and services purchased. We may specify some items or services that you must purchase only from one approved or designated supplier. In some cases, we may approve only one supplier for an item or product. This helps us maintain uniformity in the taste of the menu items. In addition, some specifications for food products used in menu items are trade secrets and cannot be revealed to you. As of the date of this Disclosure Document, you will only be able to obtain the sausage, pizza sauce, jarred pizza sauce, pasta sauce, pizza boxes, cheese, and dough from a sole designated vendor. Additionally, you will only be able to obtain the point of sale system and credit card processing from a sole designated vendor. We do not expect to approve another source of supply for any of these items that we have described in this paragraph. You may not have the right to substitute any new supplier for these items, or to request us to appoint or approve any new supplier.

We may also supply you with uniforms, promotional materials, menus, and other materials utilizing our registered logo at our cost plus a markup for handling. ~~Although you are not required to purchase such goods from us or an approved vendor;~~ You will be currently ~~We currently have a sole designated vendor for all printed materials, and a sole designated vendor for uniforms. All the goods purchased must comply precisely with our specifications and may, as a practical matter, be unavailable from other sources. You will pay the then-current price in effect for all purchases you make from us or our affiliates, and we expect to earn a profit on all products and services that we or our affiliates sell to you. In our last fiscal year, we did not received \$67,735 any in revenues from POS installation; we received no other revenue from the sale of goods or services to franchisees.~~

Except for products and services available only from a single source, you may request that we consider approval of different or additional manufacturers, suppliers or products related to your Red's Savoy Store. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may investigate the ability of the supplier to provide materials that meet our specifications. We will charge a fee of \$250 either to you or the supplier for conducting this investigation. We will usually be able to tell you within 30 days whether or not we approve the supplier, but the time period will depend upon the cooperation we receive from the supplier in responding to our questions. When looking to approve a supplier, we consider the following: (1) what area do they serve; (2) what product lines do they carry; (3) what is their sales volume; (4) what kind of buying power do they have; and (5) what kind of service standards do they offer. We may revoke approval of a supplier at any time. We will notify you in writing if we revoke approval of a previously approved supplier.

We may, but are not required to, negotiate special pricing arrangements for discounts with our suppliers. We hope the arrangements will include special contract pricing, volume discounts and specific discounts from regular wholesale prices. We currently plan to pass these discounts on to our franchisees. We may, but do not currently as of the date of this Disclosure Document, provide any other special benefits to franchisees based on their use of any approved supplier. We may, however, receive rebates, remuneration, and other discounts or free services from these suppliers. We expect these rebates to typically be a percentage of the amounts purchased from the supplier, generally ranging from 0% to 10% of the price you pay for the products, however these payments and consideration may include other discounts or free services. We have the right to retain and use such payments and consideration as we deem appropriate or as required by the vendor or supplier. In our last fiscal year, we received ~~\$11,870.95~~ \$30,188.75 in rebates, or approximately 9% of our total revenues in 2014 ~~of \$320,059~~ ~~206,954~~. Except for volume discounts that may be available from suppliers, we may but do not currently provide any special benefits to franchisees based on their use of any approved supplier.

Two of our officers have an ownership interest in an accounting and bookkeeping firm that is an approved supplier for accounting and payroll services. You are not required to use that accounting and bookkeeping firm for accounting or payroll services. None of our officers owns any other interest in any of our other suppliers, other than in our affiliates (see Item 1).

We have not arranged any purchasing cooperatives among our franchisees.

ITEM 9: FRANCHISEE'S OBLIGATIONS

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document
a. Site Selection and Acquisition/Lease	Sections 1, 2 and 7 of Franchise Agreement	Items 7, 11, 12
b. Pre-opening purchases/leases	Section 6, 7, 9 and 10 of Franchise Agreement	Items 7, 8, 11
c. Site development and other pre-opening requirements	Sections 7 and 8 of Franchise Agreement	Items 6, 7, 11
d. Initial and ongoing training	Section 8 of Franchise Agreement	Items 5, 11
e. Opening	Section 7 of the Franchise Agreement	Items 7, 11, 12
f. Fees	Sections 4, 5, and 6 of Franchise Agreement	Items 5, 6, 7
g. Compliance with standards and policies/operating manual	Section 9, 10 and 11 of Franchise Agreement	Items 8, 11
h. Trademarks and proprietary information	Section 11 of Franchise Agreement	Items 11, 13, 14
i. Restrictions on products/services offered	Sections 9(a), 9(f), 9(g), 9(i), and 11(a) of Franchise Agreement	Items 8, 11, 12, 16
j. Warranty and customer service requirements	Section 9 and 10 of Franchise Agreement	Items 11, 16
k. Territorial development and sales quotas	Sections 2 and 3 of the Franchise Agreement	Item 12
l. Ongoing product/service purchases	Sections 9 and 13 of Franchise Agreement	Item 8

Obligation	Section in Agreement	Item in Disclosure Document
m. Maintenance, appearance and remodeling requirements	Sections 7, 9, 10 and 11 of Franchise Agreement	Items 8, 11
n. Insurance	Section 13 of Franchise Agreement	Items 7, 8
o. Advertising	Sections 6 and 8(e) of Franchise Agreement	Items 6, 7, 8, 11
p. Indemnification	Sections 21(b) and 21(c) of Franchise Agreement	Item 6
q. Owners participation/management	Sections 8(a), 8(d), 9(c) and 9(m) of Franchise Agreement	Items 11, 15
r. Records /reports	Sections 5(b) and 12 of Franchise Agreement	Item 6
s. Inspections/audits	Section 12(c)	Item 6, 8 and 11
t. Transfer	Section 16 of Franchise Agreement	Item 17
u. Renewal	Section 2(d) of Franchise Agreement	Item 17
v. Post-termination obligations	Section 15(a)(ii), 17 and 19(d) of Franchise Agreement	Item 17
w. Non-competition covenants	Section 15 of Franchise Agreement	Item 17
x. Dispute resolution	Section 20 of Franchise Agreement	Item 17
y. Other: Guarantee of Franchisee Obligations (Note 1)	Exhibit C to Franchise Agreement	Item 22

¹ If you transfer your rights and obligations under the Franchise Agreement to a corporation, limited liability company, or partnership, you, and any other owners of the entity, must sign a personal guaranty of all obligations under the Franchise Agreement and under any other agreement between us and you or between you and any of our affiliates, and agree to be bound personally by all provisions of these agreements. The personal guaranty is attached to the Franchise Agreement.

ITEM 10: FINANCING

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation you might incur. We also do not have any written agreements with any lender to provide financing to you. However, we do have relationships with lenders who have indicated a willingness to provide financing to creditworthy franchisees.

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

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

Before Opening Obligations

Before you open your business, we will perform the following obligations:

- 1) Designate your Designated Territory. (Franchise Agreement - Sections 2 and 3, and Exhibit A).
- 2) Consider approval of a site for your Red's Savoy Store. The selection of this site is your responsibility. However, all sites must be approved by us. Our approval of a proposed site will be based on a variety of factors, including the rent, competition, the proximity of the site to population centers, and to other Red's Savoy stores, availability of parking, traffic patterns, and history of other establishments in the location. Although not obligated to do so, we may provide you with suggestions for sites in your Designated Territory. Our approval of a site location is not a representation or a promise that you will be successful at that location. (Franchise Agreement – Sections 3(a) and 3(b)).
- 3) At your request, we may provide you with advice related to the negotiation of a lease for your Red's Savoy Store and approve this lease if it meets our requirements (Franchise Agreement – Section 7(a)).
- 4) Provide you with a sample layout for the interior of a typical Red's Savoy store, with a set of décor specifications (Franchise Agreement – Section 7(d)).
- 5) Loan you a copy of our operations manual that contains mandatory and suggested specifications, standards and procedures (Franchise Agreement – Section 8(d)). We may periodically amend or supplement our manuals. The manual currently contains 415 pages. A copy of the table of contents of the current manual is attached to this Disclosure Document as **Exhibit E**.
- 6) Provide an initial training program for you and your manager, if different than you, regarding the operation of a Red's Savoy store using our recipes, formulas, food preparation procedures, business forms, and business policies. You and your manager are expected to attend this training program at least 60 days before you open your Red's Savoy Store. We will also provide this training program to other employees of yours that you bring to the initial training program as long as you pay the charges we specify for this training. However, we do not hire or otherwise train your employees. (Franchise Agreement - Section 8).
- 7) We will provide you with specifications for equipment, supplies, insurance, signage, and inventory (Franchise Agreement - Sections 7, 9, 10, and 13). We do not provide these items directly to you. In some cases, we will specify designated vendors and in some other cases we

will provide you with names of approved suppliers for the items. We do not deliver or install these items.

- 8) Provide you with a domain name and template Internet website to be customized by you. We will approve your content, and provide a link to your website from our home page. (Franchise Agreement – Section 6(f)). Unless we otherwise approve, you may not maintain a website or other Internet presence with respect to the operation or advertisement of your Red’s Savoy Store. We also must approve any other advertising for your franchised business (Franchise Agreement – Section 6(h)).
- 9) We will install the required point of sale system and provide training on its use.
- 10) We will arrange assistance in the opening of your Red’s Savoy Store from an Opening Team, at your expense, to assist with training your employees on-site. A member of the Opening Team will visit your premises for one day before your opening week, generally two to three weeks before your scheduled opening. The Opening Team will then return to your Red’s Savoy Store for a three-day period before the grand opening of your Red’s Savoy Store and the three-day period after the grand opening. (Franchise Agreement – Section 8(b)).

During the Operation of the Red’s Savoy Store

During the operation of your Red’s Savoy Store, we will perform the following obligations:

- 1) Provide you with updates to the Operations Manual (Franchise Agreement – Section 8(d)).
- 2) Review for approval your request to relocate your Red’s Savoy Store to a new site (Franchise Agreement – Section 2(c)).
- 3) Maintain the RED’S SAVOY PIZZA Advertising Fund (Franchise Agreement – Section 6). See below for additional information related to this Fund.
- 4) Review for approval any advertising you submit to us, and review for approval any request you submit to us to operate a website, webpage, or a social media or social networking site, profile or account that relates to or references us, your Red’s Savoy Store, or our system of operation (Franchise Agreement – Section 6).
- 5) Host and assist in maintaining the website for your business that can be accessed from a link on our home page (Franchise Agreement – Section 6(f)).
- 6) Provide additional training that you request and we agree to provide. You will be charged an additional fee for additional training, as described in Section (8)(c) of the Franchise Agreement.
- 7) We may conduct a periodic or annual convention. If we hold the convention, you must attend and regardless of whether you attend, you must pay the convention registration fee (Franchise Agreement – Section 8(e)).

Site Selection

You select a site subject to our approval within a designated territory. If you have not located and we have not approved a suitable site when you sign the Franchise Agreement, we will provide you with a nonexclusive search area in which you may look for your site. You must secure a suitable site and obtain

our approval within ninety (90) after signing the Franchise Agreement, or you or we may terminate the Franchise Agreement. We will not unreasonably withhold approval of a site selected by you. Our approval of a proposed site will be based on a variety of factors, including the rent, competition, the proximity of the site to population centers, and to other Red's Savoy stores, availability of parking, traffic patterns, and history of other establishments in the location. We will let you know if we approve the site within 15 days after you have given us all necessary information about the location. We do not provide you with any assistance regarding construction or remodeling or conforming to local building codes or obtaining required permits. We do not own premises or lease them to you, and except as described above, we do not negotiate your lease for you.

The typical length of time between the signing of the Franchise Agreement and the opening of your business is four to six months. Factors affecting this length of time usually include how quickly you can attend our initial training program, the difficulty of obtaining a satisfactory site and negotiating a lease, how quickly you can obtain financing, how quickly you obtain any permits and variances, delivery and installation of the equipment and signs, level of leasehold improvements needed, and your personal timetable. If you do not open your Red's Savoy Store within ~~five~~ six months after you sign the Franchise Agreement, we may terminate the Franchise Agreement.

Computer Hardware and Software

We will provide you with a list of the computer equipment required for your Red's Savoy Store when you sign your Franchise Agreement. You will need to purchase a computer to operate your business. The computer must have Internet access and must be compatible with the point-of-sale system that we require you to have. We do not specify any particular brand of computer hardware. You may need to purchase multiple computer terminals to support the required point-of-sale system, depending on your particular store design. If you do not have access to a computer and must purchase one or more, we estimate that the costs of your computer and related hardware and will range between \$600 and \$2,400 per computer.

You must also purchase or license software that we may require from time to time. As of the date of this Disclosure Document, you must acquire a point-of-sale system that we specify. The cost for the purchase of this system including installation will range from \$10,000 to \$20,000 in addition to the cost of computer equipment identified above. We anticipate a move to online ordering no later than the second quarter of in the future 2015, and the point-of-sale system we specify will have capacity to manage online ordering. Once we have implemented online ordering, you will be required to pay us a monthly fee directly to for the third-party online ordering company's fee (without markup). We currently estimate that likely expense to range from \$50 to to be \$1100 per month, and this estimated expense is not included anywhere within the Item 7 disclosure. You will also need to obtain a license for QuickBooks Pro or a comparable accounting and financial software program, which you can purchase for an initial cost of \$200-\$300, or lease on a monthly basis at the current rate of \$7 per month.

Neither we, nor any affiliate or third party, has any obligation to provide ongoing maintenance repairs, upgrades, or updates to you for this software that we are aware of. We may also require you to update or update your computer system and/or software during the term of your Franchise Agreement, and there are no contractual limitations on the frequency and the cost of those obligations. There is no other annual cost of any optional or required maintenance, updating, upgrading or support contracts that we are aware of. You must grant our agents and us access to all of the records and information on your computerized point-of-sale system by direct access, by Internet dial-in access, by providing disk copies, or by such other means as we may require. There are no contractual limitations on our rights to access this information, and we plan to use this information to assist you in tracking sales of menu items, promotional redemptions, and expense averages.

You must also, at your expense, obtain and maintain an electronic telephone facsimile (fax) equipment, an email address, telephone answering equipment and such other telecommunications or information processing equipment as we may periodically require. We may also require you to have an approved online ordering system that we designate.

Training

As described above, we provide an initial training program designed to allow you to gain practical experience in the operation and maintenance of a Red’s Savoy store. Our initial training program assumes at least a minimal experience in the operation of restaurants. We reserve the right to require franchisees who lack restaurant experience to take additional training at our then current rates. We determine the type, length, and location of the training. As the owner of the franchise, you must attend this training program. If you hire a manager to assist in the operation of your Red’s Savoy Store, that manager must also attend this training program. There is no charge for either of you to attend, but you are responsible for the compensation of your manager, and for all travel and living expenses you and your manager incur while attending the program. The training is approximately 3-4 days. We provide the training periodically, but at least once per month if we have new franchisees. This training will be provided at a location we choose in the Metropolitan Twin Cities, Minnesota area, ~~and we determine the type and length of the training.~~ If at the end of the 3-4 day initial training, we determine in our sole discretion that your or your manager require additional training, we may require you and/or your manager to take such training ~~in~~ at our then-current training rates.

The following table will give you additional information about the content of the training program we offered to our franchisees as of the date of this Disclosure Document. In general, the training program will include, and our franchisees and their managers must demonstrate skills and knowledge in, basic business procedures, equipment operation and maintenance, hiring and training of employees, reporting and accounting procedures, advertising and promotion, operation of the point-of-sale registers, purchasing procedures, food preparation and presentation, food quality, kitchen and restaurant sanitation, serving and hosting techniques, food portions, food and beverage cost control, service quality, customer relations, housekeeping, security, and other business and marketing topics we select.

Subject	Approximate Hours of Class Training	Approximate Hours of On-The-Job Training	Location
Overview of the RED’S SAVOY PIZZA System and Marketing	1-2 Hours	N/A	Minneapolis-St. Paul area
Business Model Review	1-2 Hours	N/A	Minneapolis-St. Paul area
Financial Model and Systems	1 Hour	N/A	Minneapolis-St. Paul area
Vendor Presentations/Q&A	2 Hours	N/A	Minneapolis-St. Paul area

Subject	Approximate Hours of Class Training	Approximate Hours of On-The-Job Training	Location
Operations Overview	1-2 Hours	N/A	Minneapolis-St. Paul area
Required Equipment and Inventory	N/A	1-2 Hours	Red's Savoy Store in MN
Food Preparation and Handling	N/A	2-3 Hours	Red's Savoy Store in MN
Store Operations and Management	N/A	2-3 Hours	Red's Savoy Store in MN
On-the-Job	N/A	8 Hours	Red's Savoy Store in MN
Point-of-sale training	N/A	15-24 Hours	Red's Savoy Store In MN
Total	6 – 9 Hours	28 – 40 Hours	

If you have more than one Franchise Agreement with us, we may, at our option, provide this training one time for multiple agreements. The initial training program is currently administered by our President and Chief Operations Officer, Len Ghilani. Mr. Ghilani has been working in the restaurant industry for over 30 years and is the President and Founding Partner of Ghilani Group, Inc., a full-service hospitality solutions company. Other RED SAVOY PIZZA franchisees or employees at our company-owned or franchised locations may also provide on-the-job training to you. Reed Daniels will provide training on the point-of-sale system. Reed is a certified installer by the manufacturer of the required system. The classroom portion of the training program may also be administered by Michael Mergens and/or David Stenseth. Mr. Stenseth has been our Chief Financial Officer since our organization in June 2011. As a Certified Public Accountant, he has worked with business owners in financial management and business consulting since the 1970s, and in 1996 he founded Stenseth Samuelson & Boese, Ltd, an accounting firm in Woodbury, Minnesota, and has served as its Managing Partner since that time. Mr. Mergens has been our Senior Vice President and General Counsel since January 2013. The Vendor Presentation portion of the classroom training is conducted by our designated and approved vendors. We may also work with various consultants in providing the initial training program, and we have the right to have additional trainers provide assistance to you in our courses, and to change trainers. We use the Operations Manuals and materials provided by suppliers as instructional materials for our training program. You and your manager, if any, must attend this training at least sixty (60) days prior to the opening of your Red's Savoy store, and you may not open your Red's Savoy Store until you and your manager (if any) have successfully completed the initial training program offered by us to our satisfaction.

In addition to the initial training program, we will also assist you in providing an Opening Team for on-the-job training on your Red's Savoy Store premises at the time of your restaurant opening. We will provide one (1) or more persons who will assist you in training your personnel in the preparation of the restaurant for opening and in methods of preparation and serving menu items. One member of the Opening Team will visit your Red's Savoy Store before your opening week, typically two to three weeks

before your scheduled opening. The Opening Team will then return during the three-day period before and the three day period after the opening of your Red's Savoy Store. If we determine, in our sole discretion, that you or your staff have not adequately completed training, we may require additional training before or after opening your Red's Savoy Store. You must reimburse us at our then-current charges for providing such personnel, plus their actual travel, lodging, and meal expenses incurred in connection with the training of your employee.

In addition to the initial training program and any additional training we may require you to complete before or after opening your Red's Savoy Store as described above, we may also offer, but do not require you to take, other additional training programs or refresher courses. If you elect to participate in those additional training programs or refresher courses, you must pay us our then-current fees and reimburse us for our costs for providing additional training. We also may hold an annual convention for all of our franchisees. If we choose to hold a convention, you must attend, or you must send a representative that we approve before the convention. Regardless of whether you attend the convention, you must also pay any convention registration fee that we establish. You are responsible for all travel and living expenses that you or your representatives incur while attending additional training and/or the convention. You must also comply with all provisions of the wage and hour laws applicable to your employees while they are being trained by us, including those requiring payment of overtime wages.

Advertising

As discussed above, we will maintain and administer the RED'S SAVOY PIZZA Marketing Fund (the "Fund"). You must contribute ~~one~~ two percent (2%) of your Gross Revenue per month to this Fund as an Advertising Contribution. We currently intend that all new franchisees will contribute at this amount to the Fund. We may, in our sole discretion for business purposes, and upon thirty (30) days written notice, increase the Advertising Contribution, but in no event shall such contribution exceed ~~two~~ five percent (5%) of Franchisee's Gross Revenue. We will account for these marketing contributions separately from our other funds. All RED'S SAVOY PIZZA stores owned by us or our affiliates will contribute at the same rate to the Fund. We will not use contributions to the Fund to pay any of our general operating expenses, except for the reasonable salaries, administrative costs, direct expenses, and overhead we incur in activities related to the administration of the Fund. The purpose of the Fund is to promote the RED'S SAVOY PIZZA brand. This means we may use money from the Fund for any purpose that promotes the name, including creating advertising materials or public relations campaigns, or to implement advertising, including advertising that may be Internet based. The media we use may be print media, electronic, or television or radio, and we may also use money from the Fund to pay for advertising initiatives, such as social media campaigns, product research and development, production materials, radio research, promotion, marketing, public relations, national, regional and/or local conventions, and telemarketing. The media coverage may be national, local or regional. It is our responsibility to determine how funds are spent. We do not currently have any advertising council that advises us on the use of funds in the Fund. We will not use any of the Fund for the primary purpose of helping us sell franchises, although we may use contributions to update our website or other web pages, social media or social networking sites, which may also advertise for franchisees. We are not required to expend monies from this Fund in proportion to contributions made by businesses in any particular geographic area, nor must we spend a certain amount in any given year.

The Fund is not audited. We will provide you an annual statement of collections and expenditures upon your request. Marketing contributions not spent in one year are carried forward to be spent in future years. We have no obligation to conduct any advertising, and we may set aside a reserve or reserves for the advertising, marketing, and/or promotional programs that we may determine. In our last fiscal year, 90% of the expenditures in this Fund were spent on development and maintenance of electronic brand presence, and 10% of the expenditures in this Fund were spent on local marketing tools.

We expect you to conduct your own local advertising to promote your business. All local advertising must be approved by us before you use it and all material must be purchased from us or an approved vendor. We may make available to you in the future advertising materials that you can buy from us at scheduled prices. These advertising materials will be prepared by us in-house and with help from local companies, and we do not yet have pricing for any such ad materials that you may be able to purchase from us in the future. The pricing varies depending on the material that you choose to order. You must advertise your business in the advertising directories we specify, though we do not currently specify any advertising directories and we currently have no cost estimates for such advertising.-

You may not establish, or have established for you, an Internet presence relating to or referencing us, your Red's Savoy Store, or our system of operation without our approval. As described above, we will provide you with a domain name and template Internet website to be customized by you in the set-up of your website, and we will approve your page and provide a link to your page from our home page. In addition, your online presence related to us, your Red's Savoy Store, and our system of operation, including all current and future forms of social media networks and platforms, must at all times comply with our written specifications, restrictions and policies, as modified from time to time in the Manuals.

We do not currently require you to participate in any local or regional advertising cooperative. However, we do have the right to require you to do so. Other than the Fund and any local cooperative, you do not have to participate in any other advertising fund. You must participate in all gift certificate, gift card, loyalty, and rewards programs sponsored at any time by us. There are currently no expected costs to you associated with the gift card program other than your responsibility to pay swipe fees on any gift cards purchased with credit cards, costs of the gift cards, and your obligation to give away product based on rewards your customers acquire and redeem. In addition, you are required to participate at your expense in all programs sponsored at any time by us to promote and reward the frequent and regular customers of RED'S SAVOY PIZZA stores.

ITEM 12: TERRITORY

We will grant you a designated location and territorial rights, which are specified in the Franchise Agreement as your Franchise Location and Designated Territory. In some cases, we may grant additional areas, which may be served from your location until we establish other stores in the area. If you have not designated the physical site for the Franchise Location as of the date of the Franchise Agreement, you must obtain possession of a suitable site within 60 days afterwards. In that case, we will identify in the Franchise Agreement a nonexclusive area within which we expect you to look for a suitable site. We or you may terminate the Franchise Agreement if you do not locate a site within this 60 day period.

The criteria used for determining the boundaries of the Designated Territory may include any or all of the following: the population base; density of population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; restaurant co-tenants; traffic generators; driving times; proximity to lodging facilities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways and underdeveloped land areas. In most cases, if you are in a metropolitan area, the Designated Territory will be an area including between 30,000-40,000 rooftops, or if you are in a small town, the city limits of the town.

You may only operate your Red's Savoy Store from the specific location within your Designated Territory approved by us and specified in your Franchise Agreement as your Franchise Location. You may not relocate your Red's Savoy Store either within or outside of your Designated Territory or establish more than one Red's Savoy Store either within and/or outside of your Designated Territory without our prior written consent. However, we generally will allow you to relocate so long as any new

site you select is within your Designated Territory and does not fall within the designated territory of another franchisee of ours, and the new site meets the site criteria that we use at that time.

As long as you are not in default under your Franchise Agreement or any other agreement you have with us or our affiliates, we will not grant to anyone else a franchise to operate, and we will not operate ourselves, a RED'S SAVOY PIZZA store physically located in your Designated Territory. Continuation of your Designated Territory does not depend on your maintaining minimum sales volume, market penetration, or other quota and, other than your default under the Franchise Agreement, we may not modify your Designated Territory. Outside of this restriction, we can perform or grant to third parties the right to perform any services or sell any items in or outside of your Designated Territory without compensation to you. For example, we can, and we can allow others to, operate a business that is located outside of your Designated Territory even if the business competes for customers within your Designated Territory. We also have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Designated Territory under the RED'S SAVOY PIZZA name or under any other name. We and our affiliates are also permitted to sell food products bearing the RED'S SAVOY PIZZA name, or our other names and marks, at grocery stores, supermarkets, and other similar locations both within and outside of your Designated Territory. We will not pay you any compensation for soliciting or accepting customers located inside your Designated Territory, or for exercising any of the rights specified above.

Except for the RED'S SAVOY PIZZA restaurants operated by our Licensees described in Item 1 of this Disclosure Document, we have no current plans to operate or franchise a business under a trademark different from the mark "THE ORIGINAL RED'S SAVOY PIZZA," which business will sell goods or services similar to those that are sold by you. However, we have the right to do so. Regardless of any restriction in this Item 12, we can sell our equity or assets to any third party regardless of whether the third party operates or franchises the operation of businesses in your territory that are similar to your Red's Savoy Store.

