

FRANCHISE DISCLOSURE DOCUMENT



COTTAGE INN FRANCHISOR, LLC

a Michigan limited liability company

4390 Concourse Drive

Ann Arbor, Michigan 48108

(734) 663-2470

www.cottageinn.com

The franchisee will operate a Cottage Inn® restaurant featuring the sale of a wide variety of pizza, sandwiches, salads, and other authorized products for carryout, delivery, and dine in. We may also offer select franchisees the right to operate a Cottage Inn Pizza & Pub, which, in addition to the typical Cottage Inn menu, offers beer and wine and/or liquor, and a Cottage Inn Pizza Express, which features a limited Cottage Inn menu.

The total investment necessary to begin operation of a Cottage Inn Pizza franchise is between \$216,000 to \$500,000. This includes approximately \$50,000 to \$60,000 that must be paid to the franchisor or its affiliates including initial opening inventory. The total investment necessary to begin operation of a Cottage Inn Pizza & Pub is between \$424,000 and \$785,000. This includes approximately \$60,000 to \$80,000 that must be paid to the franchisor or its affiliates including initial opening inventory.

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

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

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

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

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit 1.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 3 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Cottage Inn Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Cottage Inn franchisee?	Item 20 or Exhibits 1 and 2 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in [Exhibit 12](#).

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Michigan. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Michigan than in your own state.
2. **Minimum Annual Royalty.** You must pay us a minimum annual royalty regardless of your sales or profitability. Your failure to pay this minimum royalty may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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

Franchisor

The Franchisor is Cottage Inn Franchisor, LLC. In this Franchise Disclosure Document, the Franchisor will be referred to as “we,” “us,” “**Company**,” “**Franchisor**” and the person who buys an Individual Unit Franchise will be referred to as “you”. In order to distinguish between disclosure applicable to Individual Unit Franchises and Multi-Unit Franchises, the person who buys a Multi-Unit Franchise will usually be referred to as “**Developer**.” If the prospective franchisee or Developer is a corporation, partnership, limited liability company or other entity, “**you**” or “**Developer**” will mean the entity and the owners of the entity.

Predecessors

We are a Michigan limited liability company organized on July 21, 2023. On August 31, 2023, we acquired the assets and franchise system of Cottage Inn Carryout and Delivery, Inc. (“**CICD**”). We have no parent, but CICD will be deemed our “predecessor” for purposes of this disclosure document. Our principal business address is 4390 Concourse Drive, Ann Arbor, Michigan 48108. Our agent for service of process is Cottage Inn Franchisor, LLC, 4390 Concourse Drive, Ann Arbor, Michigan 48108. We operate under our corporate name and the service marks “Cottage Inn Pizza” and associated logo (the “**Marks**”).

We have several affiliated entities that are related to us because of common ownership. As listed below, some of these affiliates purchased corporate stores, distribution facilities or other assets that were owned by entities that were affiliated with our predecessor, CICD. We and/or our affiliates may be an Approved Supplier of certain products and services to our franchisees (see Item 8). Certain affiliates may also provide products or services to our franchisees. Neither we nor our affiliates offer franchises in any other line of business. We do not currently have other business activities.

Affiliates

Our Affiliates are Cottage Inn Marketing, LLC, a Michigan limited liability company (“**Marketing**”), Cottage Inn Commissary, LLC, a Michigan limited liability company (“**Commissary**”), Cottage Inn Delco, LLC, a Michigan limited liability company (“**Delco**”), Cottage Inn, LLC, a Michigan limited liability company (“**CI LLC**”), and Cottage Inn Development, LLC, a Michigan limited liability company (“**Development**”).

Our affiliate, Marketing, administers the Advertising Fund described in this disclosure document. Its principal business address is 4390 Concourse Drive, Ann Arbor, Michigan 48108.

Our affiliate, Commissary, sells food, products, ingredients, supplies, equipment, and other items to our franchisees. Its principal business address is 4390 Concourse Drive, Ann Arbor, Michigan 48108.

Our affiliate, Delco, owns and operates Cottage Inn corporate stores acquired from our predecessor’s affiliate. Its principal business address is 4390 Concourse Drive, Ann Arbor, Michigan 48108.

Our affiliate, CI LLC, owns and operates Cottage Inn corporate stores other than those acquired from our predecessor’s affiliate. Its principal business address is 4390 Concourse Drive, Ann Arbor, Michigan 48108.

Our affiliate, Development, provides development/construction services to franchisees and sells equipment and other items needed to develop a Cottage Inn store. Its principal business address is 4390

Concourse Drive, Ann Arbor, Michigan 48108.

Franchises Offered

We grant franchises to operate carryout, delivery, and/or dine in restaurants, as well as Cottage Inn Pizza & Pub, and a Cottage Inn Pizza Express, for the sale of pizza and other food products under our Marks and our operating system. We have developed standard plans and operating systems for franchises.

The typical franchise is located inside a strip center, either as an end-cap space or in-line space. An end-cap unit will typically make available a drive-up window to service motor vehicle customers, plus some inside seating to accommodate walk-in customers. Your site must meet our traffic, parking, access, space and demographic standards. The prototypical space size will range in size from 1,000 square feet (carryout and delivery), 2,500 square feet (carryout, delivery, and dine in), 3,500 square feet for Pizza & Pub locations which offer all of the above plus beer & wine and some liquor. The prototypical space size will range in size from 400 square feet to 1,000 square feet for a Cottage Inn Pizza Express Store.

Cottage Inn franchises will operate under our trademarks, service marks, logos, trade dress and other elements identifying our franchise system and Stores, some of which are described in Item 13 of this Franchise Disclosure Document (the “**Franchise Marks**” or “**Proprietary Marks**”) and in accordance with the systems that we specify for operating a Cottage Inn business (the “**Franchise System**”). The distinguishing characteristics of the Franchise System include the Franchise Marks, proprietary sauces, recipes, food preparation techniques, trade dress elements of the business, including color schemes, art and overall look and feel of the Store, the uniforms worn by staff and certain materials used in the operation of the business, supplier and distribution arrangements, formulas, specifications for food and drink products, training, operational procedures, promotional techniques and materials, signs, paper products, equipment layout, methods of inventory and operation, and manuals covering business practices and policies. You acquire the right to operate a Cottage Inn franchise by signing our standard Franchise Agreement. Under the Franchise Agreement, you will acquire the right to operate a single Cottage Inn Store at a designated location (the “**Franchise Location**”). Your franchise may be referred to in this Franchise Disclosure Document as the “**Franchise Business**,” or “**Store**”.

The Market and Competition.

The market for food products and services including sit down, carryout and delivered pizza and similar products offered in the Stores is highly competitive and mature, as is the market for obtaining locations for Stores. We believe we offer a unique opportunity created by our long-term operations, proprietary spice and menu items, atmosphere and service standards. Your competition will include all restaurants, bars, and other concepts offered or operated by us, our other franchisees and those operated by local and national competitors. Our franchises participate in the mature and highly competitive fast food industry. Pizza is now a mature and developed segment of the fast food industry. Our competition includes national chains (such as Pizza Hut, Domino’s and Little Caesar’s), regional chains (such as Hungry Howie’s) and independently owned stores.

We believe the primary competitive advantages that our stores have in the pizza market are our proprietary ingredients and operating standards for making a consistently high quality, great tasting pizza.