The Franchise Agreement provides that, without our prior written consent, you may not sell pizzas or related food products for delivery to locations outside of your Designated Territory. Similarly, our other franchisees and we are prohibited from selling pizzas and related food products for delivery to customer locations inside of your Designated Territory. You are not prohibited or otherwise restricted under the Franchise Agreement from advertising your Red's Savoy Store outside of your Designated Territory, subject to our approval rights. Similarly, our other franchisees and we and our affiliates are not prohibited or otherwise restricted from advertising their Red's Savoy stores within your Designated Territory.

All of your advertising, including your website, must be approved by us, and you must obtain our written approval before you establish any other Internet presence relating to or making reference to us, your business, or our system of operation. You do not have any options, rights of first refusal or similar rights to acquire additional franchises from us. We may not unilaterally alter your Designated Territory, and there are no minimum quotas you must meet to retain your Designated Territory. As long as your Franchise Agreement is in effect and you are in compliance with it and other agreements with us and our affiliates, you will retain the rights described in this section.

If you enter into a Development Agreement, you will receive the right to develop and operate Red's Savoy Stores in an agreed upon specified geographic area. The number of stores you must open in a particular area will vary depending on the area. We will negotiate this number with you. We will designate the area at the time you sign your Development Agreement. This area is referred to in your Development Agreement as the Development Area. As long as your Development Agreement is in effect, and you are not in default under the agreement or any other agreement with us, we will not grant to

anyone else a franchise to operate, and we will not operate, a RED'S SAVOY PIZZA store physically located in your Development Area prior to the earlier of termination of your last Red's Savoy Store to be opened under your Development Agreement. This is the only restriction on us in your Development Area. We can exercise any of the rights in your Development Agreement that are discussed above for a Designated Territory. As long as your Development Agreement is in effect, you will retain the rights we have initially given to you, even though the population of the Development Area may increase, but you must meet the development schedule contained in your Development Agreement. If you fail to meet this schedule or otherwise breach your Development Agreement, you will lose your right to continue to develop Red's Savoy Stores in your Development Area. The Development Agreement does not grant any options, rights of first refusal, or similar rights to you to acquire additional development rights in the Development Area or contiguous areas. You do not have the right to change your Development Area.

ITEM 13: TRADEMARKS

The Franchise Agreement gives you the right to operate a Red's Savoy Store under the trade names, trademarks and service marks that we license to you. You must follow our standards when you use these marks. You cannot use any of our names or marks as part of an entity name or with modifying words, designs or symbols, except for those we license to you. You may not use any of our names or marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

Our affiliate, RS USA, has registered the following marks on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration No.	Registration Date
THE ORIGINAL RED'S SAVOY PIZZA	85409361	June 19, 2012
THE ORIGINAL RED'S SAVOY PIZZA (logo and design)	4160397	June 19, 2012

These are the principal trademarks you will use in operation your Red's Savoy Store. We obtained the right to use these marks and all other marks and logos used by RS USA in its business, and these rights to license others, under a License Agreement dated September 8, 2011, between us and RS USA. Under the terms of that agreement, we may open our own businesses under these marks, and sublicense them to RED'S SAVOY PIZZA franchisees. RS USA may terminate the License Agreement, which runs for 30 years, if we fail to correct any of the following within 30 days after RS USA's notice: (1) any default under the License Agreement, or (2) by our and RS USA's mutual agreement. No other agreement limits our rights to use or license the marks.

We are not aware of any infringing uses that could materially affect your use of these marks. If you learn of an infringement of or challenge to your use of any of these marks, you must immediately notify us, and we will take the action we think is appropriate. We are not obligated, by the Franchise Agreement or otherwise, to protect your right to use any marks. However, we will protect you against claims of infringement or unfair competition from your use of marks we own or that are licensed to us as long as you are properly using them. We will have the right in this situation to take any action we think is appropriate to handle a claim.

We reserve the right to adopt new marks at any time, or to change our marks. If we adopt new marks, or change our existing marks, you must use the new or modified marks that we designate and discontinue the use of any marks we decide to change or discontinue. You must pay for all expenses

incurred by you in connection with the change or modification. You agree that you will not directly or indirectly contest our rights to our marks, trade secrets, or business techniques that are a part of our business.

There are no presently effective determinations of the USPTO, trademark trial and appeal board or trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings or any pending material litigation, involving these trademarks, service marks, trade names, logotypes and commercial symbols, which are relevant to their use where the franchise business is to be located. We do not know of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state in which the RED'S SAVOY PIZZA franchise is being offered.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the purchase of the franchise. We do own and claim copyright protection for our Manuals and for advertising and promotional materials, forms, and related materials that we produce, although these materials are not registered with the Copyright Office of the Library of Congress. These materials are our property and are proprietary and confidential. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement.

There are no currently effective determinations of the Copyright Office of the Library of Congress or any court regarding any of our copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will include information contained in our Manuals and in materials we may separately provide to you. These materials include trade secrets, knowledge or know-how, confidential information, recipes, advertising, marketing, designs, plans, or methods of operation. You may use these materials, in the manner we approve, in the operation of your business during the term of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. You may disclose this information to your employees, but only to the extent necessary to operate the business, and then only while your Franchise Agreement is in effect.

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

Under the Franchise Agreement, you must participate personally, on a full-time basis, in the operation of your Red's Savoy Store, or, if an entity buys the Red's Savoy Store, an owner of the entity must serve as the on-site manager, unless this requirement is waived by us in our sole business judgment. Although your on-site manager must be one of your owners if you are an entity, unless we otherwise approve, there is no minimum amount of equity interest that the on-site general manager must have. You and any on-site manager that we approve must successfully complete our initial training program and operate the business. We will not operate it for you and we will not provide managers for you. We do not require that your manager sign a non-competition or confidentiality agreement, but we suggest it. We will not approve a manager to operate your development business under a Development Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the standard RED’S SAVOY PIZZA menu and may not sell other menu items without our approval, which approval may be withheld in our business judgment. We may test new products or methods at company-owned or franchised units, and if we decide that the tests are successful, we may make changes in our menu. There are not any limits on our right to make changes in the food and/or beverage products contained in our standard menu.

We do not limit the customers to whom you may sell such goods or services, although you may not deliver food or other products outside your Designated Territory. We determine your Designated Territory at the time you sign your Franchise Agreement. You cannot operate other businesses from your Red’s Savoy Store.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
a.—Length of the franchise term a.	Franchise Agreement – Section 2(a)	The initial term is seven (7) years from the date of your Franchise Agreement.
	Development Agreement – Section 2.1	Expires on the date your last Red’s Savoy Store must be open under your Development Agreement.
b. Renewal or extension of the term	Franchise Agreement – Section 2(d)	You can renew for one seven (7) year renewal term if you meet certain requirements.
	Development Agreement – None	Not applicable.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
e. Requirements for franchisee to renew or extend <u>c.</u>	Franchise Agreement – Section 2(d)	You must give written notice of your election to renew not less than six (6) months and not more than nine (9) months before the end of the initial term, not be in default or have been in default under the Franchise Agreement or any other agreement with us or any affiliate, complete required renovation, pay all sums due, pay our renewal fee, meet current training requirements, be able to maintain possession of your site or secure and develop a suitable alternative site approved by us, and sign a release of claims. Also, you must sign a new Franchise Agreement, which may have terms and conditions that are materially different from your original Franchise Agreement.
	Development Agreement – None	No renewal rights.
d. Termination by franchisee <u>d.</u>	Franchise Agreement – Sections 3(b) and 19	You may terminate on ten (10) days notice if we default and do not cure a default within thirty (30) days after receiving notice from you.
	Development Agreement – None	Not applicable.
e. Termination by franchisor without cause	Franchise Agreement – Exhibit D	We may also terminate if you fail to find a suitable site within ninety (90) days of signing the Franchise Agreement.
	Development Agreement - None	Not applicable.
f. Termination by franchisor with cause <u>f.</u>	Franchise Agreement – Section 19(b)	We can terminate the franchise if you default on any agreement or policy and fail to cure within the required time.
	Development Agreement – Section 4	We may terminate only if you default, which includes a default of any of your Franchise Agreements with us.
g. “Cause” defined - curable defaults	Franchise Agreement – Section 19(b)	Except for violations described in (h) below, you have thirty (30) days to cure breaches under the Franchise Agreement (subject to applicable state law that may extend this time).

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
	Development Agreement – Section 4	Except for violations described in (h) below, you have thirty (30) days to cure breaches under the Development Agreement (subject to applicable state law that may extend this time).
<p>h. “Cause” defined - non-curable defaults</p> <p><u>h.</u></p>	Franchise Agreement – Sections 3(b) and 19(b)	Non-curable defaults include failure to secure a site within sixty (60) days from the date of the Franchise Agreement; failure to open your Red’s Savoy Store within five months from the date of the Franchise Agreement; felony conviction; abandonment; trademark misuse; unapproved transfers; failure to comply with laws and regulations; loss of possession of business; unauthorized use or disclosure of confidential information; failure to allow audit or inspection; failure to generally pay debts as they become due or insolvency or assignment for the benefit of creditors or bankruptcy; repeated violations; operating the business in a manner that threatens imminent harm; submitting false reports or records; making of misrepresentations.
	Development Agreement – Section 4.1	Non-curable defaults include felony conviction; abandonment; trademark misuse; insolvency or assignment for the benefit of creditors; bankruptcy; failure to comply with laws or regulations; unapproved transfers; consistent failure to pay third parties; signing a lease or opening prior to approval; failure to comply with the time for execution of a franchise agreement or the development schedule for Red’s Savoy Stores, material misrepresentations; any other breach of the Franchise Agreement and failure to cure.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
i. —Franchisee’s obligation on termination/non-renewal i.	Franchise Agreement – Sections 14, 15, and 19(d)	<p>You must discontinue use of all trade names, trademarks, service marks, signs, colors, structures, forms of advertising, use of our manuals and rules. You must discontinue use of printed goods with our marks or trade names, and you must return all manuals, bulletins and other supplied to you by us. You must pay any amounts due. You must transfer to us certain listings, websites, domain names and social media sites. You must maintain all confidential information. Your activities remain restricted by non-competition covenants (see <i>r</i> below).</p>
	Development Agreement – Section 5	<p>You must pay all sums owing to us, plus \$5,000 for each undeveloped Red’s Savoy Store under the terms of the Development Agreement. You must continue to operate your Red’s Savoy Stores in accordance with the applicable Franchise Agreement (unless that Franchisee Agreement is also terminated).</p>
j. Assignment of contract by franchisor	Franchise Agreement – Section 16(a); Development Agreement – Section 7.1	<p>There is no restriction on our right to assign.</p>
k. —“Transfer” by franchisee – defined k.	Franchise Agreement – Section 16(b)	<p>Includes transfer, assignment, sale, lease or other conveyance of contract, sale, transfer of business, or transfer of ownership in you or its owners.</p>
	Development Agreement – Section 7.2	<p>Includes a sale, assignment, lease, gift, pledge, mortgage or any other encumbrances, transfer by bankruptcy, judicial order, or operation of law, merger, consolidation, share exchange, of an interest in the Development Agreement, a material portion of Franchisee’s assets, or any interest in the Franchisee. This includes the termination of involvement by one principal of two principals that signed the agreement as franchisee.</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
l. Franchisor approval of transfer by franchisee	Franchise Agreement – Section 16(c); Development Agreement – Section 7.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer <u>m.</u>	Franchise Agreement – Section 16(c)	New franchisee must qualify; you pay our transfer fee (see Item 6); you pay us, our affiliates, and third party vendors all amounts due and submit all required reports; transferee signs our then-current franchise agreement and other documents; transferee agrees to upgrade and remodel the store within a specified timeframe; you sign a release of any claims you have against us, subordinate amounts due to you, and indemnify us for claims brought by the transferee.
	Development Agreement – Section 7.2	You must transfer all of your rights and interests under all Franchise Agreements for Red’s Savoy Stores you operate in the Development Area and, therefore, the assignment, terms and conditions of all of your Franchise Agreements will apply.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Franchise Agreement – Section 17 Development Agreement - None	You must inform us in writing of any bona fide offer to purchase or lease your Red’s Savoy Store, and we will have thirty (30) days to give you notice that we will purchase or lease the business on the same terms – except that we may substitute cash for equivalent noncash consideration.
	Development Agreement – None	Not applicable.
o. Franchisor’s option to purchase franchisee’s business	Franchise Agreement; Development Agreement - None	Not applicable.
p. Death or disability of franchisee <u>p.</u>	Franchise Agreement – Section 16(c)(ii)(i)	On death or disability, you may transfer your interests under the Franchise Agreement to your heirs, if your heirs agree in writing to assume your obligations under the Franchise Agreement and comply with our other conditions to transfer in <i>m</i> above.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
	Development Agreement – Section 7.2	On death or disability, you may transfer your interests under the Development Agreement to your heirs, if your heirs agree in writing to assume your obligations under the Development Agreement and comply with our other conditions to transfer in <i>m</i> above.
<p>q. Non-competition covenants during the term of the franchise</p> <p><u>q.</u></p>	Franchise Agreement – Section 15	You, your manager, your owners, guarantors, officers, directors, partners, members, and any spouses and immediate family members of these individuals, may not own or be affiliated with a competitive business or permit any other person to operate any other business from the premises of your business or use any asset of your business in any other business. These individuals may not hire, offer to hire, or otherwise solicit any employee, officer, director, or independent contractor of ours, any affiliate or any other franchisee of ours, to terminate its relationship with us, our affiliates or another franchisee. A “competitive business” is one that sells pizza products to consumers for on-site consumption, delivery or carry-out.
	Development Agreement – Section 8	Provisions of the Franchise Agreement apply.
<p>r. Non-competition covenants after the franchise is terminated or expires</p> <p><u>r.</u></p>	Franchise Agreement – Section 15	For eighteen (18) months following the termination, assignment or expiration of your Franchise Agreement, your manager, your owners, guarantors, officers, directors, partners, members, and any spouses and immediate family members of these individuals, may not be associated with, or in, the operation of business which offers products or services that are similar to or competitive with the pizza and related food products contained on our then-current standard menu in your Designated Territory or within ten (10) miles of any existing company-owned or franchised Red’s Savoy Store. These individuals may not hire, offer to hire, or otherwise solicit any employee, officer, director, or independent contractor of ours, any affiliate or any other franchisee of ours, to terminate its relationship with us, our affiliates or another franchisee.

PROVISION	SECTION IN FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT	SUMMARY
	Development Agreement – Section 8	Provisions of Franchise Agreement apply.
s. Modification of the agreement s. _____	Franchise Agreement – Section 23(i)	Any change in Franchise Agreement must be made by written agreement signed by both parties; provided that we can modify our operations manuals, policies, and other rules.
	Development Agreement – Section 8	No modifications without consent of all parties.
t. Integration/merger clause	Franchise Agreement – Section 23(c)	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises or representations (other than those in this Disclosure Document) may not be enforceable.
	Development Agreement – Section 8	Only the terms of the Development Agreement are binding (subject to state law). Any other promises or representations (other than those in this Disclosure Document) may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement – Section 20	Except for certain claims, all disputes must be first submitted to nonbinding mediation at a site selected by the mediator, and then to arbitration in Minneapolis, Minnesota.
	Development Agreement – Section 8	Provisions of Franchise Agreement apply.
v. Choice of forum	Franchise Agreement – Section 20(e)	Subject to mediation and arbitration requirements, litigation must be in Hennepin County, Minnesota <u>(subject to applicable state law)</u> .
	Development Agreement – Section 8	Provisions of Franchise Agreement apply.
w. Choice of law	Franchise Agreement – Section 23(a)	Minnesota law generally applies <u>(subject to applicable state law)</u> .
	Development Agreement – Section 8	Provisions of Franchise Agreement apply.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

Except as set forth below, we do not make any representations about a franchisee's future financial performance or the past financial performance of Red's Savoy Stores. We do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Senior Vice President and General Counsel, Michael Mergens, at 1300 NE Godward Street, Suite 1600, Minneapolis, MN 55413, 612-207-5660, the Federal Trade Commission, and the appropriate state regulatory agencies.

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

FACTUAL BACKGROUND

The franchise model is a forty- to sixty-seat, fast-casual style restaurant with carry out and delivery that serves beer and wine. We signed one franchise agreement in 2013 for this model that opened in Edina, Minnesota in February 2014 and a second store that for this model that opened in Eden Prairie, Minnesota in September, 2014. ~~We also signed one development agreement to open three stores on this model.~~ As noted in Item 1, Between September 2009 and May 2011, E&V granted a number of license agreements allowing Licensees to operate pizza restaurants under THE ORIGINAL RED'S SAVOY PIZZA mark. The former Licensees, now franchisees, opened prior to the existing fast-casual model and operate under the Mark with a variety of store configurations from carry-out and delivery only, to locations with limited seating, to full restaurant seating. New franchisees are expected to open fast-casual style restaurants, although we may in our sole business judgment allow variations in store configuration.

FINANCIAL PERFORMANCE PROJECTION FOR FAST CASUAL MODEL

The following chart reflects a franchisee's projected Gross Revenue based on the average number of times a seat "turns" per day based on a forty-seat location. We have based our projections based on the revenue reports of our existing franchises, which are not audited, and the experiences of our affiliate E&V.

The material bases and assumptions underlying these projections include, and your future performance results are expected to depend upon, among other things, your franchised business's geographic location, the extent of competition in the market area, assistance or services supplied by the Franchisor, number of

turns, attention to detail, effectiveness and scope of marketing efforts, and personnel, the economic climate, market conditions, seasonal changes, operating expenses, and taxation, among other things

THESE FIGURES ARE ONLY ESTIMATES OF WHAT WE THINK YOU MAY EARN. YOUR INDIVIDUAL RESULTS MAY DIFFER. THERE IS NO ASSURANCE THAT YOU WILL EARN AS MUCH.

Annual Sales Projections ¹	1.5 turns	1.75 turns	2 turns	2.25 turns	2.5 turns
Dine-in sales	\$345,600	\$403,200	\$460,800	\$518,400	\$576,000
Take-out and delivery	\$531,340	\$607,250	\$683,156	\$759,062	\$800,371
Total ²	\$876,940	\$1,010,449	\$1,143,956	\$1,277,462	\$1,335,062

¹ The financial performance figures above do not reflect the costs of food or beverages, the costs of labor, other operating expenses, or other costs or expenses that must be deducted from the Gross Revenue figures to obtain net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in **Exhibit G** to this Disclosure Document may be one source of this information.

² The figures represent a projection of annual gross revenue from the sale of food and beverage sales of a fast-casual restaurant with carry-out/delivery that serves beer and wine for dine-in sales. The projections are based on average ticket prices, our recommended pricing and adequate staff, space, and equipment to produce and deliver the assumed level of orders. The actual gross revenue for your location may vary considerably from these projections based on a number of factors, including, without limitation, the size and make-up of the orders from your customer base, any discount programs you may offer, the level of competition in your area, any pricing adjustments you choose to make, etc.

PAST PERFORMANCE OF RED'S SAVOY STORES

Red's Savoy had ~~eight (8)~~ eleven (11) franchises that were opened for operations in 2014~~3~~. The following table provides Gross Revenue information of these locations for January 1, 2014~~3~~ through December 31, 2014~~3~~, however, three of the stores opened midway through the year. The information is based on revenue reports we received from our franchisees, which were not audited.

RANGE OF GROSS REVENUE ¹	NO. OF OUTLETS IN RANGE
0-\$370,000 ²	0 2
\$370,001-\$450,000 ³	4 3
\$451,000 - \$550,000	1 2
\$551,000 - \$700,000	3 2
\$701,000 - \$800,000	0
\$801,000 - \$900,000 ⁴	1 2

In addition, E&V operates as a full-service pizza restaurant serving beer, wine and alcohol. The gross revenue for this location exceeded \$2,000,000.00 for the 2013 fiscal year. This Disclosure Document does

not contemplate you opening a full-service restaurant; however, for a potential franchisee with demonstrated restaurant experience, we would consider permitting a full-service location.

¹ A new location’s results are likely to differ from those of established locations and the past financial performance figures above are not a forecast of future financial performance. The characteristics of the outlets included in the above table materially differ from the franchises now offered because the existing Outlets in 2013 did not operate as fast-casual style restaurants serving beer and wine.

² The two stores included in this category opened in 2014. One store converted to a Red’s Savoy Store in July 2014. The second store opened as a new location in September 2014.

³ Included in the ~~four~~ three outlets is the location operated by E&V at 520 White Bear Avenue N, St. Paul, Minnesota 55106.

⁴ One of the stores in this category opened in February 2014.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary for Years 20121, 20132 and 2014¹				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised ²	2012 2011	00	80	+80
	2013 2012	80	88	0+8
	2013 2014	88	118	+30
Company-Owned ³	2012 2011	33	33	00
	2013 2012	33	33	00
	2013 2014	33	33	00
Total Outlets	2012 2011	33	113	+80
	2013 2012	113	111	0+8
	2013 2014	111	141	+30

1. All numbers are as of December 31, our fiscal year end.
2. We were formed in June 2011 and first began offering franchises in September 2011. In 2012, we converted eight locations operated by Licensees into franchised locations in Minnesota, Wisconsin, and Nebraska (see Item 1).
3. The company-owned outlets are owned by our affiliate, E&V or a member of the Schoenheider family.

~~3-~~ Table No. 2

Transfers of Outlets from Franchisee to New Owners (Other than the Franchisor) for Years 2012 1 , 2013 2 and 2014 3 ¹		
State	Year	Number of Transfers
Totals	2012 2011	<u>1</u> 0
	2013 2012	<u>0</u> 1
	2014 2013	<u>1</u> 0

- All numbers are as of December 31, our fiscal year end.

Table No. 3

Status of Franchised Outlets for Years 2012 1 to 2014 3 ^{1,2}								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by the Company (or an affiliate)	Ceased Operations-Other Reason	Outlets at End of the Year
Minnesota	2012 2011	<u>0</u> 0	<u>6</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>6</u> 0
	2013 2012	<u>6</u> 0	<u>0</u> 6	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>6</u> 6
	2014 2013	<u>6</u> 6	<u>3</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>9</u> 6
Wisconsin	2012 2011	<u>0</u> 0	<u>1</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 0
	2013 2012	<u>1</u> 0	<u>0</u> 1	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1
	2014 2013	<u>1</u> 1	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1
Nebraska	2012 2011	<u>0</u> 0	<u>1</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 0
	2013 2012	<u>1</u> 0	<u>0</u> 1	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1
	2014 2013	<u>1</u> 1	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>1</u> 1
Totals	2012 2011	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0
	2013 2012	<u>0</u> 0	<u>8</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>8</u> 0
	2014 2013	<u>8</u> 0	<u>3</u> 8	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>0</u> 0	<u>11</u> 8

- All numbers are as of December 31, our fiscal year end.
- We were formed in June 2011 and first began offering franchises in September 2011. In 2012, we converted eight locations operated by Licensees into franchised locations (see Item 1) in Minnesota, Wisconsin, and Nebraska. The names, address, and telephone numbers of

these franchisees as of the date of this Disclosure Document are listed in **Exhibit F** to this Disclosure Document.

Table No. 4

Status of Company-Owned Outlets for Years 20121 to 20143^{1,2}									
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by the Company (or an affiliate)	Ceased Operations-Other Reason	Outlets at End of the Year	
Minnesota	2012 1	3	0	0	0	0	0	3	
	2013 2	3	0	0	0	0	0	3	
	2014 3	3	0	0	0	0	0	3	
Totals	2012 1	3	0	0	0	0	0	3	
	2013 2	3	0	0	0	0	0	3	
	2014 3	3	0	0	0	0	0	3	

- All numbers are as of December 31, our fiscal year end.
- As noted in Item 1, our affiliate, E&V operates RED'S SAVOY PIZZA restaurants at: (1) 421 7th Street East, St. Paul, Minnesota 55101, telephone number 651-227-1437, and (2) 520 White Bear Ave N, St. Paul, Minnesota 55106, telephone number 651-731-1068. A member of the Schoenheider family operates the RED'S SAVOY PIZZA restaurant at 1642 ½ Hastings Avenue, Newport, MN 55055, telephone number 651-458-5212.

Table No. 5

Projected New Franchised Outlets as of December 31, 20112014			
State	Franchise Agreement Signed at End of Last Fiscal Year But Outlet Not Opened	Projected New Franchised Outlets in the New Fiscal Year	Projected New Company-owned (or Affiliate-owned) Outlets in the New Fiscal Year
Minnesota	<u>0</u> 2	<u>3</u> 2-3 4	<u>1</u> 2
Wisconsin	0	1-2	0
Other States	0	1-2 4	0
Total	0	<u>6</u> 5-7 16	<u>1</u> 2

These are the RED'S SAVOY PIZZA stores that we presently expect to open in the next year. We continue to look for franchisees in the upper Midwest and will open additional stores in these and other states in this fiscal year, if we find qualified franchisees. We may open company-owned stores during the current fiscal year.

Exhibit F is a list of our franchised locations as of the date of this Disclosure Document. Our affiliate locations are identified after Table 4 above. At your request, we will provide you with a list of

the names, addresses and telephone numbers of all our franchisees before you sign the Franchise Agreement. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~In the 12-month period ending December 31, 2014, the following is a list of all no franchisees who have been were terminated, canceled, not renewed, or otherwise voluntarily ceased to do business under the Franchise Agreement during the 12-month period ending December 31, 2014³, or who have or did not communicate, with us within 10 weeks of our application date. However, the one following franchisee sold substantially all its assets and transferred its rights under the Franchise Agreement:~~

<u>Name</u>	<u>City and State</u>	<u>Telephone Number</u>
<u>Kinsella Enterprises, Inc.</u>	<u>Vadnais Heights, Minnesota</u>	<u>763.390.9845</u>

~~Name _____ City and State _____ Telephone Number
N/A Kinsella Enterprises, Inc. Vadnais Heights, MN 763.390.9845~~

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience as a franchisee in our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

In December 2011, we formed a Red’s Savoy Pizza Franchisee Advisory Council (the “Council”) in order to promote communication between franchisees in the Red’s Savoy Pizza franchise system and us. For information, contact: Michael Mergens, Senior Vice President and General Counsel, Red’s Savoy Franchise, LLC, 1300 Godward Street, Suite 1600, Minneapolis, MN 55413, 612-207-5660, mike@savoypizza.com.