Industry Regulations

In addition to laws governing businesses generally such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health and Safety Act, you should consider that certain aspects of the restaurant industry are heavily regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration at the U.S. Department of Agriculture, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food and

sanitary conditions in restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, and carbon monoxide. Certain provisions of these laws impose caps on emissions resulting from commercial food preparation. State and local laws, regulations and ordinances vary significantly. You will need to understand and comply with these laws when operating a Store. There may be other laws applicable to your business. We urge you to make further inquiries about these laws.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in Stores. While NLEA specifies a number of exemptions for Stores, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

If you operate a Pizza & Pub or other Store that offers alcoholic beverages of any kind, you must obtain permits or licenses required by the state or states in which you operate. For operation of a Pizza & Pub or Store that serves alcoholic beverages of any kind, you must obtain a liquor license from any applicable state or local authority which requires a license to sell alcoholic beverages on the premises. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost to obtain a license to sell liquor, the restrictions placed on how liquor may be sold, and the potential liability under Dram Shop Laws, which are imposed upon you involving injuries, directly or indirectly, related to the sale of liquor and its consumption. You are solely responsible for identifying, understanding and complying with these laws when operating the Pizza & Pub or Store.

You must identify, investigate, satisfy and comply with all laws, ordinances and/or regulations applicable to your business, including employment, workers' compensation, insurance, corporate, tax, public health and similar laws and regulations, because they vary from place to place, can change over time and may affect the operation of your franchise. You should independently research and review the legal requirements of the food services industry with your own attorney before you sign any binding documents or make any investments.

You should also strongly consider the effects of a national pandemic which may result in the closure of your Store due to Orders by the state or federal government.

ITEM 2 **BUSINESS EXPERIENCE**

President and Chief Financial Officer: Christina Narra

Ms. Narra has served as President and Chief Financial Officer of Cottage Inn since August 2023. Ms. Narra has served as Executive Vice President of Premier Hospitality and its affiliates from June 2018 through August 2023.

Chief Operating Officer: Scot Sloan

Mr. Sloan served as Chief Operating Officer of our predecessor, CICD, since January 2022 and continues to do so for our Company. Mr. Sloan served as Customer Experience Manager for Horizon Global from January 2018 through December 2021.

Vice President, Strategy and Business Intelligence and Operations and Training: James Comiskey

Mr. Comiskey served as Vice President, Strategy and Business Intelligence for our predecessor, CICD, since January 2002 and continues to do so for our Company. Mr. Comiskey also serves as our Vice President, Operations and Training since August 2023.

Director of Franchise Sales and New Store Development: James Witherell

Mr. Witherell has served as Director of Franchise Sales and New Store Development for our predecessor, CICD, since January 2016 and continues to do so for our Company.

ITEM 3
LITIGATION

No litigation information 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 FEES

Our initial franchise fee per Cottage Inn Store is \$25,000. Our initial franchisee fee per Cottage Inn Pizza Express Store is \$25,000. Our initial franchise fee per Cottage Inn Pizza & Pub Store is \$30,000. The initial franchise fee must be paid to us in full prior to us issuing your Franchise Agreement and is non-refundable.

We may discount our initial franchise fee by an amount we determine for veterans of U. S. Armed Forces who otherwise meet our requirements and have been honorably discharged.

We may waive all or a portion of the initial franchise fee under incentive programs we may implement from time to time to encourage system growth.

We are not obligated to provide discounts or incentives and whether we do so and the amount of the discount will be determined by us in our sole discretion.

The initial franchise fee includes our fee for providing initial training to you. (See Item 11)

You are required to expend \$10,000 on new Store grand opening advertising and to establish a franchise location page on our website, which must be deposited with us for payment to third party vendors. Before the Store begins operating, you must also buy your opening supply of food items, paper products (including pizza boxes) and employee uniforms from our distribution affiliate. The cost of this supply ranges from \$15,000 to \$25,000. You pay us this amount before the Store opens. After your Store opens, you will continue to buy your supply of food items from our distribution affiliate and must buy your inventory of employee uniforms and paper products from our distribution affiliate or, if our distribution affiliate does not service the area where your Store(s) are located, from approved third party suppliers. (See Items 7 and 8)

Before the Store begins operating, you must buy certain equipment and signs. You may buy those items from us or from third party vendors. (See Items 7 and 8)

Except as provided above, the franchise fees are uniform. All fees paid to us are non-refundable.

ITEM 6
OTHER FEES

Type of Fee¹	Amount	Due Date	Remarks
Royalty ²	6% of Store's Weekly Gross Revenue (5% in MI) The Annual Minimum Royalty of the Store's operations will be \$30,000.	Due by the Wednesday, Thursday or Friday (as we determine) of the following week in which the sales are recorded for the prior week ending.	"Gross Revenue" means all revenue you receive from selling products and services at the Store; does not include sales and similar taxes collected from customers
Advertising Fund ^{2, 3}	3% to 6% of Weekly Gross Revenue	Due by Wednesday, Thursday or Friday (as we determine) of the following week of which the sales are recorded for the prior week ending.	Advertising fees are paid at the same time as the Royalty Fee. The Advertising Fund Fee is currently 3% of Weekly Gross Revenue
Grand Opening Marketing ⁴	\$10,000 must be deposited with us to be expended in grand opening advertising in advance of Store Opening and during the first 3 months of Store operation and to establish a webpage on our website, set-up on-line ordering and pay for a social media and locations page management software.	\$10,000 deposit must be paid to us for payment to third party vendors. The balance must be expended during the first 3 months of operation	The deposit of these expenses must be paid to us upon execution of the Franchise Agreement
Construction expenses	Variable	As agreed	Payable only if you ask us to assist you in construction of the Store. See Note 7.
Audit	Cost of inspection of audit	15 days after inspection or audit report	Due if you understate the Store's Gross Revenue by more than 3% or do not give us reports, supporting records or other required information
Transfer	\$10,000	Before transfer	Due if your Franchise Agreement or the assets of your Store or

Type of Fee ¹	Amount	Due Date	Remarks
			any ownership interest is transferred
Renewal	\$5,000	Before renewal	Due if you choose to renew and qualify for renewal of your franchise
Product and Service Purchases	Our distribution affiliate's then current applicable price for ingredients, products and services. See Item 8	When you purchase the items from our distribution affiliate. See Item 8	You must buy certain products and services from our distribution affiliates or under our standards and specifications. You must purchase all ingredients and a number of other items exclusively from our distribution affiliate, Cottage Inn Commissary, LLC or an Approved Supplier. If our distribution affiliate does not service the area where your Store is located, you must purchase exclusively from third party vendors approved by us to service your Store. We maintain the right to place you in default and collect liquidated damages of \$100 per occurrence if unapproved product is found in your stores. This does not limit our ability to terminate the franchise agreement if we place you in default and you do not cure such default by removing all unapproved product
Telephone charges	Will vary under circumstances	As incurred and when billed	You are obligated to pay for all telephone charges for your store
Late Fee	\$250 per month.	Due immediately after the date on which the amount, financial statement, tax return, or	Payable if any payment is late, or if your financial statements, tax returns, or other

Type of Fee ¹	Amount	Due Date	Remarks
		other required report was originally due to us or our affiliate	reports are not received when due.
Interest	Highest commercial contract rate of interest law allows, not to exceed 1.5% per month	As incurred	Due on all overdue amounts from the date due to the date of payment
Costs and Attorney's Fees	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement
Management	10% of Store's weekly Gross Revenue plus reimbursement of costs and expenses	As incurred	Due if we manage the Store after sending you a notice of default or termination
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from your Store's operation
Finder's Fee	2% of gross selling price	At time of transfer	Due if you or your owners transfer the Franchise Agreement and the Store or an ownership interest in you to one of our prospective franchise candidates
Noncompliance Fees	If we decide to a fee for noncompliance rather than take other contractual enforcement action, such as if you deliver outside of your Area of Primary Responsibility. \$100 - \$150 per violation per address per day plus delivery amounts. If you sell a menu item that includes an unauthorized ingredient, you must pay us \$50 per sale for use of unauthorized ingredients.	As violations occur if we determine to noncompliance fees as an interim measure short of termination or other enforcement action.	Due if you sell outside of your Area of Primary Responsibility or if you use an ingredient in making a menu item that has not received our written approval. Amount is paid to us and you have no right to receive any sum as a result of any failure by a franchisee to observe their contractual obligations. ⁶

Type of Fee ¹	Amount	Due Date	Remarks
Liquidated Damages - Damages for Loss of Bargain on Termination	See Note 8	On termination	You must pay us liquidated damages if the Franchise Agreement is terminated before the end of the term, except for termination by you for cause.