ITEM 21: FINANCIAL STATEMENTS

As noted in Item 1, Red’s Savoy Franchise, LLC was formed on June 22, 2011. Attached to this Disclosure Document as **Exhibit G** is a copy of the audited financial statements for the franchisor for the fiscal years ended December 31, 2014³, December 31, 2013² and December 31, 2012¹.

ITEM 22: CONTRACTS

Attached to this Disclosure Document as **Exhibit C** is a copy of the RED’S SAVOY PIZZA Franchise Agreement and Guaranty to be signed by the shareholders of a corporate franchisee, members of a limited liability company franchisee, or partners of a partnership franchisee, as a condition of your transfer of the Franchise Agreement to a corporation, limited liability company or partnership. Also attached is an example of a release you must sign if you want to sell, assign or transfer your Franchise Agreement to an unrelated third party or to an entity or partnership that you do not own or control. Attached as part of **Exhibit G** is a Franchise Agreement Transfer form if you want to sell, assign or transfer your Franchise Agreement to a corporation, limited liability company, or partnership you own.

Attached to this Disclosure Document as **Exhibit D** is a copy of the RED’S SAVOY PIZZA Area Development Agreement and Guaranty to be signed by the shareholders of a corporate franchisee, members of a limited liability company franchisee, or partners of a partnership franchisee, as a condition of your transfer of the Development Agreement to a corporation, limited liability company or partnership.

Also attached is an example of a release you must sign if you want to sell, assign, or transfer your Development Agreement to an unrelated third party or to an entity or partnership that you do not own or control. Attached as part of **Exhibit G** is a Development Agreement Transfer form if you want to sell, assign or transfer your Development Agreement to a corporation, limited liability company, or partnership you own.

You should review these agreements carefully, as they are the binding documents ~~which~~that control your relationship with us. While it is important and helpful to crosscheck the information with the various items in this Disclosure Document, there is no substitute for a careful review of these agreements by you and an attorney, accountant, or other competent business advisor. We encourage you to retain the services of an attorney, accountant, and/or professional advisor in connection with the acquisition of a RED'S SAVOY PIZZA store.

ITEM 23: RECEIPTS

The last two pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign and date both receipts and return one to us.



EXHIBIT A

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES & AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	<p>Department of Business Opportunities Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677</p> <p>1350 Front Street, Room 2034 San Diego, CA 92101-3697</p> <p>One Sansome Street, Ste. 600 San Francisco, CA 94104</p> <p>1515 K Street Suite 200 Sacramento, CA 95814-4052</p>	<p>California Commissioner of Business Opportunities Oversight California Dept. of Corporations 320 W. 4th Street, Suite 750 Los Angeles, California 90013</p>
HAWAII	<p>State of Hawaii -Business Registration Division Department of Commerce and Consumer Affairs -335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2744</p>	<p>Commissioner of Securities -335 Merchant Street, Room 205 -Honolulu, HI 96813</p>
ILLINOIS	<p>Franchise Division Office of the Attorney General -500 South Second Street -Springfield, IL 62706 -(217) 782-4465</p>	<p>Illinois Attorney General -500 South Second Street -Springfield, IL 62706</p>
INDIANA	<p>Securities Commissioner Indiana Securities Division -Room E -111 302 West Washington Street Indianapolis, IN 46204 -(317) 232-6681</p>	<p>Indiana Secretary of State -201 State House -200 West Washington Street -Indianapolis, IN 46204</p>
MARYLAND	<p>Office of the Attorney General -Securities Division -200 St. Paul Place -Baltimore, MD 21202 (410) 576-7044</p>	<p>Maryland Securities Commissioner -200 St. Paul Place -Baltimore, Maryland 21202-2020</p>

MICHIGAN	Michigan Department of Attorney General -Consumer Protection Division -Antitrust and Franchise Unit -670 Law Building Lansing, MI 48913 -(517) 373-7117	Michigan Department of Commerce -Corporations and Securities Bureau -670 Law Building -Lansing, MI 48913
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 -St. Paul, MN 55101 -(651) 296-4026	Minnesota Commissioner of Commerce -85 7th Place East, Suite 500 -St. Paul, MN 55101
NEW YORK	Bureau of Investor Protection and Securities -New York State Department of Law -120 Broadway, 23rd Floor -New York, NY 10271 (212) 416-8222	Secretary of State of New York -41 State Street Albany, NY 12231-0001
NORTH DAKOTA	North Dakota Securities Department -600 East Boulevard Avenue -State Capitol – 5th Floor -Bismarck, ND 58505-0510 (701) 328-2910	North Dakota Securities Department -600 East Boulevard Avenue -State Capitol – 5th Floor -Bismarck, ND 58505-0510
RHODE ISLAND	Securities Division -Department of Business Registration -1511 Pontiac Avenue -John O. Pastore Center Building -69-1 Cranston, RI 02920 (401) 277-3048	Director of Department of Business Regulation -1511 Pontiac Avenue -John O. Pastore Center Building -69-1 Cranston, RI 02920
SOUTH DAKOTA	<u>Department of Labor and Regulation</u> Division of Securities State of South Dakota 445 E. Capitol Avenue 124 S. Euclid, Suite 104 -Pierre, SD 57501-3185 (605) 773-4823	<u>Department of Labor and Regulation</u> Director of South Dakota Division of Securities 445 E. Capitol Avenue 124 S. Euclid, Suite 104 -Pierre, SD 57501-3185

<p style="text-align: center;">VIRGINIA</p>	<p style="text-align: center;">State Corporation Commission -Division of Securities and Retail Franchising -1300 E. Main Street, Ninth Floor -Richmond, VA 23219 (804) 371-9051</p>	<p style="text-align: center;">Clerk of the State Corporation Commission -1300 E. Main Street, First Floor -Richmond, VA 23219</p>
<p style="text-align: center;">WASHINGTON</p>	<p style="text-align: center;">Department of Financial Institutions -Securities Division -P. O. Box 41200 -Olympia, WA 98504 (360) 902-8700</p>	<p style="text-align: center;">Department of Financial Institutions -Securities Division -P. O. Box 41200 -Olympia, WA 98504 (360) 902-8700</p>
<p style="text-align: center;">WISCONSIN</p>	<p style="text-align: center;">Commission of Securities -345 West Washington Ave. -Madison, WI 53703 (608) 266-1365</p>	<p style="text-align: center;">Wisconsin Commissioner of Securities -345 West Washington Ave. -Madison, WI 53703</p>



EXHIBIT B

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

STATE-SPECIFIC ADDENDA

~~STATE SPECIFIC ADDENDUM
AS REQUIRED BY THE CALIFORNIA FRANCHISE INVESTMENT LAW~~

~~In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 et seq. the Franchise Disclosure Document (“FDD”) for Red’s Savoy Franchise, LLC for use in the State of California shall be amended as follows:~~

~~Item 3 of the FDD is supplemented to include the following:~~

~~Neither Red’s Savoy Franchise, LLC, nor any person or franchise broker listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the securities exchange act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.~~

~~Item 5 of the FDD, and the Franchise and Area Development Agreements shall be supplemented to include the following:~~

~~Payment of all initial fees and the Initial Technology Fee and training and Opening Team Expenses are postponed until after all of Franchisor’s initial obligations are complete and the Franchisee is open for business.~~

~~Item 17 of the FDD, and the Franchise and Area Development Agreements shall be supplemented to include the following:~~

~~California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement or Area Development Agreement contains a provision that is inconsistent with the law, the law will control.~~

~~The Franchise and Area Development Agreements provide for termination upon bankruptcy. Those provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).~~

~~The Franchise and Area Development Agreements contain covenants not to compete which extend beyond the termination of those respective agreements. Those provisions may not be enforceable under California law.~~

~~Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as the Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of a franchise agreement restricting venue to a forum outside the state of California.~~

~~The Franchise and Area Development Agreements requires application of the law of the State of Minnesota. This provision may not be enforceable under California law.~~

~~Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.~~

~~The Franchise and Area Development Agreements contain liquidated damages clauses. Under California Civil Code, Section 1671, certain liquidated damages clauses are unenforceable.~~

~~You must sign a general release of claims if you transfer or renew your Franchise Agreement. You must also sign a general release of claims if you transfer your Area Development business. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).~~

~~**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**~~

~~**OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.**~~

~~STATE SPECIFIC ADDENDUM
AS REQUIRED BY
REQUIRED BY THE STATE OF ILLINOIS~~

~~Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA Disclosure Document ("FDD"), the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of Illinois:~~

~~This Illinois Addendum is only applicable if you are a resident of Illinois or if your business will be located in Illinois.~~

~~Item 5 shall be supplemented to include the following disclosure:~~

~~Pursuant to Under Section 15 of the Illinois Disclosure Act and Section 200.500 of the Rules and Regulations promulgated thereunder, the Illinois Attorney General may require the deferral of the initial franchise fee until the franchisee has opened for business under a franchise agreement. Due to our financial condition as stated in our audited financial statements included in the Franchise Disclosure Document, we have agreed that fees will be deferred until:~~

- ~~— Franchisor has met its obligations to franchisee; AND~~
- ~~— Franchisee has commenced doing business.~~

~~to defer payment of the Initial Franchise Fee by franchisees subject to the Illinois Disclosure Act until after the franchisee has commenced doing business pursuant to the Franchise Agreement.~~

~~Item 17 shall be supplemented to include the following disclosure:~~

~~The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.~~

~~Illinois law governs the agreements between the parties to this franchise.~~

- ~~— Any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois. 815 ILCS 705/4 (West 2010).~~
- ~~— Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois, is void. 815 ILCS 705/41 (West 2010).~~

~~The Franchise Agreement provides that the law of a forum outside of Illinois applies. However, the foregoing choice of law clause should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern.~~

~~Any provision which designates jurisdiction or venue or requires franchisee/developer to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except mediation may take place outside the State of Illinois.~~

~~Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.~~

STATE SPECIFIC ADDENDUM
AS REQUIRED BY THE MINNESOTA FRANCHISE LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of Minnesota:

The Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise 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. We will comply with Minn. Stat. Section 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) of the Franchise Agreement and Development Agreement, and 180 days notice for non-renewal of the Franchise Agreement.

3. Item 13 is revised to include the following language:

“To the extent required by the Minnesota Franchise Act, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks, provided you are using the names and marks in accordance with the Franchise Agreement and/or Development Agreement.”

4. Item 17(c) and 17(m) are revised to provide that we cannot require you to sign a release of claims under the Minnesota Franchise Act as a condition to renewal or assignment of the Franchise Agreement.

5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

STATE SPECIFIC ADDENDUM
AS REQUIRED BY
THE NORTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the ~~state~~ State of North Dakota:

This North Dakota Addendum is only applicable if you are a resident of North Dakota or if your business will be located in North Dakota.

1. Item 5 of the FDD, and the Franchise and Area Development Agreements shall be supplemented to include the following:

“Payment of the initial franchise fee, all other initial fees, the initial Technology Fee, the Website Establishment Fee, and training and Opening Team Expenses are due at the time that all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”

~~“Payment of all initial fees and the initial Technology Fee and training and Opening Team Expenses are due at the time that all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”~~

2. The North Dakota Securities Commissioner has determined that it is unfair and ~~unequitable~~ inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17c. and from any other place it appears in the Disclosure Document.
3. Item 17r. is revised to provide that covenants not to compete, such as those mentioned in Item 17r. of the Disclosure Document, are generally considered unenforceable in the state of North Dakota.
4. The North Dakota Securities Commissioner has determined that it is unfair and ~~unequitable~~ inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota, including courts in Minnesota. Therefore, any references and any requirements in the Disclosure Document ~~to Section 18.F of the, Franchise Agreement, and Development Agreement~~ are deleted and to any requirement that the franchisee consents to the jurisdiction of courts located outside of North Dakota are deleted from Item 17v.
5. The franchisor and franchisee’s relationship as described in the Disclosure Document, Franchise Agreement, and Development Agreement, and any claims arising from the relationship or the agreements, whether arising under the North Dakota franchise law or otherwise, will be governed by the laws of the State of North Dakota.
- ~~5.6.~~ Any references in the Disclosure Document or the, Franchise Agreement, or Development Agreement to any requirement to consent to a waiver of ~~exemplary and punitive damages~~ trial by jury are deleted.
- ~~6.7.~~ Any references in the Disclosure Document, Franchise Agreement, or the Franchise Development Agreement to any requirement to consent to a waiver of ~~trial by jury~~ exemplary and punitive damages are deleted.

- ~~6. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.~~
- ~~7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.~~
8. 8.—Any reference in the Disclosure Document, Franchise Agreement, or Development Agreement to any requirement to consent to a limitation of claims within one year is amended to read that, “the statute of limitations under North Dakota Law will apply.”
~~Any references in the Disclosure Document requiring franchisee to consent to termination penalties or liquidated damages are deleted.~~
- ~~9. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.~~
- ~~10. Any references in the Disclosure Document requiring franchisee to consent to termination penalties or liquidated damages are deleted.~~
11. Each provision of the Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment law are met independently without reference to this Addendum.

STATE SPECIFIC ADDENDUM
AS REQUIRED BY THE SOUTH DAKOTA FRANCHISE INVESTMENT LAW

In recognition of the requirements of the South Dakota Franchise Investment Law, the Franchise Disclosure Document (“FDD”) for Red’s Savoy Franchise, LLC for use in the State of South Dakota shall be amended as follows:

Item 5 of the FDD, and the Franchise and Area Development Agreements shall be supplemented to include the following:

“Payment of all initial fees and the initial Technology Fee and training and Opening Team Expenses are due at the time that all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”



EXHIBIT C

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT, GUARANTY, AND OTHER EXHIBITS

RED'S SAVOY FRANCHISE AGREEMENT

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RED'S SAVOY FRANCHISE AGREEMENT

THIS AGREEMENT is made effective as of the ___ day of _____, 20__ (the "Effective Date"), by and between RED'S SAVOY FRANCHISE, LLC, a Minnesota limited liability company ("Franchisor"), and _____, a _____ ("Franchisee").

INTRODUCTION

Franchisor and its affiliates have developed certain recipes, formulas, food preparation procedures, business methods, policies, and techniques—including Franchisor's trade secrets, proprietary and other confidential information—for operating a store selling pizza and other related menu items for on-site consumption, delivery, and carryout under the "THE ORIGINAL RED'S SAVOY PIZZA" name and mark. Franchisor desires to grant franchises to qualified persons to use the concepts, programs and methods of promotion that the Franchisor and its affiliates developed to conduct such a business using Franchisor's Name and Marks (defined below). Franchisee applied to Franchisor for such a franchise and the Franchisor has approved the application in reliance upon all of the representations made in the application.

NOW, THEREFORE, in consideration of the mutual promise of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **DEFINITIONS.**

For purposes of this Agreement, the terms and phrases specified below have the following meanings:

(a) "Approved Products" means pizza and other products the Franchisor approves for sale from the Franchised Store.

(b) "Competitive Business" means any business that sells pizza products to consumers for on-site consumption, delivery, or carry-out.

(c) "Designated Territory" means the area surrounding the Franchised Location that is identified in Exhibit A to this Agreement, which is also Franchisee's delivery area.

(d) "Franchise" means the right Franchisor grants to Franchisee to use the System of Operation and the Names and Marks that Franchisor selected, used, and promoted in the operation of a retail store selling the Approved Products.

(e) "Franchise Location" means the actual site at which the Franchised Store is located as set forth below.

(f) "Franchised Store" means the retail store franchised under this Agreement to operate utilizing the System of Operation and the Names and Marks.

(g) "Gross Revenues" means all revenue that Franchisee derives from operating the Franchised Store, including, but not limited to, all amounts received at or away from the Franchised Location, all delivery and catering charges, and all amounts from the redemption of gift or loyalty cards;

whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and all proceeds from business interruption insurance. “Gross Revenues” (1) excludes all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, and (2) is reduced by the amount of any documented refunds, credits, and discounts the Franchisee gives to customers in good faith (if those amounts originally were included in calculating Gross Revenues).

(h) “Names and Marks” means the commercial trade names, trademarks, service marks, domain names, and other commercial symbols, including associated logos, that Franchisor now or hereafter selects, uses, or promotes in connection with the System of Operation.

(i) “Operating Manual(s)” has the meaning set forth in Paragraph ~~8(d)~~8(d) of this Agreement.

(j) “Red’s Savoy Store” means a pizza store operating in the System of Operation.

(k) “Social Media Site” means any Internet website or home page, social networking and/or social media website, profile, account, or username relating to or referring to Franchisor, the Franchised Store, or the System of Operation.

(l) “System of Operation” means the business plans, procedures, and methods Franchisor and its affiliates developed for use in connection with the design, construction, and operation of a store selling Approved Products for on-site consumption, carryout, and delivery under the Name and Marks defined below. The “System of Operation” includes standards, specifications, methods, procedures, recipes, formulas, food-preparation procedures, techniques, accounting systems, management systems, identification schemes, and other information about the operation of a pizza store, all of which Franchisor may change, improve, and further develop from time to time.

(m) “Term” means the period during which the rights granted by the Agreement are in effect, beginning on the Effective Date, and (unless terminated earlier under the terms and conditions of this Agreement) ending on the day before the seventh (7th) anniversary date of this Agreement, subject to the ability to renew under Section 2.

(n) “Trade Secret Food Products” means Franchisor’s specially-produced proprietary lines of pizza sauce, sausage, and other food products that it designates from time to time.

3.2. GRANT OF FRANCHISE/RENEWAL.

(a) Grant of Franchise. Subject to the provisions of this Agreement, Franchisor grants a Franchise to Franchisee for an initial term of seven (7) years, beginning on the date of this Agreement, to use the System of Operation and the Names and Marks in the operation of a retail store at the Franchise Location that sells Approved Products; and to deliver Approved Products from the Franchised Store at the Franchise Location throughout the Delivery Area. Franchisee may not operate the Franchised Store except at the Franchise Location, and may not deliver products produced at the Franchised Store or using the Name and Marks except within the Designated Territory. Franchisee covenants that it will use its best efforts to promote sales of Approved Products from its Franchised Store throughout the Designated Territory. With Franchisor’s consent, Franchisee may make deliveries to customers outside of its Designated Territory if those deliveries are not to locations in the designated territory of another Red’s Savoy Store and those deliveries are made to locations located within ten (10) minutes’ drive time from

the Franchised Store, as determined by Franchisor, in its sole and absolute discretion. Franchisee acknowledges that Franchisor may terminate this right at any time and will terminate this right if it grants a franchise or establishes a company-owned store that has a delivery area that includes any of these locations.

(b) No Subfranchise Right. The Franchise granted by this Agreement is personal to Franchisee. Franchisee may not subfranchise all or any part of the Franchise granted by this Agreement to any other person or entity.

(c) Relocation Rights. Franchisee must obtain Franchisor's consent before relocating its Franchised Store. Franchisee must supply Franchisor with justification for the relocation (such as expiration of an existing lease or changed demographics) and any other information Franchisor requests. This Agreement governs Franchisee's operations at any replacement store and this Agreement will refer to any such store as the "Franchised Store." If Franchisor approves a change in the Franchised Store's location, Franchisor may also change the Designated Territory to conform to its then-current standards for the grant of similar territories. Franchisee will refrain from placing "For Sale" or similar signs at or in the general vicinity of the Franchised Store and from using any words in any advertising denoting that the subject of a sale is a Red's Savoy Store without Franchisor's prior written approval.

(d) Renewal. Franchisee may, at its option, renew this Franchise for one (1) additional period of seven (7) years, if: (i) Franchisor is still offering franchises at that time; and (ii) Franchisee has, during this Agreement's Term, complied with all of this Agreement's provisions, operated the Franchised Store using and conforming to the System of Operation, and exclusively using the Names and Marks in operating the Franchised Store:

(i) Franchisee will give Franchisor written notice of its election to renew at least six (6) months and not more than nine (9) months before the end of the then-current term. Franchisee's failure or refusal to execute all agreements and documents within thirty (30) days after delivery to Franchisee will be deemed Franchisee's election not to renew the Franchise.

(ii) Franchisee must not be in default under any of this Agreement's provisions, any amendment hereof or successor hereto, or any other agreement between Franchisor (or Franchisor's affiliate) and Franchisee, and Franchisee will have complied with all the terms and conditions of all such agreements during the respective terms thereof.

(iii) Franchisee will complete to Franchisor's satisfaction the maintenance and renovation to the Franchised Store as Franchisor reasonably requires in writing.

(iv) Franchisee will have satisfied all monetary obligations owed by Franchisee to Franchisor (or any of Franchisor's affiliates), and will have timely met these obligations throughout the previous term.

(v) Franchisee recognizes that the terms of franchise agreements used by Franchisor upon expiration of the Franchise's initial Term are likely to be substantially different than the terms presently offered by Franchisor. To renew the Franchise, Franchisee must execute Franchisor's then-current franchise agreement offered to prospective new franchisees and all other agreements and legal instruments and documents then customarily employed by Franchisor in granting Franchises to new franchisees purchasing single location Red's Savoy franchises.

(vi) Franchisee will have paid Franchisor a renewal fee of Two Thousand Five Hundred Dollars (\$2,500.00).

(vii) Franchisee will comply with Franchisor's then-current qualification and training requirements.

(viii) Franchisee will execute a general release, in a form prescribed by Franchisor, releasing any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees.

(e) If Franchisee does not sign a new franchise agreement before this Agreement's Term expires, and Franchisee continues to accept this Agreement's benefits after this Agreement expires, then at Franchisor's option this Agreement will be deemed to: (i) have expired as of the date of its stated expiration, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) be continuing on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of the party's intent to terminate the Interim Period, in which case the Interim Period will terminate (with no right to renew) thirty (30) days after receipt of the notice to terminate the Interim Period. Notwithstanding anything set forth herein to the contrary: (i) all Franchisee's obligations will remain in full force and effect during the Interim Period as if the Franchisee's Term had not expired; and (ii) all obligations and restrictions imposed on Franchisee upon this Agreement's expiration will be deemed to take effect upon termination of the Interim Period.

4.3. DESIGNATED TERRITORY.

(a) Search Area. Franchisee will have the right to operate the Franchised Store at one (1) location only. The Franchised Store will be located at a site Franchisee selects, and Franchisor approves, in the following area: _____.

Franchisee acknowledges that Franchisor will not grant others the right to locate a retail store selling Approved Products under the Names and Marks within the foregoing area until the earlier of: (i) Franchisee's failure to meet any of the deadlines set forth in Section 3(b) below; or (ii) the opening of the Franchised Store. Upon termination of the restriction set forth in the first sentence, Franchisor may grant others the right to seek sites within the foregoing area and open its own RED'S SAVOY PIZZA stores in this area, and Franchisee will have no other rights in this area except for those rights explicitly granted in this Agreement.

(b) Site Selection. Franchisee acknowledges that, other than providing its criteria for site approval for the Franchised Store, Franchisor provides no site-selection assistance. To that end, Franchisor will not visit the search area and Franchisee will be responsible to identify, and ultimately acquire, an appropriate site, acceptable to Franchisor, for the Franchised Store's operation. As Franchisee identifies prospective sites, it will notify Franchisor, and Franchisor will review criteria about the prospective sites that Franchisor deems appropriate. Franchisee will assist Franchisor by providing Franchisor any information Franchisor requests about any prospective sites. Franchisor will either approve or disapprove a site within fifteen (15) days after Franchisee provides Franchisor with all information Franchisor requested about the site. Franchisee is required to find a site acceptable to Franchisor within ninety (90) days after the Date of this Agreement.

(i) Franchisee acknowledges and agrees Franchisor will not be responsible for Franchisee's results in operating at any particular site that Franchisor may have recommended, reviewed, or approved.

(ii) Following Franchisor's approval of the site and after Franchisee secures the site, Franchisor will complete Exhibit A to this Agreement, indicating the approved location for the Franchised Store and the Designated Territory.

(c) Designated Territory. During the Term, provided that Franchisee is not in default under this Agreement or any other agreement between Franchisor and Franchisee, Franchisor will not grant anyone else a Franchise to operate, and will not itself operate, a retail store selling Approved Products under the Names and Marks, or the right to deliver Approved Products within the Designated Territory. Franchisee acknowledges that the foregoing restrictions do not prevent Franchisor or its affiliates from any activity not specifically set forth above, including, but not limited to:

(i) Operating, or allowing others to operate, similar or identical businesses within the Designated Territory if such businesses do not operate under the Names and Marks, or operating, or allowing others to operate, a business that is physically located outside the Designated Territory even if such business competes for customers within the Designated Territory;

(ii) Using the Names and Marks in other businesses, inside the Designated Territory, that are not competitive with the Franchised Store;

(iii) Selling goods and services, or granting others the right to sell goods and services, similar to or competitive with those sold by the Franchised Store (for example, without limitation, pizza, sauce, sausage, and other varieties of food), whether using the Names and Marks or other trademarks or service marks, through different distribution channels (including, without limitation, through internet, mail order, supermarket, and other retail store channels), both inside and outside the Designated Territory;

(iv) Acquiring businesses that are similar to the Franchised Store; or

(v) Franchisor's sale of its equity or assets to any third party regardless of whether the third party operates, or franchises the operation of, businesses in the Designated Territory that are similar to the Franchised Store.

5.4. INITIAL FRANCHISE FEE.

In consideration for the grant of the Franchise to Franchisee, Franchisee will pay to Franchisor an Initial Franchise Fee of Seventeen Thousand Five Hundred and no/100 Dollars (\$17,500.00), payable upon execution of this Agreement. The Initial Franchise Fee will be deemed to have been earned by Franchisor at the time it is due, and, except as specifically provided in this Agreement, will not be refundable. If the Franchised Store is being opened under Franchisor's Area Development Agreement, however, Franchisee will not pay an Initial Franchise Fee.