Notes:

1. Except as described in Item 8 for product and service purchases, all fees are uniformly imposed and collected by and payable to us. All fees are non-refundable.
2. We require you to make recurring payments to us (including Royalties and Advertising Fund fees) by preauthorized debit entries to your Store's bank accounts or another mechanism for electronic funds transfer. You must sign any documents necessary to allow us to withdraw the amounts you owe us by initiating debit entries to those accounts, including without limitation, those documents attached as Exhibit E to the Franchise Agreement.
3. You agree to pay the Advertising Fees described in the franchise agreement. We also have the right to require you to participate in a local advertising cooperative and to make advertising fee payments relating to such local cooperative, although we do not have any advertising cooperatives at this time.
4. You are required to deposit \$10,000 with us to be expended in grand opening advertising and promotion of the Store in advance of Store opening and during the first three (3) months of operation. We will pay this deposit to third party vendors that provide Store marketing and promotion services and to establish a page on our website to promote your location, set-up on-line ordering and enter your location on a platform for on-line location management across several social media/search platforms.
5. You are not permitted to deliver any Cottage Inn products outside of your Area of Primary Responsibility. The purpose for this restriction is to assure product quality and is imposed by us in the exercise of our sole discretion. We have the right to impose liquidated damages if you violate these restrictions. If we impose these liquidated damage fees, we retain this sum and we have no obligation to pay any part of it to adjoining franchisees. You will have no right to this fee if we impose it on an adjoining franchisee for violation of the delivery restrictions of your Area of Primary Responsibility. We are not obligated, however, to enforce this provision and we do not guarantee that you will not have other Cottage Inn franchisees delivering products into your Area of Primary Responsibility. You are also not permitted to use any ingredient for a menu item that has not been purchased from us without our prior written approval.
6. If you desire, we will oversee all construction associated with leasehold improvements and other details associated with opening a Cottage Inn store for a fee of between \$30,000 and \$50,000 depending upon the amount of time we spend on oversight of construction. We charge an hourly fee for such oversight and the amount will vary depending upon the tasks involved, the time spent and the complexity of the constructions tasks to be performed. In this table, the lowest estimate of \$20,000 assumes that you do not use our construction oversight services and the highest number assumes that you do and that the fee charged to you is \$50,000.

7. If the Franchise Agreement is terminated before its expiration (other than termination by you for cause), we may recover from you damages attributable to the loss of bargain resulting from that termination. The damages for our loss of bargain will be the present value of the royalty fees that you would have paid to us for the lesser of: (i) the balance of the term of the Franchise Agreement if the Franchise Agreement had not been terminated; or (ii) 104 weeks. The royalty that you would have paid to us will be calculated by taking the average weekly amount of those payments for the twelve-month period (or such lesser period if you were not in operation for a full twelve-month period) immediately preceding the date of termination and multiplying that amount by the number of weeks left in the term of the Franchise Agreement at the time of termination (maximum of 104 weeks).

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
Cottage Inn Store

Type of Expenditure	Approximate Amount	Method of Payment	When Due	Whether Refundable	To Whom Payment is Made
Initial Franchise Fee ⁽¹⁾	\$25,000	Lump sum	When approved	No	Us
Training Expenses ⁽²⁾	\$5,000 to \$15,000	As incurred	As incurred while attending training	No	Third Party Vendors (lodging, transportation, meals)
Opening Inventory and Supplies ⁽³⁾	\$15,000 to \$25,000	Lump sum	Before opening	No	Us
Equipment ⁽⁴⁾	\$75,000 to \$175,000	Lump sum	As purchased	No	Us and Third Party Vendors
Leasehold Improvements ⁽⁵⁾	\$30,000 to \$150,000	Lump sum	As incurred	No	Us and Third Party Vendors
Signage ⁽⁶⁾	\$10,000 to \$30,000	Lump sum	As purchased	No	Us and Third Party Vendors
Opening Advertising and Promotion ⁽⁷⁾	\$10,000	Lump sum	Deposited with us when you pay your initial franchise fee	No	Paid to Us as a Deposit, and paid by Us to Third Party Vendors
Prepaid Expenses ⁽⁸⁾	\$5,000 to \$15,000	Lump sum	As incurred	No	Third Party Vendors
Three Months' Rent ⁽⁹⁾	\$5,000 to \$10,000	Lump sum	As specified in lease or sublease	No	Landlord
Additional Funds - 3 Months ⁽¹⁰⁾	\$36,000-\$45,000	As incurred	As incurred	No	Cash Reserves, Accounts Payable
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹¹⁾	\$216,000 to \$500,000				

Explanatory Notes

- (1) Initial Franchise Fee.**

This is described in Item 5.

(2) Initial Training Expenses.

This amount is the estimated approximate total cost for travel, lodging and other expenses when you and your employees attend the initial training program.

(3) Opening Supply.

The initial supplies you need include items you must purchase from our distribution affiliate (See Items 5 and 8), as well as items you may purchase from third party vendors. We will assist you in determining the appropriate level of initial supplies.

(4) Equipment.

This expense covers ovens, cooler, mixers, rounders, small wares, makeline, counters, prep tables, sheeter, proofer/warmer, freezer, pans, racks, cut table, sinks and the like. As well as Point of Sale System (POS), Phone System, Menu boards, printers and other technology/business support items.

(5) Leasehold Improvements and Decorating.

The leasehold improvements expense covers installing fixtures, painting, installing partition walls and basic utility work. The lease typically gives you a “vanilla box” with sheet rock walls between neighboring tenants, a standardized storefront and electrical outlets conforming to code. The landlord might give you a “build-out allowance” to cover all or part of the leasehold improvement cost, which will reduce your initial investment but increase your monthly rent. You should know whether the landlord will provide a build-out allowance before you sign the lease.

The leasehold improvements expense range noted in the tables varies due to 3 factors: (i) size of the space; (ii) elective decisions you make on decor options; and (iii) needs that are unique to the space (for example, demolition costs and special building and/or permitting requirements). We have accounted only for the first two factors in the table.

If you desire, we will oversee all construction associated with leasehold improvements and other details associated with opening a Cottage Inn store for a fee of between \$30,000 to \$50,000 depending upon the amount of time we spend on oversight of construction. We charge an hourly fee for such oversight and the amount will vary depending upon the tasks involved, the time spent and the complexity of the constructions tasks to be performed. In this table, the lowest estimate of \$30,000 assumes that you do not use our construction oversight services and the highest number assumes that you do and that the fee charged to you is \$50,000.