6.5. FEES.

In consideration for the grant of the Franchise to the Franchisee, Franchisee will pay the following to Franchisor:

(a) Monthly Fee. On or before the fifth (5th) day of each month for the previous month, Franchisee will pay Franchisor a nonrefundable monthly fee equal to four and one-half percent (4.5%) of the Franchised Store's Gross Revenues in the preceding calendar month (the "Monthly Fee"). The

obligation to pay the Monthly Fee begins on the first day of the month after the Franchised Store opens and will continue thereafter.

(b) Gross Revenue Report. On or before the tenth (10th) day of each month, Franchisee agrees to send Franchisor, on a form approved by Franchisor (or as Franchisor otherwise directs), a signed statement of the Franchised Store's Gross Revenues for the preceding month. Each statement of Gross Revenues must be accompanied by the Monthly Fee due for that month. The Monthly Fee is not in exchange for any particular products, services, or assistance, but instead is solely in consideration of Franchisor granting the Franchise to the Franchisee.

(c) Taxes. If any government or governmental agency imposes or levies any sales, excise, use, or privilege tax on account of any Monthly Fees or other amounts payable to Franchisor under this Agreement, Franchisee will pay Franchisor a sum equal to the amount of such tax as an additional Monthly Fee (though this provision does not apply to any federal or state income taxes imposed upon Franchisor).

(d) Method of Payment. Franchisee will maintain bank accounts as Franchisor requests. Franchisee will also give Franchisor authorization, in the form prescribed by Franchisor, for direct debits or other electronic transfers from Franchisee's accounts for all amounts owing to Franchisor or its affiliates. Franchisee will make funds available to Franchisor for withdrawal by electronic transfer on the dates and at the times Franchisor requires. If Franchisor specifies, Franchisee also authorizes Franchisor to designate a billing and payment processor to deduct the amount of all fees and other amounts Franchisee is obligated to pay Franchisor and its affiliates from any monies it collects, and to pay those fees to Franchisor and its affiliates on the due date of the fee. Franchisor will comply with all procedures Franchisor specified in this Section and the Operating Manual(s), and deliver and execute documents necessary to facilitate or accomplish payment by the method this Section describes. Franchisor may require Franchisee to pay any amounts due to Franchisor or its affiliates other than by electronic debit (e.g., by check) whenever Franchisor deems appropriate, and Franchisee agrees to comply with payment instructions.

(e) Late Payment Charges. All fees or payments of any type whatsoever owed by Franchisee to Franchisor or an affiliate of Franchisor not received when due will be subject to late payment charges of the maximum rate permitted by law, not to exceed one and one-half percent (1.5%) per month.

(f) Setoff/Offset. Franchisee will not withhold or escrow any amounts due to Franchisor, or set off any such amounts against any amounts claimed to be due to Franchisee. Franchisor will have the right to offset any amounts owed by it to Franchisee by any amounts owed by Franchisee to Franchisor or an affiliate of Franchisor.

(g) Failure to Pay. If Franchisee fails to report Gross Revenues, Franchisor is authorized to debit Franchisee's bank account for one hundred twenty percent (120%) of the last Monthly Fee that Franchisor previously debited (plus Advertising Contributions, late payment charges, and all other amounts due). If the amounts Franchisor debits are less than the amount Franchisee actually owes Franchisor (once Franchisor has determined the Franchised Store's actual Gross Revenues), Franchisor will debit Franchisee's bank account for the balance on the day Franchisor specifies. If the amounts Franchisor debits exceed the amounts Franchisee actually owes, Franchisor will credit the excess against amounts due during the following month. If Franchisor is unable to collect the full amount permitted under this Agreement by the foregoing means for any reason, Franchisee will remit the remaining amount owing within five (5) days from notice by Franchisor, plus a late payment charge as set forth in this Agreement.

7.6. ADVERTISING AND PROMOTION.

(a) Advertising Contribution. On or before the tenth (10th) day of each month for the prior month, Franchisee will pay Franchisor a monthly “Advertising Contribution” of ~~one-two~~ two percent (2%) of Gross Revenue. Franchisor will deposit Advertising Contribution into the advertising fund Franchisor establishes and maintains (“Advertising Fund”).

(b) Adjustment. Upon thirty (30) days written notice, Franchisor may increase the Advertising Contribution for any business purpose, but in no event will such Advertising Contribution exceed ~~two-five~~ two percent (2%) of your Gross Revenue.

(c) Use of Advertising Fund. Reasonable expenditures from the Advertising Fund will be made solely to pay expenses incurred for the general promotion of the Names and Marks, including: (i) developing and producing advertising and promotional materials; (ii) costs of formulating, developing, and implementing advertising campaigns, including Internet advertising and Internet search engine campaigns, and including the development and use of social media or social networking sites; (iii) the cost of formulating, developing, and implementing promotional and public relations programs; (iv) market research; (v) initial design, and all updates and redesigns (but not administration of) the Franchisor’s website; (vi) at Franchisor’s option, reimbursing all or part of each franchisee’s cost of promotional materials used in connection with promotional programs Franchisor authorized; and (vii) the reasonable cost of administering the Advertising Fund, and overhead allocated to employees engaged in the administration of the Advertising Fund, and overhead allocated to advertising activities. All interest, if any, earned by the Advertising Fund will be used to pay the foregoing expenses for promoting the Names and Marks before applying any principal to those expenses. Methods, media employed, contents of advertising, and terms and conditions of advertising campaigns and promotional programs will be within Franchisor’s sole discretion. Franchisor reserves the right to engage an advertising agency that is owned by, or is an affiliate of, Franchisor or any of its principals, to assist in developing and/or placing advertising, and to compensate that agency based on standard industry fees and charges. Advertising Fund expenditures will not be made for production or placement of advertising that is principally for the purpose of marketing franchise licenses, but certain of the amounts may be used to update and administer Franchisor’s website and/or other web pages, social media, or social networking sites, all of which may contain a page or content marketing franchise opportunities.

(d) Local Advertising. At its own expense, Franchisee will conduct advertising campaigns and promotional programs designed primarily to promote the Franchised Store, which will include any Internet advertising placed by Franchisee (“Local Advertising”). Franchisor does not specify the type of local advertising Franchisee must use to promote its business. However, before implementing any Local Advertising, Franchisee will submit to Franchisor for approval all advertising and promotional material proposed to be used in connection with the Local Advertising, and will not use any Local Advertising until it has been approved by Franchisor. Franchisee will use Franchisor’s then-current brand art and other brand identification standards, and Franchisee must obtain all advertising materials from our designated vendor. Expenditures will not be made from the Advertising Fund for the payment or reimbursement of expenses incurred in connection with Local Advertising. Franchisee acknowledges that Franchisee is solely responsible for all content of all Local Advertising and Franchisor’s approval of any such Local Advertising is not a guarantee of the success of the advertising or that the content or any part thereof does not infringe on the rights of any third party. Franchisor may adopt new specifications—or modify existing specifications—at any time.

(e) Franchisor Website. Franchisor will establish and maintain an Internet website to advertise and promote the RED’S SAVOY PIZZA franchise system (the “Red’s Savoy Home Page”). Franchisor will determine all features of the Red’s Savoy Home Page—including the domain name,

content, format, images, and links to other websites—in its sole discretion. Franchisor also has the right to modify, suspend, or temporarily or permanently discontinue the Red’s Savoy Home Page at any time, in its sole discretion. Franchisor and its affiliates will have the right to sell merchandise directly to retail and/or wholesale customers via the Internet under the Names and Marks, to create a website or home page containing the Name and Marks, and the exclusive right to reserve or to use “Red’s Savoy Pizza” or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix).

(f) Franchisee Website and Social Media. Franchisee must establish its own web page to promote the Franchised Store, but only through the Red’s Savoy Home Page. Franchisor will provide Franchisee with a domain name and a required template Internet web page to be customized by Franchisee (the “Franchisee Website”). Franchisor will review and manage Franchisee’s page. Franchisee must use the template Franchisor provides, and after the Franchisee Website has been developed, Franchisee must submit all content for the Franchisee Website to Franchisor, and obtain Franchisor’s approval before the Franchisee website may be posted. Once Franchisor approves the content of the Franchisee Website, Franchisor will establish the Franchisee Website through a link from the Red’s Savoy Home Page. Franchisee will be required to pay Franchisor (or its designee) an annual website and related technology fee (the “Technology Fee”) of One Thousand Five Hundred Dollars and no/100 (\$1,500.00) for providing this service at the date of signing this Agreement and annually thereafter on the 2nd of January. In addition:

(i) Franchisee may not establish or maintain—or have established or maintained on Franchisee’s behalf either alone or in concert with others—a Social Media Site except as Franchisor approves in its sole discretion.

(ii) Franchisee must operate and maintain the Franchisee Website and any Social Media Site or other website approved by Franchisor in compliance with all provisions of this Agreement, including those about using confidential and proprietary information, and any and all operating procedures, policies, standards, and requirements Franchisor specifies from time to time. Franchisee must also maintain the Franchisee Website and any Social Media Site approved by Franchisor in compliance with applicable laws, rules, and regulations, including (but not limited to) those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements.

(iii) Franchisee may not advertise any goods or services on the Franchisee Website or on any Social Media Site without Franchisor’s written approval.

(iv) Franchisor reserves the right at any time, in its sole discretion, to require Franchisee to remove, delete, or modify the Franchisee Website, any Social Media Site, or any other website or homepage, and to remove, delete, or modify any content or posts thereon.

(v) Franchisee may not use any of the Names and Marks in any Social Media Site without Franchisor’s prior written consent.

(vi) Franchisor retains sole ownership of the Franchisee Website, including the domain name and any content and e-mail addresses, and all will automatically revert to Franchisor at the time this Agreement expires or is terminated. In addition, Franchisor retains sole ownership of any Social Media Site, including any content thereon and domain names related thereto, which includes the words “Red’s” “Savoy” “Red’s Savoy Pizza” or any of the other Names and Marks, or a word phrase, or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name,

account profile, or page reference (a “Red’s Savoy Social Media Site”), and all such information will revert to Franchisor at the time this Agreement expires or is terminated.

(g) Advertising Cooperative. As Franchisor, in its sole discretion, may determine, Franchisee will join an advertising cooperative made up of other Red’s Savoy franchisees (the “Local Cooperative”), as determined by Franchisor. In that event, Franchisee will be required to participate in the Local Cooperative on the terms and conditions Franchisor requires. Franchisor will have the right to modify or dissolve any Local Cooperative at any time.

(h) Advertising Supplies and Materials. Franchisor will provide Franchisee with samples of advertisements and brochures that Franchisee can adapt for Franchisee’s use. Other advertising material, forms, samples, supplies, products, and services may be made available to Franchisee at scheduled prices. The purchase price for products, supplies, and services purchased by Franchisee will be payable no later than twenty (20) days following the invoice date.

(i) Photos of the Franchised Store. Franchisor will have the right to photograph the Franchised Store’s exterior and interior and use the photographs in any advertising or promotional material. Franchisor will not be obligated to compensate Franchisee in any way for use of the Franchised Store in connection with photographing the Franchised Store. Franchisee will cooperate in securing photographs and consent from persons photographed.

8.7. LEASING/CONSTRUCTION.

(a) Lease Assistance. At Franchisee’s request, Franchisor will provide advice to Franchisee in Franchisee’s negotiation of a lease for operating the Franchised Store. This provision will not, however, require Franchisor to conduct negotiations on Franchisee’s behalf, and Franchisor’s assistance will in no way make Franchisor liable for any obligations of Franchisee under a lease, or constitute a representation regarding the lease.

(b) Lease Terms. Any lease or sublease for the premises in which the Franchised Store will be operated must include the following conditions:

(i) That the premises will be operated only as a store operating in the System of Operation;

(ii) Lessor will furnish to Franchisor, contemporaneously with that to Franchisee, written notice of any default in the lease and the action required to cure such default;

(iii) Upon expiration or termination of this Agreement for any reason whatsoever, the lessor will grant Franchisor an option, for thirty (30) days thereafter, to replace Franchisee as lessee and at any time thereafter to assign its interest to Franchisor or to another franchisee of Franchisor who would then become the lessee;

(iv) Lessor will accept Franchisor or its franchisee as a substitute under the existing terms of the lease upon notice from Franchisor that it is exercising its option to replace Franchisee as lessee;

(v) Lessor acknowledges that, in all cases, Franchisee is solely responsible for all obligations, payments, and liabilities accruing under the lease unless and until Franchisor exercises its option to become substitute lessee and actually takes possession of the premises; and

(vi) An acknowledgement that Franchisor is a third-party beneficiary to the lease between lessor and Franchisee, and as such, the lease for the premises may not be amended or cancelled so as to affect any of the above provisions, or the intent of the same, without Franchisor's prior written approval, which approval will not be unreasonably withheld.

Franchisee will provide Franchisor a copy of the lease or sublease for the premises in which the Franchised Store will be operated before its execution so that Franchisor can satisfy itself that the foregoing provisions have been included in the lease or sublease. Franchisee will also provide Franchisor a copy of the lease or sublease and any amendments thereto within five (5) days of execution or amendment.

(c) Opening. Franchisee may not open the Franchised Store for business to the public until Franchisor notifies Franchisee in writing that the Franchised Store meets Franchisor's standards and specifications (although Franchisor's acceptance is not a representation or warranty, express or implied, that the Franchised Store complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of Franchisor's right to require continuing compliance with Franchisor's requirements, standards, and policies). Franchisee agrees to comply with this Section 77 and open the Franchised Store before the earlier of: (i) ~~five-six (56)~~ months after the date hereof; (ii) on or before the date specified in the lease; or (iii) on or before the date specified in any Area Development Agreement to which Franchisee and Franchisor are parties.

(d) Design of the Franchised Store. Franchisor will provide Franchisee a sample layout for the interior of a typical RED'S SAVOY PIZZA store, with a set of décor specifications approved by Franchisor. Franchisee will, at its own expense, employ architects, engineers, or others as necessary to complete, adapt, or modify the sample plans and specifications for the Franchised Store to fit the Franchise Location. Franchisor will consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of the Franchised Store, but it will be and remain Franchisee's sole responsibility to diligently design, construct, equip, and otherwise ready and open the Franchised Store on a timely basis.

(e) Fixtures, Leasehold Improvements and Equipment. Franchisor will provide Franchisee specifications for leasehold improvements, fixtures, and equipment for the Franchised Store. All leasehold improvements used in the Franchised Store will be constructed according to Franchisor's exact specifications in effect at the time the improvements are made. All equipment installed in the Franchised Store must also meet Franchisor's exact specifications, including brand and model number where designated. In all cases, Franchisor must approve all equipment used in the Franchised Store. Franchisor may designate specific or approved suppliers from whom such items can be purchased. If Franchisor designates a specific supplier for any items, Franchisee must purchase the items from the specific, designated supplier. Franchisee acknowledges that designated, specific suppliers may include Franchisor or its affiliates. No changes will be made to those designs, furnishings, and equipment without Franchisor's prior written approval.

(f) Exterior and Interior Signs. All signs used on or in the Franchised Store must conform to Franchisor's sign criteria at the time the signage or display is installed as to type, color, size, design, and location. Franchisor must approve all signs in writing before installation. Franchisor, at its expense, may require Franchisee to display signage advertising other Red's Savoy Stores for sale in its Franchised Store.

(g) Remodeling. Franchisee will be required to periodically make reasonable capital expenditures to remodel, modernize, and re-decorate the Franchised Store in order to maintain or improve the appearance and efficient operation of Red's Savoy Stores, to increase sales potential, or to comply with Franchisor's standards and identity. All remodeling, modernization, and redecoration of the Franchised Store must be done in accordance with the standards and specifications Franchisor prescribes from time to time and with Franchisor's prior written approval. Refurbishing may include: (a) replacement of worn out or obsolete equipment, fixtures, furniture, and signs; (b) substitution or addition of new or improved equipment, safes, fixtures, furniture, and signs; (c) redecorating; (d) repairing the Franchised Store's interior and exterior and repairing and resurfacing parking facilities; and (e) structural modifications and remodeling of the Franchised Store.

(h) Construction Obligations of Franchisee. Franchisee will use a licensed general contractor satisfactory to Franchisor to perform construction work at the Franchised Store. Franchisor will not be responsible for delays in the construction, equipping, or decoration of the Franchised Store or for any loss resulting from design or construction since Franchisor has no control over the landlord or developer and the numerous construction and/or related problems that could occur and delay the opening of the Franchised Store. Franchisor will have access to the Franchised Store while work is in progress, and may require reasonable alterations or modifications of the construction of the Franchised Store as Franchisor deems necessary. Franchisee will not open the Franchised Store if it does not conform to the plans and specifications Franchisor approved, including changes Franchisor approves. Franchisee will correct any unauthorized variance from the approved plans and specifications promptly.

(i) Indemnification of Franchisor. Franchisee is strictly responsible for its contractors' acts or omissions in compliance with all specifications and requirements provided for by Franchisor, and Franchisor will have no responsibility for such acts or omissions. Franchisor will not be liable for any loss or damage arising from the Franchised Store's design or plan. Franchisee will indemnify Franchisor for any loss, cost, or expense, including attorneys' fees, that Franchisor may sustain because of Franchisee's contractors' acts or omissions or arising out of the design or construction of the Franchised Store.

9.8. FRANCHISOR TRAINING AND ONGOING ASSISTANCE.

(a) Initial Training. Before the Franchised Store's opening, Franchisor will provide an initial training program at a suitable location of its choice within the United States for operations of a RED'S SAVOY PIZZA store ("Initial Training Program") for Franchisee and its designated manager of the Franchised Store (if Franchisor consents to management of the Franchised Store by a designated manager). Travel and living expenses, if any, incurred by Franchisee or the designated manager in connection with the Initial Training Program will be the Franchisee's responsibility-. In general, the training program will include, and our franchisees and their managers must demonstrate skills and knowledge in basic business procedures, equipment operation and maintenance, hiring and training of employees, reporting and accounting procedures, advertising and promotion, operation of the point-of-sale registers, purchasing procedures, food preparation and presentation, food quality, kitchen and restaurant sanitation, serving and hosting techniques, food portions, food and beverage cost control, service quality, customer relations, housekeeping, security, and other business and marketing topics Franchisor selects. The initial training program assumes Franchisee has at least minimal experience in the operation of restaurants.-

(i) Franchisee and the designated manager, if any, are required to attend and satisfactorily complete the Initial Training Program at least sixty (60) days before the Franchised Store's opening.

(ii) If Franchisee desires to send additional employees to the Initial Training Program, either at the session attended by Franchisee, or at subsequent regularly-scheduled sessions, Franchisee may do so, but Franchisee must pay Franchisor's then-current charge for that program (in addition to all travel and living expenses for its employees who attend the program).

(iii) The initial training program assumes Franchisee has at least minimal experience in the operation of restaurants. If Franchisor determines in its sole discretion at the end of the Initial Training Program that Franchisee and the designated manager require it, Franchisor may require additional training for which Franchisee must pay Franchisor's then-current charge for that program (in addition to all travel and living expenses of its employees who attend the program).

(iv) Notwithstanding the foregoing, if this Agreement is for the operation of a second or subsequent RED'S SAVOY PIZZA store, Franchisee will not be required to attend, and Franchisor will not be required to provide, the Initial Training Program, and all provisions hereafter regarding the Initial Training Program, except those set forth in ~~§§(c)(e)~~, will be deleted from this Agreement; provided, however, if Franchisee hires a manager who has not already completed Franchisor's Initial Training Program to manage the Franchised Store, that individual must successfully complete the Initial Training Program before beginning as the Franchised Store's manager.

(b) Opening Team Training. Franchisor will provide one or more on-site trainers to assist Franchisee with the training of Franchisee's own employees at the Franchised Location, for the timeframe before and after the grand opening of the Franchised Store that Franchisor may establish. Franchisee must reimburse Franchisor (or its affiliates) for the travel expenses of its trainers and its then-current fees for this service, within twenty (20) days of receiving an invoice of the actual amount of these expenses. In connection with the Opening Team Training or at another time, Franchisor will provide a certified installer who will install the Point of Sale ("POS") system you purchase and provide at least two days' training on the POS system to Franchisee's employees at the Franchised Location. These expenses are nonrefundable.

(c) Additional Training. At Franchisee's request, or if we determine that you require more training, and at times the parties determine, Franchisor may provide additional training to Franchisee on topics Franchisee requests and to which Franchisor agrees. The training will be held at a location Franchisor determines and may be provided electronically. Franchisor may charge such fees as it will establish from time to time for such training, plus its cost to provide such training, and the fees and costs must be paid before training begins.

(d) Operating Manual(s). Franchisor will make available to Franchisee—either electronically or hard copy, one operations manual and any other prescribed manual for use in operating the Franchised Store (the "Operating Manual(s)"). Franchisee will keep the Operating Manual(s) confidential and will only use the Operating Manual(s) in operating the Franchised Store. The Operating Manual(s) are not to be copied in whole or in part, will remain the property of Franchisor, and will always be kept in safekeeping. Franchisor, from time to time, may add to or modify the Operating Manual(s) to supplement or to improve the System of Operation and the contents and methods of promotion franchised hereunder.

(e) Conventions. Franchisor may conduct a periodic or annual convention for all RED'S SAVOY PIZZA franchisees. If Franchisor chooses to hold any such conventions, Franchisee must attend each such convention (not more than one in any calendar year) or send a representative Franchisor approves. Regardless of whether Franchisee attends the convention, it will pay to Franchisor any

convention registration fee Franchisor establishes for that convention within twenty (20) days following the invoice date.

(f) Web Site. As described above, so long as Franchisee is not in breach of this Agreement, Franchisor will provide a link to the Franchisee Website on the Red's Savoy Home Page. Franchisee hereby grants Franchisor a non-transferable, non-exclusive, royalty-free license to use Franchisee's name and any other trade names, trademarks, or proprietary marks acquired or developed by Franchisee (and as approved by Franchisor) for the Franchised Location in connection with the link or on the Red's Savoy Home Page.

(g) Level of Performance; Delegation. Franchisor is not obligated to perform any services to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge, and judgment. In addition, Franchisor will have the right to subcontract or delegate any of its duties and responsibilities under this Agreement; provided, however, that Franchisor will be responsible for the performance of the duties, notwithstanding such subcontract or delegation, to the same extent as if Franchisor had not subcontracted or delegated the duties (but the foregoing will not apply to an assignment by Franchisor under Section ~~16(a)~~6(a)).

(h) Notice of Deficiencies. If Franchisee believes Franchisor has failed to adequately provide any pre-opening services to Franchisee or its employees for site selection, selection and purchase of items needed to commence operations, training, or any other matter affecting the establishment of the Franchised Store, Franchisee will notify Franchisor in writing within thirty (30) days after opening the Franchised Store. Absent timely provision of such notice to Franchisor, Franchisee will be deemed to conclusively acknowledge that all pre-opening and opening services required to be performed by Franchisor were sufficient and satisfactory in Franchisee's judgment.

10.9. MENU ITEMS/OPERATION OF FRANCHISED STORE.

(a) Menu Items. Franchisee agrees to carry all Approved Products prescribed by Franchisor and to carry no other menu items or products without Franchisor's prior written consent. Franchisee will order such supplies designed by Franchisor only from designated vendors, and with respect to other products from designated vendors or other approved vendors selected or approved by Franchisor. Franchisee will make payments for all supplies directly to the vendors, unless otherwise instructed in writing by Franchisor. If Franchisor introduces a new menu item with the intent that the new menu item will be offered for sale by RED'S SAVOY PIZZA stores, then Franchisee agrees to add such new menu item to its existing menu and offer such item for sale in its Franchised Store.

(b) Point-of-Sale Materials. Franchisee will utilize only point-of-sale materials that contain the Names and Marks and that Franchisor has approved. Such point of sale materials may include, without limitation, cups, napkins, carryout bags, wrappers, pizza boxes, and other advertising materials. Franchisee will purchase these point-of-sale materials, at Franchisee's expense, from a designated vendor or vendor approved by Franchisor.

(c) Franchisee Involvement; Availability. If Franchisee is not personally involved full-time in operating the business, Franchisee must have a manager who has successfully completed Franchisor's Initial Training Program operate the Franchised Store. Notwithstanding the foregoing, Franchisee will at all times be held responsible for the day-to-day operation and management of the Franchised Store. Any replacement or additional manager(s) must complete the Initial Training Program to Franchisor's satisfaction within thirty (30) days of assuming such responsibilities.

(d) Hours of Operation. Franchisee agrees to have the Franchised Store open during all minimum hours and days prescribed from time to time throughout the Term, and to have telephones answered during such pre-opening and post-opening hours as Franchisor may designate from time to time, unless Franchisor approves a different schedule in writing. If the Franchised Location is in a mall that requires different hours of operation, Franchisor agrees to adjust the hours of operation accordingly.

(e) Maintenance of High Quality Service. Franchisee will utilize its best efforts, skill, and diligence to ensure that Franchisee and Franchisee's employees and agents establish and maintain high quality service to customers. At all times, Franchisee will conduct its business in a manner that preserves and enhances the goodwill associated with the Names and Marks. If Franchisee fails to provide services that meet Franchisor's standards, specifications, or procedures, in addition to its other rights herewith, Franchisor will have the right to assign such person or persons that it deems necessary to provide additional training to Franchisee or its employees to assure that such quality and service standards are maintained. Franchisee will pay Franchisor all of Franchisor's actual costs for any person so assigned, including wages, travel, and living expenses.

(f) Exclusive Use of the Franchised Store. During the Term, Franchisee will use the premises of the Franchised Store exclusively for the operation of the Franchised Store. Franchisee will not permit the premises of the Franchised Store to be used for any other purpose, business, activity, use, or function, unless otherwise approved in writing by Franchisor.

(g) Compliance With Specifications and Procedures. Franchisee acknowledges that the Operating Manual(s) are designed to protect Franchisor's standards and systems, and the Names and Marks, and not to control the day-to-day operation of the business. Franchisee will comply with all rules, regulations, and directives contained in this Agreement, as well as all mandatory standards, specifications, and procedures contained in the Operating Manual(s), as amended from time to time, and will adopt and adhere to Franchisor's merchandising, promotion, and advertising policies. Franchisor specifically reserves the right to modify or change such rules, regulations, and directives including, but not limited to, changing the Franchised Store's format, décor, or image.