(6) Signs.

This includes both exterior signs, some interior signage and delivery vehicle signs.

(7) Grand Opening Advertising and Promotion.

You must deposit \$10,000 with us for use in grand opening advertising and promotion and to establish a page on our website promoting your Store when you sign your franchise agreement. We will expend this deposit upon flyers, other media and other grand opening promotion and to establish a page on our website as we determine appropriate for your grand opening promotion.

(8) Prepaid Expenses.

The largest part of this expense is your security deposit, usually equal to one month's rent. Other deposits are for utility and phone service and insurance.

(9) Three Months' Rent.

Most franchise owners lease their space. The Store's premises typically are in a commercial area and a shopping mall, strip center or in-line location or freestanding unit. The monthly cost typically is \$1,667 to \$3,300 for an approximately 1,500 to 2,500 square foot location. Some landlords require payment by the tenant, in addition to the monthly rent, of an allocable share of property tax, insurance and common area maintenance ("CAM") expenses incurred by the landlord. Other landlords cover such expenses out of the monthly rent. The actual lease costs depend on the condition, location and size of the premises and the demand for the premises among other possible lessees.

(10) Additional Funds.

This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(11) Total Estimated Initial Investment – Based on Predecessor FDD.

To compile these estimates, we relied on the 2023 disclosure document of our predecessor, CICD. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

The numbers in the tables are based on developing a new Store and not buying an existing Store. While the purchase price paid to the seller of an existing Store will include many of the expenses noted in the tables, it also will reflect going concern value, which could cause the total figure to vary. The Store's seller and buyer will negotiate the actual purchase price and payment terms.

The numbers reflected in the table assume that you lease the premises for your Cottage Inn location. If you purchase the location, the amount invested will be substantially higher to reflect the acquisition cost of premises.

To secure your performance under the Franchise Agreement, you must give us a security interest in all of the Store's assets. You must sign any documents that we request to document, perfect and record our security interest. If you default under the Franchise Agreement, we may exercise the rights of a secured creditor including foreclosing on our security interest. We will not unreasonably withhold our consent to a request that we subordinate our security interest to the security interest of a third-party lending institution that gives you financing for the original development or purchase of the Store.

**YOUR ESTIMATED INITIAL INVESTMENT
Cottage Inn Pizza & Pub Store**

Type of Expenditure	Approximate Amount	Method of Payment	When Due	Whether Refundable	To Whom Payment is Made
Initial Franchise Fee ⁽¹⁾	\$30,000	Lump sum	When approved	No	Us
Training Expenses ⁽²⁾	\$10,000 to \$20,000	As incurred	As incurred while attending training	No	Third Party Vendors (lodging, transportation, meals)
Opening Inventory and Supplies ⁽³⁾	\$20,000 to \$40,000	Lump sum	Before opening	No	Us
Equipment ⁽⁴⁾	\$75,000 to \$200,000	Lump sum	As purchased	No	Us and Third Party Vendors
Leasehold Improvements ⁽⁵⁾	\$100,000 to \$200,000	Lump sum	As incurred	No	Us and Third Party Vendors
Signage ⁽⁶⁾	\$20,000 to \$30,000	Lump sum	As purchased	No	Us and Third Party Vendors
Opening Advertising and Promotion ⁽⁷⁾	\$10,000	Lump sum	Deposited with us when you pay your initial franchise fee	No	Paid to Us as a Deposit, and paid by Us to Third Party Vendors
Prepaid Expenses ⁽⁸⁾	\$25,000 to \$30,000	Lump sum	As incurred	No	Third Party Vendors
Three Months' Rent ⁽⁹⁾	\$9,000 to \$15,000	Lump sum	As specified in lease or sublease	No	Landlord
Beer and Wine License-Vary by market and availability ⁽¹⁰⁾	\$50,000 to \$120,000	Lump sum	State Dept that oversees alcohol license	No	State/holder of license
Additional Funds - 3 Months ⁽¹¹⁾	\$75,000 to \$90,000	As incurred	As incurred	No	Cash Reserves, Accounts Payable
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹²⁾	\$424,000 to \$785,000				

Explanatory Notes

(1) Initial Franchise Fee.

This is described in Item 5.

(2) Initial Training Expenses.

This amount is the estimated approximate total cost for travel, lodging and other expenses when you and your employees attend the initial training program.

(3) Opening Supply.

The initial supplies you need include items you must purchase from our distribution affiliate (See Items 5 and 8), as well as items you may purchase from third party vendors. We will assist you in determining the appropriate level of initial supplies.

(4) Equipment.

This expense covers ovens, cooler, mixers, rounders, small wares, makeline, counters, prep tables, sheeter, proofer/warmer, freezer, pans, racks, cut table, sinks, and all beverage equipment and the like. As well as Point of Sale System (POS), Phone System, Menu boards, printers and other technology/business support items.

(5) Leasehold Improvements and Decorating.

The leasehold improvements expense covers installing fixtures, painting, installing partition walls and basic utility work. The lease typically gives you a “vanilla box” with sheet rock walls between neighboring tenants, a standardized storefront and electrical outlets conforming to code. The landlord might give you a “build-out allowance” to cover all or part of the leasehold improvement cost, which will reduce your initial investment but increase your monthly rent. You should know whether the landlord will provide a build-out allowance before you sign the lease.

The leasehold improvements expense range noted in the tables varies due to 3 factors: (i) size of the space; (ii) elective decisions you make on decor options; and (iii) needs that are unique to the space (for example, demolition costs and special building and/or permitting requirements). We have accounted only for the first two factors in the table.

If you desire, we will oversee all construction associated with leasehold improvements and other details associated with opening a Cottage Inn Pizza & Pub store for a fee of between \$40,000 and \$60,000 depending upon the amount of time we spend on oversight of construction. We charge an hourly fee for such oversight and the amount will vary depending upon the tasks involved, the time spent and the complexity of the constructions tasks to be performed. In this table, the lowest estimate of \$40,000 assumes that you do not use our construction oversight services and the highest number assumes that you do and that the fee charged to you is \$60,000.

(6) Signs.

This includes both exterior signs, some interior signage and delivery vehicle signs.

(7) Grand Opening Advertising and Promotion.

You must deposit \$10,000 with us for use in grand opening advertising and promotion and to establish a page on our website promoting your Store when you sign your franchise agreement. We will expend this deposit upon flyers, other media and other grand opening promotion and to establish a page on our website as we determine appropriate for your grand opening promotion.

(8) Prepaid Expenses.

The largest part of this expense is your security deposit, usually equal to one month’s rent. Other deposits are for utility and phone/internet service and insurance.

(9) Beer & Wine License

License availability will vary by market and may not be available for your area of interest. Franchisees should consider purchasing or obtaining a license to sell beer and wine prior to signing a franchise agreement or considering construction.

(10) Three Months' Rent.

Most franchise owners lease their space. The Store's premises typically are in a commercial area and a shopping mall, strip center or in-line location or freestanding unit. The monthly cost typically is \$9,000 to \$15,000 for an approximately 2,800 to 3,500 square foot location. Some landlords require payment by the tenant, in addition to the monthly rent, of an allocable share of property tax, insurance and common area maintenance ("CAM") expenses incurred by the landlord. Other landlords cover such expenses out of the monthly rent. The actual lease costs depend on the condition, location and size of the premises and the demand for the premises among other possible lessees.

(11) Additional Funds.

This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(12) Total Estimated Initial Investment – Based on Predecessor FDD.

To compile these estimates, we relied on the 2023 disclosure document of our predecessor, CICD. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

The numbers in the tables are based on developing a new Store and not buying an existing Store. While the purchase price paid to the seller of an existing Store will include many of the expenses noted in the tables, it also will reflect going concern value, which could cause the total figure to vary. The Store's seller and buyer will negotiate the actual purchase price and payment terms.

The numbers reflected in the table assume that you lease the premises for your Cottage Inn Taverna location. If you purchase the location, the amount invested will be substantially higher to reflect the acquisition cost of premises.

To secure your performance under the Franchise Agreement, you must give us a security interest in all of the Store's assets. You must sign any documents that we request to document, perfect and record our security interest. If you default under the Franchise Agreement, we may exercise the rights of a secured creditor including foreclosing on our security interest. We will not unreasonably withhold our consent to a request that we subordinate our security interest to the security interest of a third-party lending institution that gives you financing for the original development or purchase of the Store.

YOUR ESTIMATED INITIAL INVESTMENT
Cottage Inn Pizza Express

Type of Expenditure	Approximate Amount	Method of Payment	When Due	Whether Refundable	To Whom Payment is Made
Initial Franchise Fee ⁽¹⁾	\$25,000	Lump sum	When approved	No	Us
Training Expenses ⁽²⁾	\$5,000 to \$15,000	As incurred	As incurred while attending training	No	Third Party Vendors (lodging, transportation, meals)
Opening Inventory and Supplies ⁽³⁾	\$10,000 to \$20,000	Lump sum	Before opening	No	Us
Equipment ⁽⁴⁾	\$55,000 to \$115,000	Lump sum	As purchased	No	Us and Third Party Vendors
Leasehold Improvements ⁽⁵⁾	\$20,000 to \$90,000	Lump sum	As incurred	No	Us and Third Party Vendors
Signage ⁽⁶⁾	\$5,000 to \$20,000	Lump sum	As purchased	No	Us and Third Party Vendors
Opening Advertising and Promotion ⁽⁷⁾	\$10,000	Lump sum	Deposited with us when you pay your initial fee	No	Paid to Us as a Deposit, and paid by Us to Third Party Vendors
Prepaid Expenses ⁽⁸⁾	\$5,000 to \$15,000	Lump sum	As incurred	No	Third Party Vendors
Three Months' Rent ⁽⁹⁾	\$2,000 to \$7,000	Lump sum	As specified in lease or sublease	No	Landlord
Additional Funds - 3 months ⁽¹⁰⁾	\$20,000 to \$35,000	As incurred	As incurred	No	Cash Reserves, Accounts Payable
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹¹⁾	\$167,000 to \$352,000				

Explanatory Notes

(1) Initial Franchise Fee.

This is described in Item 5.

(2) Initial Training Expenses.

This amount is the estimated approximate total cost for travel, lodging and other expenses when you and your employees attend the initial training program.

(3) Opening Supply.

The initial supplies you need include items you must purchase from our distribution affiliate (See Items 5 and 8), as well as items you may purchase from third party vendors. We will assist you in determining the appropriate level of initial supplies.

(4) Equipment.

This expense covers ovens, cooler, mixers, rounders, small wares, makeline, counters, prep tables, sheeter, proofer/warmer, freezer, pans, racks, cut table, sinks and the like. As well as Point of Sale System (POS), Phone System, Menu boards, printers and other technology/business support items.

(5) Leasehold Improvements and Decorating.

The leasehold improvements expense covers installing fixtures, painting, installing partition walls and basic utility work. The lease typically gives you a “vanilla box” with sheet rock walls between neighboring tenants, a standardized storefront and electrical outlets conforming to code. The landlord might give you a “build-out allowance” to cover all or part of the leasehold improvement cost, which will reduce your initial investment but increase your monthly rent. You should know whether the landlord will provide a build-out allowance before you sign the lease.

The leasehold improvements expense range noted in the tables varies due to 3 factors: (i) size of the space; (ii) elective decisions you make on decor options; and (iii) needs that are unique to the space (for example, demolition costs and special building and/or permitting requirements). We have accounted only for the first two factors in the table.

If you desire, we will oversee all construction associated with leasehold improvements and other details associated with opening a Cottage Inn Pizza Express store for a fee of between \$20,000 to \$40,000 depending upon the amount of time we spend on oversight of construction. We charge an hourly fee for such oversight and the amount will vary depending upon the tasks involved, the time spent and the complexity of the constructions tasks to be performed. In this table, the lowest estimate of \$20,000 assumes that you do not use our construction oversight services and the highest number assumes that you do and that the fee charged to you is \$40,000.

(6) Signs.

This includes both exterior signs, some interior signage and delivery vehicle signs.

(7) Grand Opening Advertising and Promotion.

You must deposit \$10,000 with us for use in grand opening advertising and promotion and to establish a page on our website promoting your Store when you sign your franchise agreement. We will expend this deposit upon flyers, other media and other grand opening promotion and to establish a page on our website as we determine appropriate for your grand opening promotion.

(8) Prepaid Expenses.

The largest part of this expense is your security deposit, usually equal to one month’s rent. Other deposits are for utility and phone service and insurance.

(9) Three Months’ Rent.

Most franchise owners lease their space. The Store's premises typically are in a gas station, airport, amusement park, movie theatre, and similar non-traditional locations. The monthly cost typically is \$1,000 to \$3,000 for an approximately 400 to 1,000 square foot location. Some landlords require payment by the tenant, in addition to the monthly rent, of an allocable share of property tax, insurance and common area maintenance (“CAM”) expenses incurred by the landlord. Other landlords cover such expenses out of the monthly rent. The actual lease costs depend on the condition, location and size of the premises and the demand for the premises among other possible lessees.

(10) Additional Funds.

This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(11) Total Estimated Initial Investment – Based on Predecessor FDD.

To compile these estimates, we relied on the 2023 disclosure document of our predecessor, CICD. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

The numbers in the tables are based on developing a new Store and not buying an existing Store. While the purchase price paid to the seller of an existing Store will include many of the expenses noted in the tables, it also will reflect going concern value, which could cause the total figure to vary. The Store's seller and buyer will negotiate the actual purchase price and payment terms.

The numbers reflected in the table assume that you lease the premises for your Cottage Inn location. If you purchase the location, the amount invested will be substantially higher to reflect the acquisition cost of premises.

To secure your performance under the Franchise Agreement, you must give us a security interest in all of the Store's assets. You must sign any documents that we request to document, perfect and record our security interest. If you default under the Franchise Agreement, we may exercise the rights of a secured creditor including foreclosing on our security interest. We will not unreasonably withhold our consent to a request that we subordinate our security interest to the security interest of a third party lending institution that gives you financing for the original development or purchase of the Store.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Store under our System Standards. System Standards may regulate, among other things, menu items, the types and brands of food products made and/or sold in the Store, types and brands of ingredients used in food products made and/or sold in the Store, the types, models and brands of required or authorized equipment, employee uniforms, signs and menu boards and other products, materials and supplies for the Store and requirements for stocking, storing and rotating products and designated or approved suppliers of necessary items (including us).