(h) Cleanliness. At all times, Franchisee will maintain the Franchised Store in a clean, sanitary, and attractive condition and in a condition that satisfies Franchisor's reasonable requirements. Franchisee agrees to permit Franchisor and its representatives, whenever Franchisor reasonably may deem necessary, to enter, remain on, and inspect the Franchised Store's premises. If Franchisee fails to maintain the Franchised Store premises in a condition that satisfies Franchisor's reasonable requirements, Franchisor, upon not less than three (3) days' notice to Franchisee, may order or accomplish the cleaning of the premises, the cost of which will be charged to, and paid by, Franchisee.

(i) Alcoholic Beverages. Franchisee will not serve or sell alcoholic beverages in the Franchised Store unless Franchisee obtains all required regulatory approvals, and Franchisee obtains dram shop insurance in the amount Franchisor specifies.

(j) Computer System. Franchisee agrees to obtain and use the integrated computer hardware or software Franchisor specifies, including an integrated computer-based point-of-sale system, "back office" system, dedicated telephone lines, modems, printers, and other computer-related accessories and peripheral equipment (the "Computer System"). Franchisor may modify specifications for the Computer System's components. Franchisee also agrees to maintain a functioning e-mail address. Franchisor's modification of Computer System specifications or other technological developments or events might require Franchisee to purchase, lease, or license new or modified computer hardware or software and to obtain service and support for the Computer System. Although Franchisor cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully

amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. Within sixty (60) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain the Computer System components Franchisor designates and ensure that Franchisee's Computer System, as modified, is functioning properly. Franchisor has no obligation to reimburse Franchisee for any Computer System costs. Franchisee may not use any unapproved computer software. Franchisee must give Franchisor all security access codes. Franchisee agrees that Franchisor or its affiliates may condition any license or proprietary software to Franchisee, or Franchisee's use of technology that Franchisor or its affiliates develop or maintain, on Franchisee signing the software license agreement or similar document that Franchisor or its affiliates prescribe to regulate Franchisee's use of, and Franchisor and Franchisee's respective rights and responsibilities with respect to, the software or technology. Once Franchisor has implemented online ordering (currently anticipated in the second quarter of 2015), Franchisee will be required to pay a monthly fee for a third-party's online ordering technology. We currently estimate the likely expense to be \$110 per month. Franchisor and its affiliates may also charge Franchisee other up-front and ongoing weekly or monthly fees for any proprietary software or technology that Franchisor or its affiliates license to Franchisee and for other maintenance and support services provided during the term of this Agreement. Despite the fact that Franchisee agrees to buy, use, and maintain the Computer System according to Franchisor's standards and specifications, Franchisee has sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which Franchisee's Computer System interfaces with Franchisor's and any third party's computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. The Computer System will permit twenty-four (24) hours per day, seven (7) days per week electronic communications between Franchisor and Franchisee, including access to the Internet and Franchisor's then-current intranet or extranet (if applicable). Notwithstanding anything set forth in this Agreement to the contrary, Franchisor may require Franchisee to upgrade any technology used by Franchisee in the Franchised Store at any time without regard to any expenditure limitations.

(k) Provision of Information. Franchisee acknowledges and agrees that any and all information Franchisor provides to Franchisee under this Agreement may be provided in such manner and by such media as Franchisor determines, including, without limitation, by electronic and/or computer means. Franchisee also specifically agrees Franchisor may communicate with Franchisee by fax, email, telephone, or other communications, including Franchisor's Internet-based information gateway.

(l) Taxes. Franchisee will promptly pay, when due, all taxes levied or assessed by reason of its operation and performance under this Agreement. Franchisee will also secure and pay premiums on a workers' compensation policy covering all of its employees and, if applicable, will pay all state unemployment taxes, state sales taxes, and all other taxes and expenses of operating the Franchised Store. In the event of any bona fide dispute as to the liability for any taxes assessed against Franchisee, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority. In no event, however, will Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant to occur against the premises or the equipment contained in the Franchised Store.

(m) Employees. Franchisee will hire all employees of the Franchised Store, be exclusively responsible for the terms of their employment and compensation, and implement an employee-training program sufficient to ensure their performance satisfies the standards Franchisor prescribes., Franchisee will require all managers employed at the Franchised Store to complete the Initial Training Program before beginning employment with Franchisee, and, as a condition to their employment, to enter into a noncompetition and confidentiality agreement restricting disclosure of confidential information and competition with Franchisee and Franchisor to the same extent as Franchisee is restricted under this

Agreement. If a violation of the noncompetition and confidentiality agreement occurs, Franchisee will take all action necessary to enforce the terms of that agreement.

(n) Equipment Maintenance. Franchisee will maintain all equipment in the Franchised Location and any vehicles used in the operation of the Franchised Store in excellent working condition. As such items become obsolete or mechanically impaired such that they require replacement, Franchisee will replace the items with the same or substantially the same types and kinds of equipment specified in the Operating Manual(s) at the time replacement becomes necessary. All equipment used in the Franchised Location and all vehicles used in connection with the Franchised Store will meet the Franchisor's specifications and will be approved by Franchisor before installation or use, as applicable.

(o) Clothing. Franchisee will require all employees to wear uniforms meeting Franchisor's specifications and present a neat and clean appearance while working at the Franchised Store. Franchisee will order its uniforms from the vendors Franchisor designates or approves.

11.10. EQUIPMENT/SUPPLIES/PRICING.

(a) Approved Suppliers. Franchisee will order its supplies from the vendors Franchisor designates or approves. Trade Secret Food Items are trade secrets, and therefore Franchisor will designate a specific supplier for those items. In addition, from time to time, Franchisor may provide Franchisee a list of suppliers of signs, equipment, point-of-sale systems, point-of-sale materials, retail inventory, ingredients, supplies, and other items necessary to operate the Franchised Store who Franchisor has approved as having products or supplies that meet Franchisor's specifications. In some cases, in order to maintain uniformity in the taste of menu items, the secrecy of recipes for Trade Secret Food Items, or for any other reason, Franchisor may, in its sole discretion, elect to approve only one supplier. If Franchisor designates or approves a specific supplier(s) for any items, Franchisee must purchase the items exclusively from the specific designated or approved supplier(s). The designated or approved source of supply for any item may be Franchisor, an affiliate of Franchisor, or an independent third party. Franchisee will pay the then-current price in effect for all purchases made from the Franchisor or its affiliates, and the Franchisor and its affiliates may earn a profit on all such purchases by Franchisee. Franchisor reserves the right to collect and retain royalties paid by food vendors for recipes and exclusive label rights licensed by Franchisor to such food vendors.

(b) Liability. Franchisor will not be liable to Franchisee for damages caused by the failure of Franchisor or an approved supplier to make any item available for purchase unless the failure results from factors within Franchisor's reasonable control.

(c) Pricing. Franchisee will set its own pricing and rates for the services it offers in the Franchised Store; provided, however, Franchisee will adhere to any maximum prices prescribed by Franchisor for services offered by Franchisee.

(d) Fees. Franchisor may at any time in its sole discretion, upon notice to Franchisee, modify any prices or other amounts charged by Franchisor or an affiliate for products or services, other than the Advertising Contribution, which may only be modified under Section ~~6(b)(4)~~.

11.11. NAMES AND MARKS.

(a) Display of Names and Marks. Franchisee will operate under, and prominently display, the Names and Marks in the operation of the Franchised Store in the manner Franchisor specifies. Franchisee will use no commercial trade names, service marks, or other commercial symbols, including associated logos, that do not satisfy the criteria established by Franchisor. If this Agreement is executed or

assigned to a corporation, partnership, or limited liability company, Franchisee may not use the Names and Marks as part of the name of the corporation, partnership, or limited liability company.

(i) If Franchisor deems it advisable, Franchisee will file for and maintain a "Certificate of Trade Name" in the county, or other appropriate jurisdiction, in which the Franchised Store is located.

(ii) Franchisee will not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos, or designs other than in the manner authorized by Franchisor.

(iii) Franchisee may not use the Names and Marks in any medium that reaches beyond Franchisee's immediate trade area (including use of the Names and Marks in connection with a Social Media Site), except as Franchisor specifically approves. Without limiting the generality of the foregoing, Franchisee specifically may not use or reference the Names and Marks in connection with any Social Media Site unless Franchisor first renders its approval and all such uses and references comply strictly with the rules, directives, and policies that Franchisor has established about the Internet and social media as may be modified from time to time.

(b) Change of Names and Marks. From time to time, Franchisor may elect to stop using certain Names and Marks and to start using new Names and Marks. Franchisee will pay all expenses incurred in connection with the use of existing Names and Marks in the Franchised Store and commencing the use of new Names and Marks therein.

(c) Goodwill. Franchisee acknowledges that its right to use the Names and Marks is derived solely from this Agreement and that all such usage and any goodwill established thereby will inure to the Franchisor's exclusive benefit. Franchisee waives any right to challenge Franchisor's entitlement or ownership of the Names and Marks.

(d) Cessation of Use. Franchisee agrees that, upon termination or expiration of this Agreement for any reason whatsoever, Franchisee will immediately discontinue using the Names and Marks, and will no longer use, or have the right to use, the Names and Marks.

(e) Notification of Infringement. Franchisee will immediately notify Franchisor of any infringement of or challenge to Franchisee's use of present and future Names and Marks and will not communicate with any other person in connection with any such infringement, challenge, or claim. Franchisor will have sole discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any Trademark Office or other administrative proceeding arising out of any such infringement, challenge, or claim relating to any of the Names and Marks.

13-12. FINANCIAL INFORMATION, REPORTS, INSPECTIONS AND AUDITS.

(a) Books and Records. Franchisee will maintain its books and records in the manner Franchisor reasonably requires. At its option, Franchisor may establish a uniform accounting system or a central computerized control system for use by all franchisees. If Franchisor establishes a central computerized control system, Franchisee will utilize the system and will pay to Franchisor the reasonable charges for installing the equipment and using the central computerized control system.

(b) Financial Reports. Franchisee will provide Franchisor with electronic access to information from and about the Franchised Store, including monthly and other periodic financial and

sales information relating to the Franchisee and the Franchised Store as Franchisor reasonably requires from time to time. The financial and sales information will be delivered to Franchisor at the times Franchisor specifies and in the form and by the means Franchisor authorizes. Franchisee will also provide to Franchisor, within sixty (60) days following the end of each fiscal year, a balance sheet showing the Franchisee's assets and liabilities as of the end of the fiscal year (except that if Franchisee is not an entity, the balance sheet need only show assets and liabilities related to the Franchised Store), and a profit and loss statement showing the Franchised Store's results of operation for the preceding fiscal year. The financial statements will be prepared in accordance with generally accepted accounting principles, except that they may omit all footnotes that would otherwise be required by generally accepted accounting principles. Franchisor may use the financial information in any manner and for any purpose it, in its sole judgment, deems appropriate. Franchisee, and if Franchisee is an entity, the owners of Franchisee, will also submit to Franchisor copies of their annual federal, state, and city (if any), income and sales tax returns within ten (10) days after filing them.

(c) Audit Rights. Franchisor will have the right to audit or cause to be audited, at any time and without prior notice to Franchisee, all books, records, financial information, and related materials related to (i) the Franchised Store; and (ii) the Franchisee. Franchisee must provide all information and materials necessary for Franchisor to conduct its audit under this Section at Franchisee's sole expense. Franchisor also has the right to conduct any audit or review from its headquarters, in which case Franchisee must copy and deliver to Franchisor—at Franchisor's sole expense—all records and financial reports of the Franchised Store that Franchisor identifies. The audit will be made at Franchisor's expense unless the audit is made necessary by Franchisee's failure to comply with this Agreement. Further, if any audit discloses an understatement of the Gross Revenues of the Franchised Store for any period or periods, Franchisee, within ten (10) days of receipt of the audit report, will pay to Franchisor the Monthly Fee and Advertising Contributions due on the previously unreported Gross Revenues, plus interest from the due date at the maximum rate permitted by law, not to exceed one and one-half percent (1.5%) per month. In addition, if an understatement for any period equals two percent (2.0%) or more of the Gross Revenues of the Franchised Store for the period in question, Franchisee will reimburse Franchisor for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation of persons Franchisor employed to conduct the audit. Franchisor's audit rights, as set forth above, continue for twenty-four (24) consecutive months after the latter of (i) the termination or expiration of this Agreement, or (ii) the latter of the date on which Franchisee or the individual owners of Franchisee (if Franchisee is an entity) cease to operate the Franchised Store, or cease to use the Names and Marks.

(d) Ownership of Information. All information Franchisor obtains from Franchisee or about the Franchised Store or its customers, or otherwise related to the Franchised Store (collectively, the "Information"), and all revenues Franchisor derives from such Information, will be Franchisor's property. Franchisee may use information that it acquires from third parties in operating the Franchised Store, such as customer data, at any time during the Term to the extent lawful and at its sole risk and responsibility, but only in connection with operating the Franchised Store for the purposes in this Agreement. The Information (except for Information Franchisee provides to Franchisor with respect to it and its affiliates) will become Franchisor's Confidential Information, which Franchisor may use for any reason it deems necessary or appropriate. Franchisee will comply with all applicable laws pertaining to the privacy and security of personal information, including, without limitation, local, regional, and national requirements applicable to the Franchised Store ("Privacy Laws"). In addition, Franchisee will comply with Franchisor's standards and policies about the privacy and security of personal information, customer relationships, and Privacy Laws.

14.13. INSURANCE.

(a) Type of Coverage. At all times during this Agreement's Term (including any successor term), Franchisee will maintain in force, at its sole expense, the following types of insurance coverage in the specific amounts set forth in the Operating Manual(s): (i) general comprehensive public and product-liability insurance against claims for bodily and personal injury, death, and property damage caused by, or incurred in conjunction with, the operation of, or conduct of business by, Franchisee; (ii) general casualty insurance (including the perils of fire, broad form extended coverage, vandalism, and malicious mischief) on the Franchised Store's building, equipment, signs, and inventory; (iii) motor vehicle liability insurance, including hired and non-owned automobile liability insurance; (iv) and workers' compensation insurance; and, if applicable, (v) dram shop insurance; and (vi) any other insurance (including changes to the types of coverage and/or increases in the amount of coverage specified in the Operating Manual(s)) Franchisor specifies in writing from time to time, or as required by local, state, or federal law.

(i) The insurance coverage will be maintained under one (1) or more policies of insurance containing the amounts and types of coverage from time to time prescribed by Franchisor and insured by insurance companies rated A by Alfred M. Best & Company, Inc., with a financial size category as rated by Alfred M. Best & Company, Inc. of Class VII or higher. Franchisor may specify a designated vendor for this insurance coverage, in which case Franchisee must obtain coverage from this vendor.

(ii) All public and product-liability and motor vehicle liability insurance policies will name Franchisor, its agents, employees, representatives, officers, directors, stockholders, members, and managers as an additional insured, even for claims regarding their sole negligence. The coverage offered to the additional insured on such liability policies will be primary coverage to any other coverage maintained by the additional insured and will not permit or require such coverage to contribute to the payment of loss. In addition, the additional insured will also be provided the same completed operations coverage detailed under the commercial general liability coverage requirements with the Franchisor. All coverage will provide that Franchisor receive ten (10) days' prior written notice of termination, expiration, reduction, or cancellation of any such policy.

(iii) Franchisee will submit to Franchisor, annually, a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy. Franchisee's obligation to provide insurance hereunder will not be waived by any failure to provide a certificate of insurance or Franchisor's acceptance of such certificate of insurance showing coverage varying from these requirements.

(iv) The amount of insurance required by Franchisor will not be construed to be a limitation of Franchisee's liability. The carrying of insurance will in no way be interpreted as relieving the Franchisee of any responsibility or liability under this Agreement. Franchisor may periodically modify the minimum insurance limits and require Franchisee to procure and maintain different or additional kinds of insurance to reflect changes in insurance standards, business practices, higher court awards, and other relevant circumstances.

(b) Failure to Obtain. If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor, or fails to furnish satisfactory evidence of the insurance coverage, Franchisor, at its option and in addition to its other rights and remedies, may obtain the insurance coverage on Franchisee's behalf, and Franchisee will pay any premium costs Franchisor incurs on demand.

15.14. CONFIDENTIALITY AND IMPROVEMENTS BY FRANCHISEE.

(a) Maintenance of Confidence. Franchisee acknowledges that all of the information it has now or obtains in the future concerning the System of Operation and the concepts and methods of promotion franchised hereunder is derived from Franchisor under this Agreement, and that such information will be treated in confidence. Franchisee agrees to never, directly or indirectly, engage in or abet misappropriation (as the term “misappropriation” is defined in the Minnesota Uniform Trade Secrets Act), or disclosure, divulgence, or distribution of all or any part of the System of Operation or the concepts and methods of promoting franchises hereunder.

(b) Improvements. If Franchisee, during the Term, conceives or develops any improvements or additions to the System of Operation (including, but not limited to, new recipes or menu items), new trade names, trade and service marks, or other commercial symbols related to the Franchised Store, or any advertising and promotion ideas related to the Franchised Store (“Improvements”), Franchisee will fully disclose the Improvements to Franchisor without disclosing the Improvements to others and will obtain Franchisor’s written approval before using the Improvements. Any Improvement approved by Franchisor may be used by Franchisor and all other franchisees of Franchisor without any obligation to Franchisee for royalties or similar fees. Franchisee will assign to Franchisor, without charge, any rights, including the right to grant sublicenses, to any such Improvement. Franchisor, at its discretion, may make application for and own copyrights, trade names, trademarks, and service marks relating to any such Improvement. Franchisor may also consider the Improvements as Franchisor’s property and trade secret. Franchisor will authorize Franchisee to utilize any Improvement authorized generally for use by other franchisees.

16.15. RESTRICTIVE COVENANTS.

(a) In-Term and Post-Term Covenants. Franchisee acknowledges Franchisor must be protected against the potential for unfair competition by Franchisee’s use of Franchisor’s training, assistance, and trade secrets in direct competition with Franchisor. Franchisee therefore agrees that the Franchisee (including any Franchisee entity), Franchisee’s manager, any of Franchisee’s owners, guarantors, officers, directors, partners, and managing members, and any spouses or immediate family members of all these individuals, will not:

(i) During the franchise relationship between the parties, either directly or indirectly: (a) operate, own, manage, or be employed by or consult with, any Competitive Business other than one operated under a valid franchise agreement with Franchisor; or (b) operate or permit any other person or entity to operate any other business from the premises of the Franchised Store or use any asset of the Franchised Store in any other business; or (c) hire, offer to hire, entice away, solicit or in any other way persuade or attempt to persuade any of Franchisor’s (or any affiliate or other franchisee of Franchisor’s) employees, officers, directors, or independent contractors to leave the employ of, or terminate any business relationship with, Franchisor or any affiliate or any other franchisee of Franchisor, or to otherwise interfere with the business activities of Franchisor or any affiliate or any other franchisee of Franchisor with respect to any of the foregoing. (For this Agreement’s purposes, an adjacent facility will be considered a part of the premises of the Franchised Store unless it: (i) has an entrance, address, and telephone number separate from the Franchised Store; (ii) is separated from the Franchised Store by floor to ceiling demising walls; and (iii) has a separate cash register system for its operations.)

(ii) For a period of eighteen (18) months following the effective date of this Agreement’s termination, assignment, or expiration, either directly or indirectly: (a)

operate, own, be employed by, consult with, or otherwise provide services to any Competitive Business, other than one operated under a valid franchise agreement with Franchisor, within a radius of ten (10) miles from the location of the Franchised Store, or within a radius of ten (10) miles from the location of any other business operated under the Names and Marks that is in existence at the time of this Agreement's expiration, assignment, or termination; (b) solicit, entice, or in any other way persuade or attempt to persuade any then-current customer of the Franchised Store to do business with a party other than Franchisor or its designee for the purposes of obtaining any of the services or products provided, or offered to be provided, by Franchisee to the party during the franchise relationship created under this Agreement, except that the foregoing prohibition will not limit Franchisee from assisting the assignee in connection with the transfer of customers from the Franchisee to the assignee in the event of an assignment of this Agreement approved by Franchisor; or (c) hire, offer to hire, entice away, solicit, or in any other way persuade or attempt to persuade any of Franchisor's employees, officers, directors, or independent contractors or any affiliate or any other franchisee of Franchisor, to leave the employ of, or to terminate any business relationship with, Franchisor or any affiliate or any other franchisee of Franchisor, or to otherwise interfere with the business activities of Franchisor or any affiliate or any other franchisee of Franchisor. In the event of the violation of this Section by Franchisee following termination or assignment of this Agreement, the period of time Franchisee will be required to abide by this obligation will be extended to a period of eighteen (18) months after Franchisee is no longer in default of this Section.

(b) Franchisee Acknowledgments. Franchisee acknowledges that the restrictions contained in this Section ~~1545~~ are reasonable and necessary to protect the interests of Franchisor and other franchisees of Franchisor. Franchisee expressly acknowledges, for itself and each individual bound by these covenants, that Franchisee and s/he each possess skills and abilities of a general nature and have other opportunities for exploiting those skills, and that because of the limited nature of the geographic scope of the restrictions following termination, expiration, or assignment of this Agreement and the limitation of the restrictions both during the term of this Agreement and thereafter to those engaged in a similar business, the enforcement of the covenants made in this Section ~~1545~~ will not deprive Franchisee (including its individual owners, if Franchisee is an entity), him or her of an ability to earn a living or engage in gainful employment. In furtherance of the promises set forth in this Section ~~1545~~, Franchisee acknowledges and agrees that its owners, their spouses and other immediate family members, and managers will execute a noncompete and confidentiality agreement binding them to the covenants set forth in this Section ~~1545~~. If Franchisee violates these restrictions, then in addition to damages incurred by Franchisor for which Franchisee will be liable, Franchisor will be entitled to injunctive relief to prevent continuation of such breach. For purposes of this Section ~~1545~~, the term "immediate family member" means children, parents, and siblings.

17.16. ASSIGNMENT.

(a) By Franchisor. This Agreement is fully assignable by Franchisor, and will inure to the benefit of any assignee or other legal successor in interest of Franchisor.

(b) General Prohibition on Franchisee Assignment. No Franchisee, partner (if Franchisee assigns this Agreement to a partnership), shareholder (if Franchisee assigns this Agreement to a corporation), or member (if Franchisee assigns this Agreement to a limited liability company), without Franchisor's prior written consent, by operation of law or otherwise, will sell, assign, transfer, convey, give away, lease, or encumber to any person, firm, or corporation, its interest in this Agreement or its interest in the Franchise granted hereby or its interest in any proprietorship, partnership, corporation, or

limited liability company that owns any interest in the Franchise, or its interest in the Franchised Store or the assets of the Franchised Store (a “Transfer”). Any purported Transfer not having the necessary consent will be null and void and will constitute a material default under this Agreement.

(c) Conditions to Franchisee Assignment. Franchisor will not unreasonably withhold its consent to any Transfer, provided the following conditions and requirements are satisfied first:

(i) If Franchisee desires to assign or transfer all of its rights to a partnership, corporation, or limited liability company controlled by Franchisee:

- a. The transferee will be newly organized and its charter will provide that its activities are confined exclusively to operating the Franchised Store;
- b. Franchisee will be and will remain the owner of not less than fifty-one percent (51%) of the issued and outstanding voting stock or membership interests of the transferee corporation or limited liability company or, in the case of a partnership, of fifty-one percent (51%) of the voting control of the transferee partnership;
- c. The individual Franchisee will remain the principal executive officer of the transferee;
- d. The transferee will enter into a written agreement with Franchisee and Franchisor, in a form satisfactory to Franchisor, assuming all of Franchisee’s obligations hereunder;
- e. All partners, shareholders, or members of the transferee will enter into a written agreement in a form satisfactory to Franchisor jointly and severally guaranteeing the full payment and performance of the transferee’s obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under this Agreement;
- f. Each stock or membership certificate of the transferee corporation or limited liability company, or the partnership agreement of the transferee partnership, will have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
- g. No new voting interest in the transferee will be issued to any person or entity without obtaining Franchisor’s prior written consent; and
- h. All accrued money obligations of Franchisee to Franchisor and its subsidiaries, affiliates and assigns will be satisfied before assignment or transfer.

(ii) In the event of a proposed Transfer (other than an assignment as set forth in Subparagraph (i) above), alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring control of the Franchise created hereby or the Franchised Store, or ownership of the Franchisee:

- a. The transferee will be of good moral character and reputation and will have a good credit rating, financial capabilities, and competent business qualifications

reasonably acceptable to Franchisor. Franchisee will provide Franchisor with the information it may reasonably require to make a determination about each proposed transferee;

- b. The transferee, including all shareholders, members, and partners of the transferee, will jointly and severally execute a new franchise agreement with Franchisor, on the terms then offered by Franchisor to new franchisees, except that all pre-opening obligations of the parties, other than the obligation of the transferee to complete the initial training to Franchisor's satisfaction, will be waived, including the obligation of the transferee to pay a new Initial Franchise Fee;
- c. If the transferee is a corporation, limited liability company, or partnership, each stock or membership certificate, or the partnership agreement, will have conspicuously endorsed upon it a statement that it is held subject to, and further assignment or transfer of any interest therein is subject to, all restrictions imposed upon assignments by this Agreement;
- d. If the transferee is a corporation, partnership, or limited liability company, no new voting interest in the transferee will be issued to any person or entity without obtaining Franchisor's prior written consent;
- e. Franchisee will have fully paid and satisfied all of Franchisee's obligations to Franchisor and its affiliates, and Franchisee will pay to Franchisor a transfer fee of Five Thousand Dollars (\$5,000);
- f. Franchisee will have executed an agreement in form satisfactory to Franchisor in which it agrees to (i) release any claims it has against Franchisor; (ii) subordinate any claims it may have against the transferee to any amounts owed by the transferee to Franchisor; (iii) indemnify Franchisor against all claims brought against Franchisor by the transferee, except for claims arising out of the franchise relationship between Franchisor and the transferee, for a period of three (3) years following the transfer; and (iv) comply with the post-term restrictions set forth in Section ~~1545~~ in this Agreement;
- g. If the transferee is a corporation, limited liability company, or partnership, all the shareholders, members, or partners of the transferee will enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee's obligations to Franchisor and agreeing to be personally bound by all covenants and restrictions imposed upon the transferee under the terms of this Agreement;
- h. The transferee will agree in writing to perform such maintenance, remodeling, and re-equipping of the Franchised Store that Franchisor determines is necessary to bring the Franchised Store in compliance with Franchisor's then-current standards; and
- i. If the Transfer is caused by the Franchisee's death or incapacity (or in the case of a partnership, corporation, or limited liability company, by the death or incapacity of one controlling more than forty-nine percent (49%) of the voting interest of Franchisee), the provisions of this Subparagraph (ii) must be met with

regard to the heir or personal representative of Franchisee succeeding to Franchisee's interest hereunder; provided, however, if the heir or personal representative assigns, transfers, or sells its interest in the Franchise within sixty (60) days after the death or incapacity of Franchisee, the person to whom the interest is assigned, transferred, or sold, and not Franchisee's heir or personal representative, must comply with the provisions of this Subparagraph (ii) as transferee.