You must purchase from us the Store's initial and continuing supply of all food items, menu ingredients, employee uniforms and paper products (including pizza boxes) from our Affiliate, Cottage Inn Commissary, LLC, and it is the sole source for these goods for Stores within its service area. If your Store is in an area not within its service area, you must purchase these goods and supplies solely from the third party vendor that we approve to service your area. You are not permitted to purchase any ingredient in any menu item from any other sources. Our charge for the opening supply is equal to the charge to our corporate Stores and other franchise stores for similar items. Currently, we require that you use XLT, Middleby-Marshall, BOFI or Edge Ovens oven in the Store which must be purchased from the vendors we approve for such equipment. All oven suppliers must be approved in writing and in advance and we generally limit these vendors to those vendors selling new and refurbished equipment approved by us. Our Affiliate

distributor is the only approved supplier with respect to all food items except locally grown produce and you must purchase those items exclusively from this affiliate if it services the areas where your Store is located or the designated third party vendor if your Store is not located within its service area. (See Items 5, 7 and 11). An officer of Cottage Inn owns an interest in Commissary, but there are no other approved suppliers in which any of our officers owns an interest.

We entered into an agreement with PepsiCo (“**Pepsi**”) with an effective date of January 1, 2024, and ending on the later of December 31, 2026, or until such time as certain purchase volume commitments have been reached. The agreement designates Pepsi as the exclusive supplier of packaged and postmix beverage products to Cottage Inn Stores. Accordingly, you will be required to purchase all packaged and postmix beverage products from Pepsi. As a result of this exclusive arrangement, Pepsi has granted us and our franchisees “national account” status which permits purchases of packaged and postmix beverage products to be made on a volume-discounted price basis. We receive a rebate from Pepsi based upon the total gallons of soft drink beverages purchased by us and our franchisees from Pepsi.

In addition to Pepsi, certain suppliers may make payments to us based on the volume of purchases by all Cottage inn franchisees. We have the right to retain 100% of all rebates, commissions or other consideration paid by suppliers and to use them for whatever purposes we elect. During the fiscal year ending December 31, 2023, no supplier paid us a rebate.

Except for the items specified in this Item 8, there are no goods, services, supplies, fixtures, equipment, inventory or real estate for the Store that you must buy or lease from us or a designated supplier. However, to maintain the quality of the goods and services that Cottage Inn Stores sell and the reputation of our system, you must buy or lease furniture, equipment, signs, supplies, furnishings and similar items from suppliers we approve or under our minimum standards and specifications. Our standards and specifications may impose minimum requirements for reputation, reliability, compliance with specifications and maintaining favorable supply arrangements for Cottage Inn Stores. We do not publish specifications for all items but may communicate brands, types and/or models and names of approved suppliers through the Confidential Operating Manual and/or guidance and assistance before the Store opens. There might be situations where you may obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier, providing we approve such suppliers in advance.

If you want to use any item that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved, you first must submit sufficient information, specifications and samples for us to determine whether the item complies with System Standards or the supplier meets approved supplier criteria. We designate and approve suppliers based on our evaluation of factors like product or service quality and reliability. We will not charge you a fee to make this decision and will, within a reasonable time (usually within 60 days), make our decision. We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. If an approved supplier deviates from our specifications, we may terminate its status as an approved supplier by notifying you and the supplier in writing.

Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require and meet the other insurance-related obligations in the Franchise Agreement. You currently must have the following:

1. Commercial General Liability - limits of \$1,000,000 per occurrence and a \$2,000,000 policy aggregate;
2. Commercial Automobile Liability, including coverage for owned (if any), hired, and non-owned autos – limits of \$1,000,000 each accident;
3. Statutory Workers Compensation coverage;
4. Employers Liability – limits of \$500,000 bodily injury by accident – each accident, \$500,000 bodily injury by disease – each employee and \$500,000 bodily injury by disease – policy limit;

5. Umbrella Liability of \$1,000,000;
6. Liquor Liability – limits of \$1,000,000 (if selling/serving liquor).

Cottage Inn Franchisor, LLC and its affiliates must be named as an additional insured on all franchisee liability policies, and all policies must provide that we must be given thirty (30) days' notice prior to your cancellation of any insurance. You are also responsible for carrying insurance on your merchandise, trade fixtures, furnishings, operating equipment and personal property against fire, vandalism, malicious mischief and other perils in a standard extended coverage endorsement insuring your merchandise, trade fixtures, furnishings, operating equipment and personal property for at least 100% of their actual replacement cost, as well as coverage for loss of business income of at least the amount of your actual exposure. All policies, including property, liability, auto, umbrella, workers comp, and liquor, must be concurrent within the same month.

You must obtain our written approval of all advertising and promotion, including any website promotion, prior to its use. We have the discretion to approve or disapprove such advertising in the exercise of our sole discretion. Before you use them, you must send us for approval samples of all advertising and promotional materials which we have not prepared or approved within the last 6 months. If you do not receive written approval within 15 days after we receive the materials, they are deemed disapproved. You may not use any advertising or promotional materials, including any advertising on the internet that we have not approved.

In order for you to develop the Store, we will give you conceptual drawings and specifications reflecting our requirements and suggestions for layout, design, fixtures, equipment, signs, furnishings, furniture and decoration. You must prepare all required construction plans and specifications to suit the shape and dimensions of the premises and ensure that they comply with applicable ordinances, building codes, permit requirements and lease requirements and restrictions. We must review and approve all final construction plans and specifications before you begin constructing the Store. Our review and approval are limited to ensuring conformance with the image of Cottage Inn Stores.

The Store must be at a site that we have approved. Your lease must contain certain provisions, including but not limited to those listed in Exhibit C to the Franchise Agreement. In addition, you and your landlord must sign a lease rider acknowledging certain rights we have under the Franchise Agreement that relate to your lease. A copy of our standard Lease Rider is attached as Exhibit D to the Franchise Agreement. This Lease Rider must be signed at the time the lease is executed.

Commissary is the sole supplier of ingredients for use in menu items and for certain other goods and services to the franchisees and corporate stores within its service area other than some locally sourced produce items. In the fiscal year ending December 31, 2023, Commissary, and its predecessor, CID, received revenue from franchisee required purchases in the aggregate amount of \$15,474,386, which was 99.9% of their total revenues of \$15,477,706. Said figures are reflective of CID from January 1, 2023 through August 31, 2023, and of Commissary from September 1, 2023 through December 31, 2023.

Revenue or Other Benefits to Franchisor or Affiliates

Except as described above, neither we nor our affiliates, as of the date of this disclosure document, have received any revenue from required purchases by any franchisee. We may negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We will attempt to receive volume discounts for the System.

Percentage of Purchases

All of your purchases from Approved Suppliers and in accordance with our specifications will represent 100% of your total purchases in the establishment of your franchise and 100% of your total

purchases in the ongoing operation of your Franchise Business.

Cooperatives; Material Benefits to Franchisees

We do not at this time have any formal purchasing or distribution cooperatives. We do not provide material benefits to our franchisees based on a franchisee's purchases from designated sources.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section in Franchise Agreement or Area Development Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Sections 2.1 and 3.1 of Franchise Agreement and Lease Rider	Items 7, 8, 11 and 12
(b) Pre-opening purchases/leases	Sections 3.3, 3.4, 3.6 and 10 of Franchise Agreement	Items 5, 6, 7, 8 and 11
(c) Site development and other pre-opening requirements	Sections 3.2, 3.3, 3.4, 3.5 and 3.6 of Franchise Agreement	Items 7, 8 and 11
(d) Initial and ongoing training	Sections 4 and 5.1 of Franchise Agreement	Item 11
(e) Opening	Section 3.5 of Franchise Agreement	Item 11
(f) Fees	Section 7.1-7.6 of Franchise Agreement	Items 5 and 6
(g) Compliance with standards and policies/Operating Manual	Sections 5 and 10 of Franchise Agreement	Items 8 and 11
(h) Trademarks and proprietary information	Sections 6 and 8 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section 10 of Franchise Agreement	Items 8, 11 and 16
(j) Warranty and customer service requirements	None	
(k) Territorial development and sales quotas	None	Item 12
(l) On-going product/service purchases	Sections 3.4 and 10 of Franchise Agreement	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Section 10 and Section 15.3 of Franchise Agreement	Item 11
(n) Insurance	Sections 3.5 and 10 of Franchise Agreement	Items 7 and 8

Obligation	Section in Franchise Agreement or Area Development Agreement	Item in Disclosure Document
(o) Advertising	Sections 3.6, 7.5 and 11 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section 18.3 of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections 1.4, 4.1 and 10 of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section 12 of Franchise Agreement	
(s) Inspections/audits	Section 13 of Franchise Agreement	Item 6
(t) Transfer	Section 14 of Franchise Agreement	Item 17
(u) Renewal	Section 15 of Franchise Agreement	Item 17
(v) Post-termination obligations	Section 17 of Franchise Agreement	Item 17
(w) Non-competition covenants	Sections 9 and 17.6 of Franchise Agreement	Item 17
(x) Dispute resolution	Sections 19.7 and 19.9 of Franchise Agreement;	Item 17
(y) Security Interest	Section 19.17 of Franchise Agreement	Items 6 and 7

ITEM 10 **FINANCING**

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

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

Except as listed below, we need not provide any assistance to you.

Pre-opening obligations. Before you open we will:

1. After you locate and secure a site, we will designate your Area of Primary Responsibility. (Franchise Agreement – Section 2.1) We may also grant you a limited period of time within which to find a site within a defined area. While we will assist you in locating a site, the primary responsibility for locating a site is yours. If we and you cannot agree on a site, you may not acquire a franchise. We do not generally lease premises to our franchisees, although we may do so on occasion, and we have no obligation to act as your landlord or to make premises available to you for lease.
2. Give you conceptual drawings and specifications for a Cottage Inn Store, including requirements and suggestions for layout, furniture, design, decor, fixtures, equipment,

signs and furnishings. We will review your final plans and specifications to make sure they conform to the image of Cottage Inn Stores. (Franchise Agreement - Section 3.2)

3. As discussed in Item 8, identify the types, models and brands of required or authorized furniture, furnishings, equipment (including computer hardware and software), signs and other products, materials and supplies necessary to operate the Store and the designated or approved suppliers from whom you must or may buy or lease these items (including us and our affiliates). (Franchise Agreement - Sections 3.4 and 10)
4. Loan you one copy of the Confidential Operating Manual, which you may view at our offices before you buy the franchise. (Franchise Agreement - Section 5.2)
5. Assist with development of the Store's opening advertising and promotional program and implement such plan. (Franchise Agreement - Section 3.6)
6. Train you and/or your Managing Owner (and if you elect another employee designated by you). (Franchise Agreement - Section 4.1) We describe this training later in this Item. Other than training you and/or your Managing Owner, we have no obligation to hire or train your employees and you will be solely responsible for such hiring or training and all other matters relating to your employees.

Obligations after opening. During your Store's operation and after opening, we will:

1. Advise you on the Store's operation based on reports you submit or inspections we make. (Franchise Agreement - Section 13) We also will make recommendations to you on methods, standards and operating procedures Cottage Inn Stores use; purchasing required furniture, furnishings, equipment, signs, inventory, materials and supplies; marketing programs; and administrative, bookkeeping, accounting, inventory control, record keeping and general management and operating procedures. We will make recommendations to you in our Confidential Operating Manual, bulletins, newsletters, written reports and recommendations, electronic transmissions and other written or audiovisual materials, during telephone consultations and/or during consultations at our office or the Store. (Franchise Agreement - Section 5.1)
2. Give you, at your request and your expense, special training or other operating assistance. (Franchise Agreement - Section 5.1) (See Item 6)
3. Loan you one copy of the Confidential Operating Manual containing the written, audiovisual and other materials we give to franchise owners to operate Cottage Inn Stores. The Confidential Operating Manual contains mandatory specifications, standards, operating procedures and rules ("System Standards") not related to your employees that we periodically require. You will be solely responsible for all matters relating to the hiring, firing, discipline, scheduling and other aspects of the employment of your employees. We may modify the Confidential Operating Manual periodically to reflect changes in System Standards. (Franchise Agreement - Section 5.2)
4. Issue and modify System Standards for Cottage Inn Stores. We may periodically modify System Standards, which may accommodate regional or local variations, and these modifications may require you to invest additional capital in the Store and/or incur higher operating costs. (See Item 16) (Franchise Agreement - Section 10)

5. Periodically offer additional training programs and conferences to you or your designated manager. (Franchise Agreement - Section 4.2) We do not provide training to your employees and you are solely responsible for such training. We describe these later in this Item.
6. Let you use our Marks under the conditions we approve. (Franchise Agreement - Section 6) (See Item 13)

Advertising Fund.

We currently maintain and administer an advertising fund (the “**Advertising Fund**”) for the marketing, promotion, advertising and similar programs we feel appropriate. You must contribute to the Advertising Fund the amounts that we periodically require (See Item 6) which may be as much as 6% of Gross Revenue. At the present time, you are required to pay three percent (3%) of Gross Revenue to the Advertising Fund. Cottage Inn Stores that we and our affiliates own will be required to contribute to the Advertising Fund on the same basis as franchise owners. Certain vendors in our system may contribute to the Advertising Fund based on your purchases. You authorize us to collect from your suppliers all cooperative advertising funds and similar promotional credits to which you are entitled from your purchases. These funds will become part of the Advertising Fund. (See Item 8)

The Advertising Fund is accounted for separately from our other monies and we prepare an annual unaudited summary of monies collected and costs incurred by the Advertising Fund which we will provide to you on request. Any monies in the Advertising Fund not disbursed in the current year are used in the following year. During the period from September 1, 2023 through December 31, 2023, the Advertising Fund spent approximately 84.49% on media costs, 0.1% on production costs, 9.15% on administrative expenses, and 6.26% on other expenses.

We do not currently have any advertising council composed of franchisees that advises us on advertising policies and you have no obligation to participate in local or regional cooperative advertising. We will direct all programs the Advertising Fund finances, with sole discretion over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. We may use the Advertising Fund to pay for designing, preparing and producing video, audio and written materials; administering regional and multi-regional advertising programs, including purchasing direct mail and other media advertising; using advertising, public relations and marketing firms to provide assistance; and supporting public relations, market research and other advertising and marketing activities. These programs are intended to maximize recognition of the Marks and the patronage of Cottage Inn stores and we do not use the Advertising Fund primarily to solicit new franchise sales although some of our sales activities paid by the Advertising Fund may include promotion of franchises. Due to the importance of local marketing activities, the Advertising Fund may develop sample advertising and promotional materials for Cottage Inn Stores to use in their local markets. The Advertising Fund may place advertising in printed materials or on radio or television for local or regional circulation, depending on what we think best.