Franchisee consents to Franchisor releasing to any proposed transferee any information concerning the Franchised Store that Franchisee has reported to Franchisor. If Franchisee assigns this Agreement to an entity that desires to sell its securities to the public, it will present an offering circular or prospectus to Franchisor for its review within a reasonable time before such offering becoming effective. Franchisee will not offer its securities by use of the name "Red's Savoy Pizza" or any derivative thereof or any name deceptively similar thereto.

18.17. RIGHT OF FIRST REFUSAL.

If at any time during the Term of this Agreement Franchisee receives a bona fide offer to purchase or lease the Franchised Store, and which offer Franchisee is willing to accept, Franchisee will communicate the full terms of the offer and the name of the offeror in writing to Franchisor. Franchisor may elect to purchase or lease the business on the terms set forth in the offer. If Franchisor elects to purchase or lease the business, it will give Franchisee written notice of the election within thirty (30) days after Franchisor receives Franchisee's communication of the offer. If Franchisor fails to give written notice of election within thirty (30) days, Franchisee may sell or lease to the offeror on the terms offered, subject to the provisions relating to assignment. The sale or lease must, however, be contemplated within sixty (60) days of the termination of the thirty (30) day period during which Franchisor may give written notice of election to purchase or lease; otherwise, an additional notice must be given to Franchisor and an additional option period must expire before any such transfer. If Franchisor elects to purchase or lease the business, it will have the right to substitute equivalent cash for any noncash consideration included in the bona fide offer to purchase or lease the business and Franchisor and Franchisee will use their best efforts to complete the purchase or lease within sixty (60) days from the date of Franchisor's notice of election to purchase.

19.18. PRE-TERMINATION OPTIONS OF FRANCHISOR.

(a) Rights In Addition To Termination. Before this Agreement terminates, if Franchisee fails to pay any amounts owed to Franchisor or its affiliates, or fails to comply with any of this Agreement's terms or any other agreement between Franchisor and Franchisee or any affiliate of Franchisor and Franchisee, then in addition to any right Franchisor may have to terminate this Agreement or to bring a claim for damages, Franchisor will have the option to:

- (i) Remove the Franchised Store's listing from all advertising Franchisor publishes or approves;
- (ii) Remove any listing of the Franchised Store from the Red Savoy's Home Page and disable any link to the Franchisee Website on the Red Savoy's Home Page, and require Franchisee to remove or disable, or transfer to Franchisor, the Franchisee Website and/or any other Red's Savoy Social Media Site;

(iii) Prohibit Franchisee from attending any meetings, seminars, or conventions held or sponsored by Franchisor or taking place on the premises of Franchisor; and

(iv) Suspend the provision of any or all of the services provided by Franchisor to Franchisee hereunder.

(b) Continuation of Franchisor Options. Franchisor's actions, as outlined in this Section ~~1818~~, may continue until Franchisee has brought its accounts current, cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. Franchisee acknowledges and agrees that the taking of any such actions permitted in this Section ~~1818~~ will not take away from Franchisee a material portion of the significant benefits provided to Franchisee under this Agreement, and therefore will not constitute a constructive termination of this Agreement. Further, the taking of any of the actions permitted in this Section ~~1818~~ will not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its affiliates under the terms of this Agreement or otherwise.

20.19. TERMINATION.

(a) By Franchisee. Franchisee may terminate this Agreement and the Franchise granted hereunder effective ten (10) days after delivery to Franchisor of written notice of termination if Franchisee is in compliance with this Agreement and Franchisor breaches this Agreement and fails to cure the breach within thirty (30) days after written notice of the breach is delivered to Franchisor.

(b) By Franchisor Generally. In addition to Franchisor's other termination rights in this Agreement, Franchisor may terminate this Agreement effective immediately upon notice of termination to Franchisee, if Franchisee:

(i) Fails to open the Franchised Store within the timeframe set forth in this Agreement's Section ~~7(c)~~~~7(e)~~;

(ii) Voluntarily abandons the franchise relationship;

(iii) Is—or any of its owners, partners, or directors actively involved in the management of the Franchised Store are—convicted in a court of competent jurisdiction or plead guilty or no contest to, an offense directly related to the business conducted under this Agreement;

(iv) Fails to cure a default under this Agreement that materially impairs the goodwill associated with the Names and Marks after Franchisee has received written notice to cure at least twenty-four (24) hours in advance of the notice of termination;

(v) Makes an assignment for the benefit of creditors or admits its inability to pay its obligations as they become due;

(vi) Files a voluntary petition in bankruptcy or files (or has filed against it) any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated as bankrupt or insolvent;

- (vii) Fails to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Store, including those laws or regulations governing environmental, health, safety, or sanitation matters;
- (viii) Makes an assignment or transfer of this Agreement, the Franchised Store, or the Franchise, not authorized by this Agreement;
- (ix) Does not allow Franchisor or its employees or agents access to the Franchised Store or to any of Franchisee's records, or if Franchisee otherwise impairs rights of inspection or audit under this Agreement;
- (x) Discloses, permits the disclosure of, or uses—or if any of Franchisee's owners, directors, or partners actively involved in the operation of the Franchised Store discloses, permits the disclosure of, or uses—the contents of the Operating Manual(s) or any other trade secrets or confidential or proprietary information provided to Franchisee by Franchisor, contrary to the provisions of this Agreement or otherwise to the detriment of Franchisor;
- (xi) Maintains false books or records, or submits any false report to Franchisor;
- (xii) Fails to pay any amounts when due to Franchisor or its affiliates and such failure continues for ten (10) days after notice to Franchisee;
- (xiii) Conducts the business licensed by this Agreement in such a way as to constitute an imminent danger to the public health;
- (xiv) Has made material misrepresentations on its application for the Franchise;
- (xv) Loses possession of the location of the Franchised Store;
- (xvi) Otherwise materially breaches this Agreement or fails to comply with any provision of this Agreement or any specification, standard or operating procedures prescribed by Franchisor and does not correct such failure within thirty (30) days after notice to Franchisee. For the avoidance of any doubt, this Section 19(b)(xvi) will not be read or interpreted as providing a cure period where none otherwise exists under this Agreement, or for that matter lengthening any existing cure period set forth in this Agreement.

(c) Compliance with Applicable Law. The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal, or the like other than in accordance with applicable law, such provisions will, to the extent such are not in accordance with applicable law, be superseded by said law, and Franchisor will comply with applicable law in connection with each of these matters.

(d) Actions Upon Termination. Franchisee agrees, upon termination or expiration of the Franchise, Franchisee will:

- (i) Immediately return to Franchisor all copies of all Operating Manual(s) that have been made available or loaned to it by Franchisor and any material marked as property of Franchisor or as confidential and to cease all use thereof.

(ii) Immediately pay to Franchisor such amounts as have or will thereafter become due hereunder and are then unpaid and all amounts due for printed materials, forms, advertising material, samples, supplies, products, and services supplied by Franchisor, if any. Franchisee hereby consents to Franchisor debiting Franchisee's merchant or other business banking accounts by the amounts owed hereunder.

(iii) Take such action as may be required to properly cancel all assumed name or equivalent registrations relating to the use of the Names and Marks, notify the telephone company, and if requested by Franchisor, notify any domain name registrar, any internet service provider, and all listing agencies of the termination or expiration of Franchisee's right to use the domain names, telephone numbers, and classified and other directory listings that include any portion of the Names and Marks, or are associated with the Franchisee Website, or any Red's Savoy Social Media Site. Further, Franchisee must authorize the telephone company, service provider, and listing agencies to transfer to Franchisor all such telephone numbers, accounts, directory listings, and domain names, in the form attached as Exhibit E hereto. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers, directory listings, and domain names associated with the Names and Marks, including the Franchisee Website and any Red's Savoy Social Media Site, and appoints Franchisor its attorney-in-fact to direct the telephone company and all service providers and listing agencies to transfer telephone numbers, domain names, and listings to Franchisor, and provide access to Franchisor to any such account, registration, or profile.

(iv) Take such action as Franchisor may request to transfer to Franchisor or its assigns all of the interest of Franchisee in the lease or sublease under which the Franchised Store has been operated. Franchisee will remain liable for all obligations of the tenant or subtenant under the lease before the date of assignment. Franchisee authorizes Franchisor, and appoints Franchisor its attorney-in-fact, to execute such documents as may be necessary to transfer Franchisee's interest in the lease or sublease to Franchisor or its assigns. If Franchisor does not exercise its right to take an assignment of Franchisee's lease, or otherwise to assume the right to occupy the Franchised Location, the Franchisee will make such alterations to the interior and exterior of the Franchise Location so as to distinguish the premises from a store in the System of Operation.

(v) Not indicate directly or indirectly, in any manner, that it is or ever was affiliated with Franchisor in any capacity, identify itself or any business as a RED'S SAVOY PIZZA store or as a franchisee of, or as otherwise associated with, Franchisor, or use, in any manner or for any purpose, any of the System of Operation, concepts and methods of promotion, or Names and Marks, or any other indicia of a store in the System of Operation.

(vi) Immediately cause all references to the Names and Marks, including any signage on the premises whether affixed to the building or on a pylon, to be removed. If Franchisee fails to remove any such references, Franchisor will be entitled to remove or cover the references, without prior notice to Franchisee. Franchisor will use its best efforts to cause the references to be removed or covered without causing damage to the other property. Franchisor may keep or dispose of the signage or other property that was removed, or retain it as full compensation for its costs of removal.

(vii) Immediately comply with all other obligations that by their nature survive the termination of the Franchise including, but not limited to, Sections ~~14~~14 and ~~15~~15.

(viii) Take such action as may be requested by Franchisor to make such alterations to the interior and exterior of the Franchised Store so as to distinguish the premises from a store in the System of Operation.

(e) Survival of Provisions. All obligations of Franchisor and Franchisee that expressly or by their nature survive the assignment, expiration, or termination of the Franchise will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement until they are satisfied in full or by their nature expire.

21-20. ENFORCEMENT.

(a) Injunctive Relief; Attorneys' Fees. Notwithstanding Section ~~20~~20(c)(e) below, either party may apply for injunctive or other equitable relief to: (i) enforce its right to terminate this Agreement for the causes in Section ~~19~~19; and (ii) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill of such party's business, including to enforce the obligations of a party to be performed following termination or assignment of this Agreement, including, the confidentiality and non-competition provisions hereof. Each party will be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing its aforementioned rights. If Franchisor secures any such injunction, or any other relief by arbitration or otherwise against Franchisee, or is successful in defending a claim brought against it by Franchisee in an arbitration or otherwise, Franchisee will pay Franchisor an amount equal to the aggregate of Franchisor's costs of obtaining such relief and defending such claim, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

(b) Mediation. Except with respect to matters for which a party believes it necessary to seek injunctive or equitable relief, Franchisee and Franchisor will be required to enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between them, for a minimum of four (4) hours, before the initiation of any arbitration or other action or proceeding against the other.

(i) Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice will select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within ten (10) business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence legal action or, at its option, make the selection of the organization to provide mediation services. If one party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this paragraph, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to Franchisor and Franchisee. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If the parties cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator will either be a retired judge, or a person who has had at least five (5) years of experience as a franchisee or franchisor (or as an officer of such an entity), or in franchise law.

(ii) The parties will equally share the cost of the mediator. The mediator will select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation; provided, however, that unless agreed to by both Franchisor and Franchisee, the mediation will be held in a metropolitan area having a population of at least two hundred fifty thousand (250,000) persons that is not located within two hundred (200) miles of the Franchise Location or the principal office of Franchisor, except that if the principal offices of Franchisor and Franchisee are located in Minnesota, then the mediation will be held in Minneapolis, Minnesota.

(iii) Except with respect to matters for which a party is permitted to seek injunctive or equitable relief, if either party initiates arbitration or litigation without complying with their obligation to mediate in accordance with this Section ~~2020~~ (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this paragraph), then upon petition of any party named as a defendant in such arbitration or litigation, the arbitrator or court will dismiss the action without prejudice and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the arbitrator or court refuses for any reason to dismiss the action, then regardless of the outcome of such action, or of any award given by the arbitrator or court in such action, the party initiating the action will be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this paragraph.

(c) Arbitration. Except with respect to those matters set forth in Section ~~2020(a)(a)~~ above, and subject to the requirement to mediate in accordance with Section ~~2020(b)(b)~~ above, all disputes and claims relating to any provision hereof, to any specification, standard, or operating procedure or other obligation of Franchisor or to the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard, or operating procedure or any other obligation of Franchisee or Franchisor is illegal, unenforceable, or voidable under any law, ordinance, or ruling) will be settled by arbitration at the office of the American Arbitration Association located in Minneapolis, Minnesota, in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

(i) Any arbitrator appointed to arbitrate a dispute under this Agreement will have at least ten (10) years' experience in franchise matters and will have the right to award or include in any award the specific performance of this Agreement. The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers, and limitations of this Agreement. The arbitrator will have no authority to add, delete, or modify this Agreement's terms or provisions in any manner. All of the arbitrator's findings, judgments, decisions, and awards will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator will file a reasoned brief with his or her award.

(ii) Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award will be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Paragraph ~~2020(c)(c)~~. Unless this Agreement is terminated in accordance with the provisions of Paragraph ~~1919~~, during the pendency of the arbitration proceeding, Franchisee and Franchisor will fully perform this Agreement.

(iii) If, after Franchisor or Franchisee institutes an arbitration proceeding, one or the other asserts a claim, counterclaim, or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim, or defense is asserted may elect to proceed with the arbitration on all arbitrable claims, counterclaims, or defenses or to proceed to litigate all claims, counterclaims, or defenses in a court having competent jurisdiction.

(iv) If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Subparagraph ~~2020(a)(a)~~, the arbitrability of such claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.

(v) All arbitration proceedings will be individual proceedings between Franchisor and Franchisee and will not be conducted on a “class” basis, or include any other franchisees as named parties unless Franchisor and Franchisee each agree.

(d) Waiver of Punitive Damages; Limitation of Liability. Franchisor and Franchisee (and Franchisee’s owners and guarantors) hereby waive, to the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against any affiliates, owners, employees, or agents of the other and agree that in the event of a dispute between or among any of them, each will be limited to the recovery of any actual damages sustained by it and any equitable relief to which it might be entitled.

(e) Venue. Franchisor and Franchisee (and Franchisee’s owners and guarantors) each agree that if litigation is commenced, the sole forum for resolving disputes under this Agreement or any aspect of the relationship between the parties will be the state and federal courts of Minnesota. Such actions will be exclusively venued in the District Courts of Minnesota, County of Hennepin, or the United States District Court for the District of Minnesota, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing will be to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, will be the county in which Franchisee is domiciled, or the county in which the Franchised Store is located).

(f) WAIVER OF JURY TRIAL. TO THE EXTENT EITHER PARTY MAY PROCEED BY JUDICIAL PROCESS, EACH OF THE PARTIES WAIVES ITS RIGHT TO A JURY TRIAL AS TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, AND ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR OTHER CAUSES OF ACTION, IN CONNECTION WITH ANY LEGAL ACTION.

(g) Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party will not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between Franchisor and Franchisee. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

(h) Waiver of Class Action Rights. Franchisee waives its right to bring, join, or participate in, and is barred from bringing, joining, or participating in, any class action suit in court or in arbitration. The parties agree that any proceeding, including any arbitration, will be conducted on an individual, not a class-wide, basis, and that any proceeding between Franchisor and Franchisee or any owner or any guarantor of Franchisee may not be consolidated with another proceeding between Franchisor and any other entity or person. Franchisee further agrees that the foregoing will not limit the ability of the Franchisee to obtain a remedy for any particular claim that it may assert against Franchisor.

22.21. INDEPENDENT CONTRACTORS/INDEMNIFICATION.

(a) Independent Contractor. Franchisee is a franchisee of Franchisor. Franchisee will be conspicuously identified at the premises of the Franchised Store and in all dealings with customers and suppliers as a franchisee. Franchisee will not represent or imply to any person that this Franchise Agreement authorizes Franchisee to act as agent for Franchisor. Neither Franchisor nor Franchisee will be obligated by any agreement, representation, or warranty (except warranties specifically authorized by Franchisor, if any) made by the other, nor will Franchisor be obligated for damages to any person or property directly or indirectly arising out of the operation of the Franchised Store or Franchisee's business conducted hereunder, or caused by Franchisee's negligence, willful action, or failure to act.

(b) Franchisee Indemnification. Franchisee agrees to indemnify Franchisor against, and to reimburse Franchisor for, all obligations and damages for which Franchisor is held liable and for all costs reasonably incurred by Franchisor in the defense of any such claim brought against it, or in any such action in which it is named as a party, arising out of any act or omission of Franchisee, or as a result of any activities occurring at the Franchised Store. Such indemnification will include, without limitation, reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses, and travel and living expenses (collectively, "Costs"). Franchisor will have the right to defend any such claim against it.

(c) Franchisor Indemnification. Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, any obligation or liability for damages payable to persons other than Franchisee or its owners attributable to agreements, representations, or warranties of Franchisor, or caused by the negligent or willful action of Franchisor, and for Costs reasonably incurred by Franchisee in the defense of any claim brought against it as a result of the foregoing or in any such action in which it is named as a party. Franchisor will have the right to participate in and to control any litigation or proceeding that might result in liability of or expense to Franchisee subject to indemnification by Franchisor.

(d) Continuation. The indemnities and assumption of liabilities and obligations herein will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

23.22. FRANCHISEE REPRESENTATIONS

To induce Franchisor to accept Franchisee's application for a RED'S SAVOY PIZZA franchise and to execute this Agreement, Franchisee hereby represents and warrants to Franchisor as follows:

(a) Standards for Service. Franchisee recognizes and acknowledges the importance of maintaining Franchisor's standards for service, and further recognizes and acknowledges the importance of following the System of Operation, including the offer of only those services approved by Franchisor.

(b) Independent Operation/Business Risks. Franchisee acknowledges that it has the entire control and direction of the Franchised Store, subject only to the conditions and covenants established by

this Agreement. Franchisee further acknowledges that the business to be operated under this Agreement involves business risks, that Franchisee's success will be largely determined by its own skill and efforts as an independent business person. Franchisee further acknowledges that if it fails at any tasks that are vital to the operation of the Franchised Store, the Franchised Store will fail and Franchisee will be solely responsible for any such failure. Franchisee represents that the Statement of Ownership set forth on Exhibit B hereto completely and accurately describes all of Franchisee's owners and their interests, and Franchisee's governance structure, as of the date hereof.

(c) Franchisee Advisors. Franchisee acknowledges that it has been advised to consult with its own advisors with respect to the legal, financial, and other aspects of this Agreement, and that Franchisee has had the opportunity to consult with such advisors and also has had the opportunity to independently investigate the opportunity offered under this Agreement;

(d) New Business. Franchisee acknowledges that the business franchised hereunder is a new business, and that such business, as well as the System of Operation, will evolve over time, and that such evolution will likely result in numerous changes to the System of Operation during the Term of this Agreement, some of which may require additional investment by Franchisee.

(e) Acknowledgments. Except to the extent Franchisor has negotiated changes to this Franchise Agreement that differ from Franchise Disclosure Document furnished to franchisee by Franchisor ("FDD"), nothing in this or in any related agreement is intended to disclaim representations made by Franchisor in the FDD. Franchisee acknowledges that it has conducted an independent investigation and financial assessment of the Franchised Store contemplated by this Franchise Agreement and the market in which the Franchised Store is located and recognizes that it involves business risks making the success of the venture largely dependent upon the business abilities of Franchisee, and other variables. Except as may be noted in the FDD, Franchisee acknowledges that it has not received or relied upon any representations, warranties, or guarantees, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. Franchisee has no knowledge of any representations by Franchisor or its affiliates, or their respective officers, directors, shareholders, employees, agents, or servants about the business contemplated by this Agreement, that are contrary to the terms of this Agreement, the documents incorporated herein, or the FDD, and further represents to the Franchisor that it has made no misrepresentations in obtaining the Franchise and this Agreement. Franchisee acknowledges that it has received, read, and understood this Agreement and the FDD. Franchisor has fully and adequately explained the provisions of each of these agreements or documents to Franchisee's satisfaction and Franchisor has afforded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement. Franchisee has received the FDD at least fourteen (14) calendar days before the execution of any agreements or payment of any consideration, or earlier as may be required by applicable law. Franchisee also has received an executable form of this Agreement at least seven (7) calendar days before the execution of any such agreements or the payment of any consideration to Franchisor. Franchisee is aware that some present and future Red's Savoy franchise owners may operate under different forms of agreements, and consequently, that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances. Franchisee further acknowledges that Franchisor and its affiliates have their own business interests that are not intended to be restricted by this Agreement. Except as expressly provided in this Agreement and the corresponding FDD, Franchisor and its affiliates may pursue their own business interests without obligation to, and irrespective of, the impact of their actions upon Franchisee and the Franchised Store. These actions include, but are not limited to, ownership, operation, or disposition of Franchisor's company or affiliate-owned locations or other businesses, and the sale of products through other methods of distribution.

24.23. MISCELLANEOUS.

(a) Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, or the United States Arbitration Act (9 U.S.C. § 1 et seq.), this Agreement will be governed by the laws of the State of Minnesota. The parties agree, however, that if Franchisee is not a resident of Minnesota, and if the Franchised Store is not located in Minnesota, then they hereby waive the provisions of The Minnesota Franchise Act, Minnesota Statutes, Section 80C.01, et seq. and the regulations promulgated thereunder. If the Minnesota Franchise Act would not otherwise apply to the franchise relationship created hereby, but there is a statute in the state in which the business franchised hereunder is located that specifically governs relationships between franchisees and franchisors, then that particular law will apply in lieu of the Minnesota Franchise Act.

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

(c) Entire Agreement. The introduction, recitals, and all exhibits hereto are a part of this Agreement, which constitutes the entire agreement of the parties, and at the time of this Agreement, there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement, other than any representations made by the Franchisor in the FDD.

(d) Headings; Franchisee References; Termination. The headings of the several sections above are for convenience only and do not define, limit, or construe the contents thereof. The term “Franchisee” as used herein is applicable to one (1) 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 feminine usages include the other and the neuter. References to “Franchisee” applicable to any individual will mean the principal owner or owners of the equity or operating control of Franchisee if Franchisee is a corporation, limited liability company, or partnership. If there is more than one signatory as “Franchisee”, all of Franchisee’s obligations hereunder and under any other agreement with Franchisor or its affiliates will be joint and several in each and every respect and fully enforceable against each signatory. References in this Agreement to the termination of this Agreement or the Franchise, will be deemed to include the expiration of this Agreement without renewal.

(e) Construction. Franchisor and Franchisee agree that if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision illegal or otherwise voidable or unenforceable and the other of which would render the provision valid and enforceable, the provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Agreement will be construed simply according to its fair meaning and not strictly against Franchisor or Franchisee.

(f) Invalid Provisions. It is the desire and intent of Franchisor and Franchisee that the provisions of this Agreement be enforced to the fullest extent possible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid or unenforceable, such adjudication is to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. Franchisor and Franchisee will substitute a valid and enforceable provision for any specification, standard, operating procedure, rule or other obligation of Franchisee or Franchisor which is determined to be invalid or unenforceable and is not waived by the other.

(g) Waivers. Franchisor and Franchisee, by written instrument, may unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by Franchisor of any payment by Franchisee and no failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder or with any specification, standard, or operating procedure will constitute a waiver of any provision of this Agreement or any specification, standard, or operating procedure; provided, however, that failure, neglect, or delay of a party to exercise any right under this Agreement or to insist upon full compliance by the other party with its obligations under this Agreement will constitute a waiver of any default arising under this Agreement and will preclude exercise or enforcement of any right or remedy arising therefrom unless written notice of such default is provided by the nondefaulting party to the other party within twelve (12) months after such right or default occurs.

(h) Remedies Cumulative. All remedies provided to Franchisor under this Agreement are cumulative. No exercise or enforcement by Franchisor or Franchisee of any right or remedy hereunder will preclude the exercise or enforcement by Franchisor or of Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee is entitled by law to enforce.

(i) Modifications. No modification of this Agreement will be valid unless such modification is in writing and signed by Franchisee and Franchisor; provided, however, Franchisor may unilaterally modify the Operating Manual(s).

(j) Notices. All written notices permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered (i) when delivered by hand, or (ii) three (3) days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid, or (iii) one (1) business day after placed in the hands of an overnight courier, for next day delivery, and in the case of delivery under clauses (ii) or (iii), addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

(k) Patriot Act Representations. Franchisee represents and warrants that to its actual and constructive knowledge: (i) neither it (including its directors, officers, and managers), nor any of its affiliates, or any funding source for the Franchised Store, are identified on the list at the United States Treasury's Office of Foreign Assets Control; (ii) neither it nor any of its affiliates is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither it nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither it nor any of its affiliates are on the U.S. Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither it nor any of its affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither it nor any of its affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

(l) Variations. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchise

owner's business. Franchisee will not complain on account of any variation from standard specifications and practices granted to any other franchise owner and will not be entitled to require Franchisor to grant to Franchisee a like or similar variation thereof.

(+)_____

IN WITNESS WHEREOF, Franchisor and Franchisee have executed this Agreement the day and year first above written.

FRANCHISEE:

**FRANCHISOR: RED'S SAVOY FRANCHISE,
LLC**

SIGNED:

SIGNED:

PRINTED NAME:

PRINTED NAME:

ITS:

ITS:

DATED:

DATED:

FRANCHISEE: _____ FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____

Its: _____

~~STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT
AS REQUIRED BY THE CALIFORNIA FRANCHISE INVESTMENT LAW~~

~~Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Franchise Agreement, the following provisions supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the State of California:~~

~~1. The Franchise Agreement is revised to include the following:~~

~~“Payment of all initial fees and the Website Establishment Fee and training and Opening Team Expenses are postponed until after all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”~~

~~2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.~~

~~IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.~~

~~FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC~~

By: _____

Its: _____

STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT
AS REQUIRED BY THE MINNESOTA FRANCHISE LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Franchise Agreement, the following provisions supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the State of Minnesota:

The Minnesota Addendum is only applicable if the Franchisee is a resident of Minnesota or if the Franchisee's business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or of Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Franchisor will comply with Minn. Stat. Section 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) of the Franchise Agreement, and 180 days notice for non-renewal of the Franchise Agreement.

3. The Franchise Agreement is revised to include the following:

“To the extent required by the Minnesota Franchise Act, Franchisor will protect Franchisee's rights to use the trademarks, service marks, trade names, logo types, or other commercial symbols related to the trademarks or indemnify Franchisee from any loss, costs, or expenses arising out of any claim, suit or demand regarding the use of the trademarks, provided Franchisee is using the names and marks in accordance with this Agreement.”

4. Franchisor will not require Franchisee to sign a release of claims under the Minnesota Franchise Act as a condition to renewal or assignment of the Franchise Agreement.

5. Franchisor will not require Franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing will not bar the voluntary settlement of disputes.

6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Law are met independently without reference to this Addendum.

**[THE REMAINDER OF THE PAGE WAS LEFT BLANK INTENTIONALLY. SIGNATURES FOLLOW ON THE
NEXT PAGE.]**

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

STATE SPECIFIC ADDENDUM TO FRANCHISE AGREEMENT AS REQUIRED BY
THE NORTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Franchise Agreement, the following provisions supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the State of North Dakota. The North Dakota Addendum is only applicable if the Franchisee is a resident of North Dakota or if the Franchisee's business will be located in North Dakota.

1. The Franchise Agreement is revised to include the following:

"Payment of the initial franchise fee, all other initial fees, the initial Technology Fee, the Website Establishment Fee, and training and Opening Team Expenses are due at the time that all of Franchisor's initial obligations are complete and the Franchisee is open for business."

2. The North Dakota Securities Commissioner has determined that it is unfair, unjust, and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee sign a release upon renewal of the Franchise Agreement is deleted from the Franchise Agreement.
3. Any references in the Franchise Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted.
4. The Franchise Agreement's Section 15 is revised to provide that, "Covenants not to compete, such as those mentioned above, are generally considered unenforceable in the State of North Dakota."
5. The Franchise Agreement's Section 20 is revised to provide that the site of arbitration or mediation must be agreeable to all parties and will not be remote from the franchisee's place of business.
6. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota, including courts in Minnesota. Therefore, any references and any requirements in the Franchise Agreement that the franchisee consent to the jurisdiction of courts located outside of North Dakota are deleted.
7. The franchisor and franchisee's relationship as described in the Franchise Agreement, and any claims arising from the relationship or the agreement, whether arising under the North Dakota franchise law or otherwise, will be governed by the laws of the State of North Dakota.
8. Any references in the Franchise Agreement to any requirement to consent to a waiver of trial by jury are deleted.
9. Any references in the Franchise Agreement to any requirement to consent to a waiver of exemplary and punitive damages are deleted.

- 10. Any reference in the Franchise Agreement to any requirement to consent to a limitation of claims within one year is amended to read that, "the statute of limitations under North Dakota Law will apply."
- 11. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.
- 12. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____

Its: _____

STATE SPECIFIC ADDENDUM TO DEVELOPMENT AGREEMENT
AS REQUIRED BY THE SOUTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Area Development Agreement, the following provisions supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the State of South Dakota:

1. The Franchise Agreement is revised to include the following:

“Payment of all initial fees and the Website Establishment Fee are due at the time that all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”

2 Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the South Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE,
LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____

Its: _____

EXHIBIT A

FRANCHISED LOCATION AND DESIGNATED TERRITORY

THIS document is a part of the Franchise Agreement dated the ____ day of _____, 20 ____, by and between Red's Savoy Franchise, LLC and _____ ("Franchisee").

____1. The physical site of the Franchised Location will be:

____2. The Designated Territory of the Franchised Store is:

_____ (the "Designated Territory").

IN WITNESS WHEREOF, the parties have executed this document as of the latest date indicated below.

RED'S SAVOY FRANCHISE, LLC:

OR OTHER LEGAL ENTITY

By: _____

Its: _____

Dated: _____

Its: _____

Date: _____

**IF FRANCHISEE IS ONE OR MORE
INDIVIDUALS:**

FRANCHISEE: _____

**FRANCHISOR: RED'S SAVOY FRANCHISE,
LLC**

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

|

EXHIBIT B

STATEMENT OF OWNERSHIP

Franchise: _____

Trade Name (if different from above): _____

Effective Date: _____

1. Form of Ownership (Check One):

___ Individual ___ Partnership ___ Corporation ___ Limited Liability Company

2. Corporation, Limited Liability Company, or Partnership: You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name, or trade name written above. The following is a list of the full name of each person who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest:

<u>Owner's Name</u>	<u>Address</u>	<u>Percentage/ Description of Interest</u>

3. Governance: The following is a list of your directors or governors, and officers or managers, as applicable, as of the effective date written above:

<u>Name</u>	<u>Address</u>	<u>Position(s) Held</u>

4. Notice: The name and contact information of the person to receive notice for the Franchisee is (include name, address, e-mail address, and principal telephone number): _____

5. Identification of Manager. Your manager as of the Effective Date is _____

6. Acknowledgment. Franchisee acknowledges that this Statement of Ownership applies to the Franchised Store authorized under the Franchise Agreement.

Use additional sheets if necessary to provide all information requested. All changes to the above information must be immediately reported to the Franchisor in writing.

Date: _____

Printed Name: _____

Signature

Date: _____

Printed Name: _____

Signature

EXHIBIT C

**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT**

In consideration of the execution of the Franchise Agreement (the "Agreement") between RED'S SAVOY FRANCHISE, LLC ("we" or "us") and _____ (the "Franchisee"), dated _____, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an Franchise Agreement containing the identical terms and conditions of the Agreement.

The undersigned waive (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; and (3) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

FRANCHISEE: _____

PERSONAL GUARANTORS:

_____ Individually

_____ Individually

_____ Print Name

_____ Print Name

_____ Address

_____ Address

_____ City State Zip Code

_____ City State Zip Code

_____ Telephone

_____ Telephone

EXHIBIT D

EXHIBIT D

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTINGS, AND DOMAIN NAMES

_____This Assignment is entered into this ____ day of _____, 20__, in accordance with the terms of that certain Franchise Agreement (“Franchise Agreement”) between _____ (“Franchisee”) and Red’s Savoy Franchise, LLC, a Minnesota limited liability company (“Franchisor”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a store selling pizza and other related menu items for on-site consumption, delivery and carryout under the name and mark “THE ORIGINAL RED’S SAVOY PIZZA” located at _____ (the “Franchised Store”).

_____FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “Telephone Numbers and Listings”) and (2) those certain Internet website addresses (“Domain Names”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchised Store. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor will notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “Telephone Company”) and/or Franchisee’s Internet service provide (“ISP”) to effectuate the assignment pursuant to the terms hereof.

_____Upon termination or expiration of the Franchise Agreement (without the extension of Franchisee’s rights to operate the Franchised Store), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the Domain Names, and, in such event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings and Domain Names, and will remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effectuate date of the assignment hereunder.

_____Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor will have the sole right to and interest in the Telephone Numbers and Listings and the Domain Names, and Franchisee appoints Franchisor as Franchisee’s one and lawful attorney-in-fact, which appointment is coupled with an interest and is irrevocable, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the Domain Names to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and Domain Names to Franchisor, Franchisor will direct the Telephone Company and ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings, and the Domain Names upon such termination or expiration and that such assignment will be made automatically and effective immediately upon Telephone Company’s and ISP’s receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company’s or the ISP’s assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor’s execution of such forms or documentation on behalf

of Franchisee will effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

_____IN WITNESS WHEREOF, the parties have executed this document as of the latest date indicated below.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

RED'S SAVOY FRANCHISE, LLC:

**IF A PARTNERSHIP, CORPORATION
OR OTHER LEGAL ENTITY**

Entity Name: _____ By: _____
Its: _____

By: _____ Dated: _____
Its: _____
Date: _____

**IF FRANCHISEE IS ONE OR MORE
INDIVIDUALS:**

Dated: _____

EXHIBIT E

ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Franchisee: _____

Location: _____

Date: _____

Attention: Bookkeeping Department

The undersigned hereby authorizes Red's Savoy Franchise, LLC or any affiliated entity (collectively, "RS"), to initiate weekly and/or monthly ACH debit and credit entries against the account of the undersigned with you in payment of amount for Monthly Fees, Advertising Contributions, and other amounts that become due and payable by the undersigned to RS. The dollar amount to be debited per payment and credited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit and credit entry initiated by RS.

This authorization is binding, and will remain in full force and effect until ninety (90) days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit and credit entries pursuant to this letter of authorization.

Please honor ACH debit and credit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit and credit entries.

Sincerely yours,

Account Name

Bank Name

Customer Street Address

Branch

City State Zip Code

Bank Street Address

Customer Telephone Number

City State Zip Code

Customer's Account Number

Bank Telephone Number

Bank's Account Number

EXHIBIT F

**RELEASE
[USED IN EVENT OF TRANSFER]**

For and in consideration of the agreements and covenants described below, Red's Savoy Franchise, LLC ("Franchisor") and _____ ("Franchisee") enter into this Release of Claims ("Release").

INTRODUCTION

A. Franchisor and Franchisee entered into a Franchise Agreement dated _____ (the "Franchise Agreement").

B. Franchisee has requested that Franchisor consent to a transfer by Franchisee of the Franchise Agreement, pursuant to Section 16 of the Franchise Agreement, and has agreed to execute this Release in consideration of Franchisor's consent to this transfer.

NOW THEREFORE, in consideration of Franchisor's consent to the transfer, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Release of Claims by Franchisee. Franchisee, for itself, its heirs, successors and assigns, affiliates, directors, governors, officers, managers, shareholders, and members, and any other party claiming an interest through them (collectively and individually referred to as the "Franchisee Parties"), hereby releases and forever discharges Franchisor, its predecessors, successors, assigns, affiliates, governors, officers, managers, members, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns (collectively and individually referred to as the "Franchisor Parties") of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, acts and causes of action, whether known or unknown, vested or contingent, which a Franchisee Party may now or in the future own or hold, that in any way relates to the Franchise Agreement or the business relationship between the parties (collectively "Claims"), for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between Franchisee or its affiliates, and Franchisor Parties.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE FRANCHISED STORE IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

2. Acknowledgment. Except as specifically provided herein, the release of Claims set forth in Paragraph 1 is intended by the Franchisee to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether known or unknown, expected or anticipated to exist, regardless of whether any known, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Franchisee acknowledges that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Franchisee's intention to hereby fully and forever settle and release any and

all matters, regardless of the possibility of later discovered claims or facts. This Release is and will be and remain a full, complete and unconditional general release.

3. Entire Agreement. This Release constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents of this Release are merged into this Release.

4. Voluntary Nature of Agreement. The parties acknowledge and agree that they have entered into this Release voluntarily and without coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept its terms.

5. Governing Law and Jurisdiction. This Release will be construed and enforced in accordance with the law of the state of Minnesota.

6. Attorneys' Fees. All rights and remedies under this Release will be cumulative and none will exclusive any other right or remedy allowed by law. In the event of a breach of this Release that requires one of the parties to enforce the terms and conditions of this Release, the non-prevailing party will pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

_____IN WITNESS WHEREOF, the parties have executed this document as of the latest date indicated below.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE,
LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

~~FRANCHISEE: _____ RED'S SAVOY FRANCHISE, LLC:
IF A PARTNERSHIP, CORPORATION
OR OTHER LEGAL ENTITY~~

Entity Name: _____ By: _____

By: _____ Its: _____

Its: _____ Dated: _____

Date: _____

~~IF FRANCHISEE IS ONE OR MORE
INDIVIDUALS:~~

Dated: _____



EXHIBIT D

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT, GUARANTY, AND OTHER EXHIBITS

RED'S SAVOY DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "Agreement") is made this ____ day of _____, 20____, by and between RED'S SAVOY FRANCHISE, LLC, a Minnesota limited liability company (the "Franchisor"), and _____ (the "Franchisee").

RECITALS

WHEREAS, the Franchisor and its affiliates have developed and obtained certain recipes, food preparation procedures, business methods, policies and techniques, including Franchisor's trade secrets, proprietary and other confidential information pertaining to the operation of a store selling pizza and other related menu items for on-site consumption, delivery and carryout, all under the name and mark "THE ORIGINAL RED'S SAVOY PIZZA™" and other names, marks and associated logos that may now exist or hereafter be developed by the Franchisor and licensed to the Franchisee (collectively, the "Marks");

WHEREAS, the Franchisee understands the importance of establishing a uniform marketing system for Red's Savoy stores selling the products and services authorized to be sold by the Franchisor, and desires to use the Marks in the operation of stores selling pizza and other related menu items for on-site consumption, delivery and carryout, all under the Marks ("Red's Savoy Stores"); and

WHEREAS, the Franchisee has applied to the Franchisor for the right to enter into Franchise Agreements pursuant to this Agreement for the operation of Red's Savoy Stores, and the application has been approved by the Franchisor in reliance upon the representations made in the application. The Franchisee acknowledges that it has read and understands this Agreement, and that all questions raised by the Franchisee with regard to this Agreement and the development of the Red's Savoy Stores has been satisfactorily answered by the Franchisor.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby agree as follows:

ARTICLE 1.

GRANT OF FRANCHISE; DEVELOPMENT AREA

1.1) The Franchisor hereby grants to the Franchisee, for the term of this Agreement, the right to enter into Franchise Agreements with the Franchisor to open and operate Red's Savoy Stores pursuant to such Franchise Agreements within the area described on **Exhibit 1** (the "Development Area"). The rights and privileges granted to the Franchisee in this Agreement are expressly limited to the Development Area and are expressly subject to the terms and conditions of this Agreement.

1.2) During the term of this Agreement, and provided that the Franchisee is not in default under this Agreement or any other agreement between the Franchisor and the Franchisee, the Franchisor will not grant to anyone else a franchise to operate, and will not itself operate, businesses that primarily sell pizza under the Marks from a site physically located in the Development Area ~~prior to~~ before the earlier of: (i) the termination of this Agreement; or (ii) the date on which Franchisee must sign the Franchise Agreement for its last Red's Savoy Store pursuant to Section 3.3, below. Franchisee acknowledges: (x) that the foregoing restrictions do not prevent Franchisor or its affiliates from any activity not specifically set forth in the foregoing sentence; and (y) there may be one or more Red's Savoy

Store(s) operating as of the date hereof in the Development Area and Franchisee may not open a Red's Savoy Store in the designated territory of any such store.

Notwithstanding the foregoing, the Franchisor can: (i) acquire (and thereafter operate) businesses with 10 or more locations that are similar to Red's Savoy Stores and that have one or more locations operating in the Designated Territory at the time of the acquisition; and (ii) sell its equity or assets to any third party regardless of whether such third party operates, or franchises the operation of, businesses in the Designated Territory similar to Red's Savoy Stores.

ARTICLE 2. TERM OF AGREEMENT

2.1) Unless sooner terminated in accordance with Section 4.1 of this Agreement, this Agreement shall expire on the date that the last Red's Savoy Store must be open under Section 3.3.

2.2) There are no rights of renewal under this Agreement. At the end of the term of this Agreement, the Franchisor shall have the right to reevaluate the prospects for the establishment of Red's Savoy Stores in the Development Area, and the Franchisor may determine that the Development Area shall be further developed by opening additional Red's Savoy Stores in the Development Area, either by the Franchisor or its affiliates, or by other franchisees.

ARTICLE 3. DEVELOPMENT FEE; DEVELOPMENT TIMELINE

3.1) During the term of this Agreement, the Franchisee shall open ____ Red's Savoy Stores in the Development Area (the "Total Store Number") in accordance with the development timeline set forth in Section 3.4 below. If the Franchisee transfers or otherwise assigns its interest in any Franchise Agreement it has with the Franchisor before the Franchisee has operated that business for at least six (6) months under its management, then that store will not be considered to have been developed by Franchisee, and will not count toward Franchisee's compliance with the first sentence of this Section.

3.2) On the date this Agreement is executed by the Franchisee, the Franchisee shall pay the Franchisor a development fee (the "Development Fee") in an amount of Thirty Thousand Dollars (\$30,000) if the Total Store Number is two (2). If it is more than two (2), the Development Fee shall be Thirty Thousand Dollars (\$30,000) plus an amount determined by multiplying the number of stores to be opened over two (2) by Twelve Thousand Five Hundred Dollars (\$12,500). The Development Fee is nonrefundable and is payable in full when the Franchisee signs this Agreement and is fully earned by the Franchisor at that time. It is to be paid as consideration for the Franchisor's agreement in the first sentence of Section 1.2, and not for the grant of the right to open any store, which rights shall only be granted pursuant to separate Franchise Agreements to be entered into between the parties. However, Franchisee is not required to pay an Initial Franchisee Fee for any of the Red's Savoy Stores to be developed under this Agreement.

3.3) On the date this Agreement is executed by the Franchisee, the Franchisee shall also execute a Franchise Agreement for its first Red's Savoy Store. As a condition to opening any Red's Savoy Store, and prior to the Franchisee entering into a lease for the location of a store, the Franchisee must execute the then current Franchise Agreement offered by the Franchisor to new franchisee's of the Franchisor at such time, and shall personally guarantee the obligations thereunder. The Franchisee must sign the Franchise Agreement for each of the Red's Savoy Stores to be opened under this Agreement following the first one, and for the signing of each Franchise Agreement as set forth above, within thirty (30) days after the opening of the previous Red's Savoy Store by Franchisee. The Franchisee

acknowledges that the Franchisor's Red's Savoy Franchise Agreement may be modified from time to time by the Franchisor and that reasonable modifications and amendments to that Agreement shall not alter the Franchisee's obligations under this Agreement. The Franchisee shall pay to the Franchisor monthly ongoing fees and monthly advertising contributions and any other amounts as set forth in each respective Franchise Agreement signed by the Franchisee and comply with all other terms contained therein.

3.4) The Franchisee acknowledges and agrees that a material provision of this Agreement is that the Franchisee open within the times set forth in the immediate next sentence the Red's Savoy Store in the Development Area. To that end, and subject to any extension pursuant to the applicable Franchise Agreement, Franchisee must open: (i) its initial Red's Savoy Store in the Development Area within one hundred twenty (120) days from the date of this Agreement; and (ii) each subsequent Red's Savoy Store within one hundred twenty (120) days from the opening of the prior Red's Savoy Store opened by Franchisee pursuant to this Agreement. Time is of the essence for the development of each Red's Savoy Store under this Agreement and for the signing of each Franchise Agreement as set forth above

3.5) The Franchisee represents that it has conducted its own independent investigation and analysis of the prospects for the establishment of Red's Savoy Store within the Development Area, approves of the development timeline in Section 3.4 as being reasonable and viable, and recognizes that failure to open any Red's Savoy Store within the time for opening of that store set forth in Section 3.4 constitutes a material breach of this Agreement. In such case, the Franchisor may terminate this Agreement as provided herein. Termination of this Agreement shall not affect the individual Franchise Agreements signed by the Franchisee for Red's Savoy Store in the Development Area; however, upon termination, all rights granted to the Franchisee under this Agreement shall forthwith revert to the Franchisor, except for those obligations that continue beyond termination of this Agreement.

ARTICLE 4. THE FRANCHISOR'S RIGHT OF TERMINATION

4.1) In addition to the other rights of termination contained in this Agreement, the Franchisor shall have the right to terminate this Agreement effective immediately upon receipt by the Franchisee of notice of default, if the Franchisee:

4.1) —

(a) ~~(01)~~ — Voluntarily abandons the franchise relationship;

(b) ~~(02)~~ — Is convicted in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to this Agreement or is otherwise convicted of a felony;

(c) ~~(03)~~ — Fails to cure a default under this Agreement or under any Franchise Agreement for a Red's Savoy Store which impairs the goodwill associated with the Marks after the Franchisee has received written notice to cure at least twenty-four (24) hours in advance of the notice of termination;

(d) ~~(04)~~ — Makes an assignment for the benefit of creditors, or admits its inability to pay its obligations as they become due;

(e) ~~(05)~~ — Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief

under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated bankrupt or insolvent;

(f) ~~(06)~~—Commits repeated, material violations of any health, safety, or other regulatory law, ordinance or regulation or operates any Red's Savoy Store in a manner that presents a health or safety hazard to its employees, customers or the general public;

(g) ~~(07)~~—Makes an unauthorized assignment or transfer of this Agreement;

(h) ~~(08)~~—Consistently fails to pay its creditors, employees, or suppliers on a timely basis;

(i) ~~(09)~~—Signs a lease or sublease for a location for a Red's Savoy Store before the Franchisor has approved the location for that store or before the Franchisee signs a Franchise Agreement for that Red's Savoy Store, or the Franchisee opens a Red's Savoy Store before the Franchisee has signed a Franchise Agreement for that store.

(j) ~~(10)~~—Fails to comply with the time for execution of a Franchise Agreement as set forth in Section 3.3 or the development timeline set forth in Section 3.4 for the opening of any Red's Savoy Store under this Agreement;

(k) ~~(11)~~—Has made a material misrepresentation on its application for this Agreement; or

(l) ~~(12)~~—Otherwise breaches this Agreement or any Franchise Agreement for a Red's Savoy Store (whether or not such breaches are corrected after notice) or any specification, standard, or operating procedure prescribed by the Franchisor and does not correct such failure within the reasonable time set forth in the notice to cure sent by the Franchisor to the Franchisee which shall in no event be required to be more than thirty (30) days;

4.2) The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and the Franchisor shall comply with applicable law in connection with each of these matters.

ARTICLE 5.

THE FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION

5.1) The Franchisee shall comply with all applicable provisions of this Agreement, including in the event of termination of this Agreement, those provisions with obligations that continue beyond the termination of this Agreement.

5.2) Upon termination of this Agreement for any reason, all rights granted to the Franchisee pursuant to this Agreement shall automatically revert to the Franchisor and the Franchisor shall have the right to develop the Development Area or to contract with one or more other franchisees for the future development of the Development Area.

5.3) Except to the extent the Franchisee's individual Franchise Agreements are also terminated, the Franchisee shall continue to operate the Red's Savoy Stores owned and operated by the Franchisee in the Development Area pursuant to the terms of the applicable Franchise Agreements signed by the Franchisee and the Franchisor, and the rights and obligations of the Franchisee and the Franchisor shall be governed by the terms of the applicable Franchise Agreements.

5.4) Franchisee must, within three (3) business days of the termination or expiration, pay all sums owing to Franchisor and its affiliates. In addition, Franchisee must pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to Five Thousand Dollars (\$5,000) for each undeveloped Red's Savoy Store. Franchisee agrees that this amount is in addition to the Development Fee paid under this Agreement, and for lost revenues for Monthly Fees (as defined in the Franchise Agreement) and other amounts payable to Franchisor, including the fact that during the term of this Agreement, no other development in the Development Area was permitted, and that it would be difficult to calculate with certainty the amount of damage Franchisor will incur. If a court determines that this liquidated damages provision is unenforceable, then Franchisor may pursue all other available remedies, including consequential damages.

ARTICLE 6.
INDEPENDENT CONTRACTORS; INDEMNIFICATION

6.1) The Franchisor and the Franchisee are each independent contractors. The Franchisee shall not make any agreements, representations, or warranties in the name of or on behalf of the Franchisor or represent that their relationship is other than that of franchisor and franchisee.

6.2) Neither the Franchisor nor the Franchisee shall be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties. The Franchisor will not be obligated to any person for any damages to any person or property directly or indirectly arising out of the operation of the Franchisee's business that is conducted pursuant to this Agreement, or caused by the Franchisee's negligence, willful action, or failure to act.

6.3) The Franchisee shall indemnify the Franchisor in any action, suit, proceeding, demand, investigation, or inquiry (formal or informal) wherein the liability of the Franchisor is alleged or in which it is named as a party as a result of activities by the Franchisee which are not in accordance with this Agreement, with the Franchisor's policies as published in Franchisor's manuals, or with any law, rule, regulation, or custom governing the Franchisee's business that is conducted pursuant to this Agreement. In the event that such an action or a claim is made against the Franchisor, the Franchisee shall indemnify and hold harmless the Franchisor from all costs reasonably incurred by the Franchisor in the defense of any such claim brought against it or in any action, suit, proceeding, demand, investigation, or inquiry (formal or informal) in which it is named as a party including, without limitation, reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses, and travel and living expenses, and from all amounts paid or incurred by the Franchisor arising out of such claim or action (collectively, the "Costs"). The Franchisor shall have the right to defend any claim made against it. Such an undertaking by the Franchisor shall, in no manner or form, diminish the Franchisee's obligation to indemnify the Franchisor and hold it harmless. The Franchisor shall not be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim against the Franchisee.

6.4) The Franchisor agrees to indemnify the Franchisee against, and to reimburse the Franchisee for, any obligation or liability for damages attributable to agreements, representations or warranties of the Franchisor, or resulting from the negligent or willful action of the Franchisor, and for Costs (as hereinabove defined) reasonably incurred by the Franchisee in the defense of any claim brought against it or in any action in which it is named as a party. The Franchisor shall have the right to participate in and, to the extent the Franchisor deems necessary, to control any litigation or proceeding which might result in liability of or expense to the Franchisee subject to indemnification by the Franchisor.

6.5) The indemnities and assumption of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 7.
ASSIGNMENT OF DEVELOPMENT AGREEMENT

7.1) This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest of Franchisor.

7.2) The Franchisee may not franchise, subfranchise, license, or sublicense any of its rights under this Agreement, or sell, assign, or transfer less than all of its rights under this Agreement to any other person or entity. Franchisee may only Transfer (as defined below) its rights and interests under this Agreement if it obtains Franchisor's prior written consent and Franchisee transfers all of its rights and interests under all franchise agreements for Red's Savoy Store operated by Franchisee or its affiliates in the Development Area to the same transferee. Accordingly, the assignment terms and conditions of the last franchise agreement Franchisee signed for a Red's Savoy Store will apply to any Transfer of Franchisee's rights and interests under this Agreement. As used in this Agreement, the term "Transfer" means any sale, assignment, lease, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of Franchisee's assets, or of any interest in Franchisee. Franchisor has granted the development rights hereunder based upon representations by Franchisee that it is Franchisee's intent in entering into this Agreement to open and operate the Red's Savoy Stores to be developed under this Agreement. In addition, if there are two (2) individuals signing this Agreement as Franchisee, and one (1) of those individuals is no longer involved in the ownership of the business that is developing Red's Savoy Stores, the withdrawal of that person shall be considered a "Transfer." A "Transfer" shall also be deemed to occur when there are more than two (2) people listed as the Franchisee and there is a change of ownership of the business such that less than a majority of the original signatories continue to have a majority interest in the equity of the business.

ARTICLE 8.
MISCELLANEOUS

The provisions set forth in the last franchise agreement Franchisee signed for a Red's Savoy Store containing any confidentiality, covenants not to compete, enforcement provisions, notice provisions, and sections referenced as "Miscellaneous," "Acknowledgments" or "Franchisee Representations" are hereby incorporated into this Agreement by reference. Any reference to the expression "this Agreement" in such sections will be interpreted as a reference to this Agreement and any reference to "Designated Territory" will read as Development Area. Any provisions of this Agreement which by their nature, may or are to be performed following expiration or termination of this Agreement, shall survive such termination or expiration.—

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

FRANCHISEE: _____

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____
Its: _____

Dated: _____

Dated: _____

~~STATE SPECIFIC ADDENDUM TO AREA DEVELOPMENT AGREEMENT
AS REQUIRED BY THE CALIFORNIA FRANCHISE INVESTMENT LAW~~

~~Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of California:~~

~~1. The Area Development Agreement is revised to include the following:~~

~~“Payment of all initial fees to Franchisor are postponed until after all of Franchisor’s initial obligations are complete and the Franchisee’s first Red’s Savoy Store is open for business.”~~

~~2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum.~~

~~IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Area Development Agreement.~~

~~FRANCHISEE:~~ _____

~~FRANCHISOR:~~

~~RED'S SAVOY FRANCHISE, LLC~~

By: _____
Its: _____

STATE SPECIFIC ADDENDUM TO DEVELOPMENT AGREEMENT
AS REQUIRED BY THE MINNESOTA FRANCHISE LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of Minnesota:

The Minnesota Addendum is only applicable if the Franchisee is a resident of Minnesota or if the Franchisee's business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or of Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Franchisor will comply with Minn. Stat. Section 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) of the Franchise Agreement, and 180 days notice for non-renewal of the Franchise Agreement.

3. The Development Agreement is revised to include the following:

“To the extent required by the Minnesota Franchise Act, Franchisor will protect Franchisee's rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks, provided Franchisee is using the names and marks in accordance with this Agreement.”

4. Franchisor shall not require Franchisee to sign a release of claims under the Minnesota Franchise Act as a condition to renewal or assignment of the Development Agreement.

5. Franchisor shall not require Franchisee to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Law are met independently without reference to this Addendum.

[THE REMAINDER OF THIS PAGE WAS LEFT BLANK INTENTIONALLY. SIGNATURES FOLLOW ON THE NEXT PAGE.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Development Agreement.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

FRANCHISEE: _____

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____
Its: _____

STATE SPECIFIC ADDENDUM TO DEVELOPMENT AGREEMENT
AS REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of North Dakota:

1. The Development Agreement is revised to include the following:

“Payment of the initial franchise fee, all other initial fees, the initial Technology Fee, the Website Establishment Fee, and training and Opening Team Expenses are due at the time that all of Franchisor's initial obligations are complete and the Franchisee is open for business.”
2. The North Dakota Securities Commissioner has determined that it is unfair, unjust, and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, any requirement that the franchisee sign a release upon renewal of the Franchise Agreement is deleted from the Development Agreement.
3. Any references in the Development Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted.
4. The Development Agreement's Section 8 is revised to provide that, "Covenants not to compete, such as those mentioned above, are generally considered unenforceable in the State of North Dakota."
5. The Development Agreement's Section 8 is revised to provide that the site of arbitration or mediation must be agreeable to all parties and will not be remote from the franchisee's place of business.
6. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota, including courts in Minnesota. Therefore, any references and any requirements in the Development Agreement that the franchisee consent to the jurisdiction of courts located outside of North Dakota are deleted.
7. The franchisor and franchisee's relationship as described in the Development Agreement, and any claims arising from the relationship or the agreement, whether arising under the North Dakota franchise law or otherwise, will be governed by the laws of the State of North Dakota.
8. Any references in the Development Agreement to any requirement to consent to a waiver of trial by jury are deleted.
9. Any references in the Development Agreement to any requirement to consent to a waiver of exemplary and punitive damages are deleted.

10. Any reference in the Franchise Agreement to any requirement to consent to a limitation of claims within one year is amended to read that, "the statute of limitations under North Dakota Law will apply."

11. Each provision of this Addendum will be effective only to the extent, with respect to that provision, that North Dakota's Franchise Investment Law's jurisdictional requirements are met independently without reference to this Addendum.-

~~1. The Franchise Agreement is revised to include the following:~~

~~"Payment of all initial fees and the Website Establishment Fee are due at the time that all of Franchisor's initial obligations are complete and the Franchisee is open for business."~~

~~2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.~~

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.

FRANCHISEE:

FRANCHISOR: RED'S SAVOY FRANCHISE, LLC

SIGNED:

SIGNED:

PRINTED NAME:

PRINTED NAME:

ITS:

ITS:

DATED:

DATED:

FRANCHISEE:

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____

Its: _____

STATE SPECIFIC ADDENDUM TO DEVELOPMENT AGREEMENT
AS REQUIRED BY THE SOUTH DAKOTA FRANCHISE INVESTMENT LAW

Notwithstanding anything to the contrary set forth in the RED'S SAVOY PIZZA™ Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all RED'S SAVOY PIZZA franchises offered and sold in the state of South Dakota:

1. The Franchise Agreement is revised to include the following:

“Payment of all initial fees and the Website Establishment Fee are due at the time that all of Franchisor’s initial obligations are complete and the Franchisee is open for business.”

- 2 Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the South Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date of the Franchise Agreement.

FRANCHISEE: _____

FRANCHISOR: RED'S SAVOY FRANCHISE,
LLC

SIGNED: _____

SIGNED: _____

PRINTED NAME: _____

PRINTED NAME: _____

ITS: _____

ITS: _____

DATED: _____

DATED: _____

FRANCHISEE: _____

FRANCHISOR:
RED'S SAVOY FRANCHISE, LLC

By: _____

Its: _____

GUARANTY

IN CONSIDERATION of the execution of the Development Agreement to which this Guaranty is attached (the "Development Agreement") by Red's Savoy Franchise, LLC (the "Franchisor"), and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to Franchisor and to Franchisor's successors and assigns the payment of all fees required to be paid to Franchisor or its affiliates by the party named as Franchisee in the Development Agreement ("Franchisee"), whether such fees are provided for in the Development Agreement or under any other agreement between Franchisor and Franchisee and the performance by Franchisee of all its obligations under all such agreements, and under all manuals and operating procedures of the RED'S SAVOY PIZZA business system. The undersigned further specifically agree to remain individually bound by all covenants, obligations and commitments of Franchisee contained in the Development Agreement to the same extent as if each of the undersigned had individually been named as Franchisee in the Development Agreement and had individually executed the Development Agreement as Franchisee.

The undersigned understand and agree that any modification of the Development Agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Development Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, or affected or diminished. Notice to the undersigned of any such modification, waiver, extension or forbearance under the terms thereof being hereby waived. The undersigned further understand and agree that no bankruptcy or reorganization of Franchisee shall release or otherwise affect the obligations of the undersigned to pay all fees provided for in all agreements between Franchisee and Franchisor or its affiliates, or otherwise owing to Franchisor or its affiliates, and to perform all the provisions of such agreements, as well as all manuals and operating procedures of the RED'S SAVOY business system, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Franchisee contained in the Development Agreement to the same extent as if each of the undersigned had individually executed the Development Agreement as Franchisee.

This Guaranty shall be enforceable upon ten (10) days' written notice by Franchisor to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Development Agreement and addendum or addenda thereto.

The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Development Agreement, in whole or in part, that Franchisor or its assignees may make.

This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Franchisor. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Dated: _____

Dated: _____

Dated: _____

EXHIBIT 1
DEVELOPMENT AREA

[USED IN EVENT OF TRANSFER]

In consideration of the agreement of Red's Savoy Franchise, LLC ("Franchisor") to consent to the transfer by _____ ("Franchisee") of its Development Agreement dated _____ between Franchisee and Franchisor (the "Agreement"), Franchisee hereby releases and forever discharges Franchisor, its directors, officers, shareholders, employees and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors and assigns, from any and all claims Franchisee may have against such parties, from the beginning of time to the date hereof, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to franchisee, and any matters arising under the Agreement.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE UNDERSIGNED'S BUSINESS IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

FRANCHISEE: _____

SIGNED: _____

PRINTED NAME: _____

ITS: _____

DATED: _____

DATE: _____



EXHIBIT E

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

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EXHIBIT F

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AND AREA DEVELOPERS

EXHIBIT F

LIST OF FRANCHISEES AND AREA DEVELOPERS

As of March , 2015

**MINNESOTA
FRANCHISEES**

Name	Location	Phone Number
FSS ENTERPRISES, LLC	262 E Travelers Trail Burnsville, MN 55337	(952) 895-9100
MJM ENTERPRISES, INC.	3250 Denmark Avenue Eagan, MN 55121	(651) 454-6400
R&G SERVICES LIMITED	14755 Victor Hugo Blvd Suite 106 Hugo, MN	(651) 426-1355
LOWERTOWN HOSPITALITY GROUP, INC.	2329 Hennepin Avenue South Minneapolis, MN 55405	(612) 377-3110 <u>(612) 377-3110</u>
EJ and April Utech	5915 Norwich Ave N Stillwater, MN 55082	(651) 351-1234
KINSELLA ENTERPRISES — VADNAIS HEIGHTS, INC. A.E.M., INC.	1146 County Road E Vadnais Heights, MN	(651) 484-0506
SAVOY EDINA	4970 West 77th Street Edina, MN	<u>(952) 831-8100</u>
<u>TEMPUS FUGIT, LLC</u>	<u>582 Prairie Center Drive, Eden Prairie, MN 55344</u>	<u>(952) 944-3020</u>
<u>KINGZ PIZZA, INC.</u>	<u>6522 University Ave NE, Fridley, MN 55432</u>	<u>(763) 572-8500</u>

AREA DEVELOPER

Name	Location	Phone Number
<u>TEMPUS FUGIT, LLC</u>	<u>582 Prairie Center Drive, Eden Prairie, MN 55344</u>	<u>(952) 944-3020</u>

Exhibit F-1

NEBRASKA

Name	Location	Phone Number
THE PIZZA PLACE, INC. BASHARA RESTAURANT GROUP, INC.	1904 North 168th Street Omaha, NE 68116	(402) 289-2929

WISCONSIN

Name	Location	Phone Number
EJ AND APRIL UTECH	1830 Webster Street Hudson, WI 54016	(715) 531-0500



EXHIBIT G

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

RED'S SAVOY FRANCHISE, LLC

FINANCIAL STATEMENTS

December 31, 2014 and 2013

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RED'S SAVOY FRANCHISE, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Red's Savoy Franchise, LLC
Minneapolis, Minnesota

We have audited the accompanying financial statements of Red's Savoy Franchise, LLC (a Minnesota limited liability company), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red's Savoy Franchise, LLC as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

March 20, 2015

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FINANCIAL STATEMENTS

RED'S SAVOY FRANCHISE, LLC

BALANCE SHEETS

December 31, 2014 and 2013

Statement 1

Assets	2014	2013
Current assets:		
Cash	\$20,012	\$29,966
Accounts receivable	29,344	15,442
Other receivable	401	1,102
Due from member	7,714	7,714
Prepaid expenses	-	4,025
Total current assets	<u>57,471</u>	<u>58,249</u>
Total assets	<u>\$57,471</u>	<u>\$58,249</u>
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable	\$4,718	\$32,986
Accrued expenses	4,910	1,771
Due to franchisees	8,661	-
Deferred revenue	-	35,500
Note payable	-	4,025
Total current liabilities	<u>18,289</u>	<u>74,282</u>
Total liabilities	<u>18,289</u>	<u>74,282</u>
Member's equity (deficit):		
Capital contributed	196,203	196,203
Accumulated deficit	(157,021)	(212,236)
Total member's equity (deficit)	<u>39,182</u>	<u>(16,033)</u>
Total liabilities and member's equity	<u>\$57,471</u>	<u>\$58,249</u>

The accompanying notes are an integral part of these financial statements.

RED'S SAVOY FRANCHISE, LLC
STATEMENTS OF OPERATIONS
For The Years Ended December 31, 2014 and 2013

Statement 2

	<u>2014</u>	<u>2013</u>
Revenues	\$320,059	\$206,954
General and administrative expenses	<u>264,844</u>	<u>243,161</u>
Net income (loss)	<u>\$55,215</u>	<u>(\$36,207)</u>

The accompanying notes are an integral part of these financial statements.

RED'S SAVOY FRANCHISE, LLC
STATEMENTS OF MEMBER'S EQUITY
For The Years Ended December 31, 2014 and 2013

Statement 3

	<u>Capital Contributed</u>	<u>Accumulated Deficit</u>	<u>Total Member's Equity</u>
Balance - December 31, 2012	\$196,203	(\$176,029)	\$20,174
Net loss	-	(36,207)	(36,207)
Balance - December 31, 2013	196,203	(212,236)	(16,033)
Net income	-	55,215	55,215
Balance at December 31, 2014	<u>\$196,203</u>	<u>(\$157,021)</u>	<u>\$39,182</u>

The accompanying notes are an integral part of these financial statements.

RED'S SAVOY FRANCHISE, LLC

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2014 and 2013

Statement 4

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net income (loss)	\$55,215	(\$36,207)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	4,025	(4,025)
Accounts receivable	(13,902)	322
Other receivables	701	(1,102)
Accounts payable and other accrued expenses	(16,468)	28,097
Deferred revenue	(35,500)	35,500
Net cash flows (used in) provided by operating activities	<u>(5,929)</u>	<u>22,585</u>
Cash flows from financing activities:		
Proceeds on note payable	<u>(4,025)</u>	<u>4,025</u>
Net cash flows (used in) provided by financing activities	<u>(4,025)</u>	<u>4,025</u>
Net (decrease) increase in cash	(9,954)	26,610
Cash - beginning of period	<u>29,966</u>	<u>3,356</u>
Cash - end of period	<u><u>\$20,012</u></u>	<u><u>\$29,966</u></u>

The accompanying notes are an integral part of these financial statements.

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Note 1 NATURE OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Red's Savoy Franchise, LLC (the Company) is a wholly owned subsidiary of Red's Savoy Holding, LLC. The Company franchises the right to open, operate and manage pizza restaurants in the United States. Franchisees pay the Company an initial franchise fee to acquire the franchise. The amount varies depending on the circumstances. Actual investment costs experienced by a franchisee can also vary significantly depending on a host of variables, including: facility lease expense, equipment purchase, fixtures and leasehold improvements. The Company has various initial and ongoing obligations to franchisees, including training. During the term of the franchise, franchisees pay monthly franchise fees. Franchisees also pay a monthly advertising fee, which is used for current and future advertising and marketing campaigns.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

CASH

The Company maintains its cash in financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant cash credit risk.

INCOME TAXES

The Company is treated as a limited liability company (LLC) that is taxed as a disregarded entity, a Single Member LLC, wholly owned by Red's Savoy Holding, LLC. As such, the Company's income, losses, and credits are included in the income tax returns of Red's Savoy Holding, LLC. The Company has evaluated its tax positions and related income tax under FASB's authoritative guidance *Accounting For Income Taxes*. Management believes that since the Company is taxed as an LLC, there is not a significant impact on the Company as a result of implementing this standard. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

The Company is not subject to U.S. federal or state income tax examinations by tax authorities for the years before 2012. The Company is not currently under examination by any taxing jurisdiction. In the event of any future penalties or interest, the Company has elected to record interest and penalties as income tax expense on the Company's statements of operations.

FRANCHISE FEES AND REVENUE RECOGNITION

Revenues from the sale of franchise rights for individual franchise businesses are recognized when all of the initial services required by the Company under the terms of its franchise agreement have been performed, including; site selection, training, assistance with opening restaurants and operations manuals. Direct costs associated with a specific franchise business are expensed when the related revenue is recognized. Revenues from continuing royalties are recognized monthly based on monthly dues.

Revenue recognized from franchise sales were \$206,207 and \$146,446 for the years ended December 31, 2014 and 2013, respectively.

The Company receives rebates from certain vendors used by the franchisees that are recorded as revenue when the franchisee purchases certain ingredients in bulk.

The Company recognizes revenue from installation of point of sale systems for the franchisees once installation of the system has occurred.

ADVERTISING COSTS

Advertising costs associated with solicitation of new franchisees are expensed as incurred. Advertising costs totaled \$16,309 and \$15,377 for the years ended December 31, 2014 and 2013, respectively.

FAIR VALUE MEASUREMENTS

The Company follows the provisions of FASB's authoritative guidance regarding *Fair Value Measurements*. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy categorized into three levels based on the inputs used.

Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The Company does not have any significant fair value measurements on a recurring or non recurring basis for the year ended December 31, 2014.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value because of the short maturity of these instruments.

Note 2 **FRANCHISE INFORMATION**

As of December 31, 2014, the Company had sold eleven franchises, of which two were sold in 2014. Of the franchises sold, eleven total franchises were open with three opened in 2014.

RED'S SAVOY FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

As of December 31, 2013, the Company had sold nine franchises, of which one was sold in 2013. Of the franchises sold, eight total franchises were open with zero opened in 2013.

Note 3 RELATED PARTY TRANSACTIONS

At December 31, 2014 the Company has receivables due from its member in the amount of \$7,714. The receivables are due on demand.

The Company incurred expenses for various professional expenses from various members of the Company's parent company, Red's Savoy Holding, LLC, in the amount of \$52,750 and \$59,064 for the years ended 2014 and 2013, respectively.

At December 31, 2014, the Company has payables due to its franchisees in the amount of \$8,661.

Note 4 DUE TO FRANCHISEES

At December 31, 2014, the Company has payables due to its franchisees in the amount of \$8,661 for the administration of gift cards sold and redeemed among franchisees.

Note 5 NOTE PAYABLE

The Company had a note payable as of December 31, 2013 in the amount of \$4,025. The note was due on demand and incurred interest at 2%. The note was paid off during 2014.

Note 6 CONTINGENCIES

The Company is subject to various claims, legal proceedings and investigations covering a wide range of matters that may arise in the ordinary course of business. Management believes the resolutions of claims and pending litigation will not have a material effect, individually or in the aggregate, on the financial statements of the Company.

Note 7 SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition or disclosure through March 20, 2015, which is the date that the financial statements were available to be issued.

On February 2, 2015, one of the franchise locations closed. The Company is not liable for any unpaid lease payments of the franchisee.

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EXHIBIT H

RED'S SAVOY FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

TRANSFER FORMS

**ASSIGNMENT, SALE AND TRANSFER
TO ENTITY OWNED BY ORIGINAL FRANCHISEE**

A. Assignment and Sale

Pursuant to the Franchise Agreement dated _____, by and between the undersigned and Red's Savoy Franchise, LLC (the "Agreement"), I/we hereby transfer, subject to approval by Red's Savoy Franchise, LLC (the "Franchisor"), all my/our rights in the Agreement, effective _____, to the transferee named below. I/we understand that this transfer does not relieve me/us of my/our obligations under the Agreement. To induce the Franchisor to approve this assignment, I/we also agree:

(01) to subordinate any payment due to me/us from the Transferee (as defined below) to any other obligation the Transferee may have to the Franchisor. If the Franchisor notifies me/us of our default by the Transferee of its obligations to the Franchisor under the Agreement, I/we will not accept any further amounts that may be owed to me/us by the Transferee until the Franchisor has confirmed, in writing, that such defaults have been cured.

(02) I/we release the Franchisor and its officers, directors, and agents, from all actions and claims I/we may have against them arising out of their sale to me/us of the Franchise, or in connection with my/our operation of the Franchise, including, but not limited to, any claims arising under the Agreement.

(03) I/we will remain bound to all the obligations of the Franchisee contained in the Agreement to the same extent as if I/we remain the Franchisee under that Agreement.

Name of New Franchisee ("Transferee")

Address of Transferee

City, State and Zip Code

Signature of Original Franchisee(s) ("Transferor")

Date

B. Acceptance of Transfer by New Franchisee

The undersigned entity hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of the Franchisee named herein.

(name of new Franchisee)

By: _____
Signature, Title

Dated: _____

C. Approval of Transfer

It is hereby agreed that the entity transferee named above is approved and accepted as Franchisee as described in the Agreement and is authorized to exercise all rights and obligations of the Franchisee named in the Agreement.

Red's Savoy Franchise, LLC

By: _____

Its: _____

**ASSIGNMENT, SALE AND TRANSFER
TO ENTITY OWNED BY ORIGINAL FRANCHISEE**

A. Assignment and Sale

Pursuant to Article 7 of the Development Agreement dated _____, by and between the undersigned and Red's Savoy Franchise, LLC (the "Agreement"), I/we hereby transfer, subject to approval by Red's Savoy Franchise, LLC (the "Franchisor"), all my/our rights in the Agreement, effective _____, to the transferee named below. I/we understand that this transfer does not relieve me/us of my/our obligations under the Agreement. To induce the Franchisor to approve this assignment, I/we also agree:

(01) to subordinate any payment due to me/us from the Transferee (as defined below) to any other obligation the Transferee may have to the Franchisor. If the Franchisor notifies me/us of our default by the Transferee of its obligations to the Franchisor under the Agreement, I/we will not accept any further amounts that may be owed to me/us by the Transferee until the Franchisor has confirmed, in writing, that such defaults have been cured.

(02) I/we release the Franchisor and its officers, directors, and agents, from all actions and claims I/we may have against them arising out of their sale to me/us of the Franchise, or in connection with my/our operation of the Franchise, including, but not limited to, any claims arising under the Agreement.

(03) I/we will remain bound to all the obligations of the Franchisee contained in the Agreement to the same extent as if I/we remain the Franchisee under that Agreement.

Name of New Franchisee ("Transferee")

Address of Transferee

City, State and Zip Code

Signature of Original Franchisee(s) ("Transferor")

Date

B. Acceptance of Transfer by New Franchisee

The undersigned entity hereby accepts transfer of the Agreement and agrees to be bound by all of the provisions of the Agreement and to assume all of the obligations required of the Franchisee named herein.

_____ (name of new Franchisee)

By: _____ Dated: _____
Signature, Title

C. Approval of Transfer

It is hereby agreed that the entity transferee named above is approved and accepted as Franchisee as described in the Agreement and is authorized to exercise all rights and obligations of the Franchisee named in the Agreement.

Red's Savoy Franchise, LLC

By: _____

Its: _____

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Red's Savoy Franchise, LLC offers you a franchise, then Red's Savoy Franchise, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale (or sooner if required by applicable state law).

If Red's Savoy Franchise, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on **Exhibit A**.

Red's Savoy Franchise, LLC authorizes the respective state agencies identified on **Exhibit A** to receive service of process for us in their state.

Issuance Date: March 27, 2015.

The name, principal business address, and telephone number of the franchise seller offering this Red's Savoy franchise is _____ [Insert Appropriate Information].

I received a Disclosure Document dated _____. This Disclosure Document offered the following Exhibits:

- A LIST OF STATE AGENCIES
- B STATE ADDENDA
- C FRANCHISE AGREEMENT, GUARANTY AND OTHER EXHIBITS
- D AREA DEVELOPMENT AGREEMENT, GUARANTY AND OTHER EXHIBITS
- E TABLE OF CONTENTS OF MANUALS
- F LIST OF FRANCHISEES
- G FINANCIAL STATEMENTS
- H TRANSFER FORMS

Please return one signed copy of this Receipt to the attention of Michael Mergens, Senior Vice President and General Counsel at Red's Savoy Franchise, LLC, 1300 NE Godward Street, Suite 1600, Minneapolis, MN 55413, mike@savoypizza.com, fax 612-465-0084.

[THE REMAINDER OF THIS PAGE WAS LEFT BLANK INTENTIONALLY. SIGNATURES ARE ON THE NEXT PAGE.]

DISCLOSURE DOCUMENT RECEIVED:

PROSPECTIVE FRANCHISEE:

DATE:

RECEIPT SIGNED:

SIGNED:

DATE:

PRINTED NAME:

COMPANY:

TITLE:

ADDRESS:

RECEIPT

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