You must conduct a grand opening advertising and promotional program for the Store before it opens and during its first months of operations. This cost will be a minimum of \$10,000. You must deposit \$10,000 with us upon execution of the Franchise Agreement which we will expend in this promotion and to establish a page on our website to promote your Store. As part of this grand opening program we also contract with a vendor to manage the online presence of each location for search services. (Franchise Agreement - Section 3.6)

You must spend the amount we designate for advertising and promotion and shall be in addition to any other marketing expenditures you may make, e.g., in addition to donations of food product or other promotional activities you may engage in. This amount is currently three percent (3%). Such amount must be expended by you on a prorated monthly basis. If applicable, we will credit all Advertising Fund fees

(see Item 6) toward this requirement. You must participate in any advertising or promotional program we develop for Cottage Inn Stores in your area. You must list and advertise the Store in each online directory and classified telephone directory distributed in your market area and use our standard form of advertisement. If there are other Cottage Inn Stores in the distribution area of those directories, you must advertise in and pay your share of a collective advertisement. Before you use them, you must submit to us for approval samples of all advertising and promotional materials that we have not prepared or approved within the last six months. If you do not receive written approval within 15 days after we receive the materials, they are disapproved. You may not use any advertising or promotional materials that we have not approved. (Franchise Agreement - Section 11.2) (See Items 6, 8 and 9)

Store Opening.

You must locate and we must approve the Store's site. (See Item 12) The site must meet our criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from, proximity to and nature of other businesses, other commercial characteristics and the proposed site's size, appearance and other physical characteristics. We and you typically will sign the Franchise Agreement after you have a site. (See Items 1 and 5) (Franchise Agreement - Section 3.1)

We estimate that it will be approximately six (6) months between the time you sign the Franchise Agreement and open the Store, but the interval depends on the site's location and condition, the Store's build-out schedule, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment and supplies, delays in completing training, and your compliance with local laws and regulations. You may not open the Store for business until: (1) you develop the Store under our specifications and standards, and we notify you that the Store is acceptable; (2) pre-opening training is completed to our satisfaction; and (3) we have received copies of all equipment leases you have signed for the Store and all required insurance policies (or other evidence of insurance coverage and payment of premiums). You must also hold a Certificate of Occupancy and all local/city/county/state department license (such as Health Dept). If you will sell alcoholic beverages, such as in a Pizza & Pub location, you must also obtain a liquor license. (Franchise Agreement - Section 3.5) In all events you are required to open the Store no later than six (6) months from execution of the Franchise Agreement, otherwise we may terminate the Franchise Agreement without refund of any fees or other payments to us.

Technology used in the Store including Point of Sale/Computer Systems / Online Ordering.

You must use in the development and operation of the Store the computer hardware and software and related technology designated by us, including without limitation, features such as high speed broadband connectivity, high speed broadband monitoring, online ordering, methods and means of encryption and access to our network resources, and other internet based technology and peripheral devices that we specify from time to time. We may modify all aspects and the components of the technology we require from time to time. As part of store and promotion technology, we may require you to obtain computer hardware and/or software we specify from a single vendor designated by us or from us directly. You may use only such items and services as we specify in connection with the technology at the Store. We may require that you enter into a license exclusively with us or our affiliates to use proprietary software developed by or for us. You may also be required to enter into agreements with others for use of third-party software incorporated or used in connection with the technology we specify. The modification of such specifications or components for the technology used in the Store may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the technology used in the Store during the term of the Franchise Agreement. We have the right to charge reasonable fees for software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates furnish to you related to the technology used in the Store. Technology continues to evolve and currently mobile devices are a primary form of use for consumers. We anticipate that this evolution will continue and perhaps accelerate in the future. In addition, the functionality of current hardware and software has a limited useful

life. We may, therefore, require you to upgrade or add to the technological tools that are used in operation or promotion of the Store during the term of your franchise agreement. These upgrades and additions may occur as often as every three to five years.

We currently require that you buy an approved electronic POS or computer system (Speedline) according to the following configuration and cost:

Item	Amount	#	Extension
License for 5 Station	\$7,300	1	\$7,300
EMV Credit Card Pin Pad	\$595	2	\$1190
Posiflex All in One Computers	\$1450	4	\$7,250
Receipt Printer Thermal	\$370	4	\$1,480
Cash Drawer	\$150	2	\$300
Box Label Printer	\$390	1	\$390
SonicWall	\$370	1	\$370
Network Switch	\$175	1	175
APC Battery Backup	\$75	5	\$375
LiveMaps License	\$495	1	\$495
SpeedLine Connect	\$295	1	\$295
Install and Training (must do own wiring)			\$2,500
Low-Voltage Wiring & Network Cabinet			\$2,200-3,500
WorldPay/FIS Payment Integration			\$200
Shipping			\$650
Miscellaneous			\$300
Total			\$25,470-26,770

Other:

Maintenance Speedline license after first year \$1,740.00 per year

The amounts listed here are based upon the cost from third party vendors (including Speedline) and are subject to change without notice. Except as provided above, neither we nor any third party vendor has any obligation to provide ongoing maintenance, repairs, upgrades or updates to the equipment or software.

We require you to transmit information to us regarding your sales, Store operations, inventory levels and other information that we require including via electronic polling or via email. We will have access to all information maintained by your POS and computer systems and there are no contractual limitations or restrictions on our ability to do so.

You are required to participate in our online ordering program through vendors or suppliers that we approve. You will incur an additional monthly charge for this capability. You must use a third party online order vendor that we approve. We currently require use of online ordering services provided by Speedline which is integrated into the Speedline system. If we change providers, you will be required to use the new vendor and this may result in additional costs to you. We may determine to provide these services ourselves or in conjunction with a third party. We allow the use of third-party ordering systems that we approve, (such as DoorDash, Grubhub, EatStreet, etc.). We must authorize the third party ordering system, and our approval may be conditioned upon these third party systems being integrated into our approved POS systems and accuracy in sales reporting. We do not allow third -party platforms that offer delivery on our behalf (Door-Dash, Uber Eats, etc.), and you may not use such delivery systems. We have entered into management services agreements with some of these third party delivery systems to permit some franchisees to offer delivery to customers on a discretionary basis. While we may permit some

franchisees to use these services to address unique local conditions and to provide service to Cottage Inn customers, we have the right to require you to stop use of these services if we determine to do so.

PCI-DSS Compliance

You must comply with the Payment Card Industry Data Security Standard (PCI-DSS). This standard requires you to maintain security of certain customer information in your Store computer equipment in the Store (POS system, back office computer, camera equipment, etc.), satisfying one requirement of the PCI-DSS. You are solely responsible for meeting all requirements of the PCI-DSS as outlined on the Payment Card Industry Security Standards Council website and the credit card merchant agreement. To remain compliant, there may be additional hardware and software you need to purchase.

Websites and other electronic marketing.

We will control or designate the manner of your use of all URLs, domain names, website addresses, metatags, links, key words, e-mail addresses and any other means of electronic identification or origin ("e-names"). We will also designate, approve, control or limit all aspects of your use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, e-mail, home pages, bulletin boards, chatrooms, linking, framing, on-line purchasing cooperatives, marketplaces, barter exchanges, text, mobile or text marketing and related technologies, methods, techniques, registrations, networking, social media and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software or hardware (collectively, "E-commerce"). You must follow all of our policies and procedures for the use and regulation of E-commerce. You do not have any right to establish a website or use other means of electronic promotion without our prior written approval which may be refused in the exercise of our sole discretion.

We restrict your use of E-commerce to a centralized website, portal or network or other form of E-commerce that we designate or operate. We may require that you provide information to us via E-commerce. You must be bound by any terms of use, privacy policy and copyright notice and takedown policies and the like that we establish from time to time. We may require you to, at your expense, coordinate your E-commerce activities with us, other Cottage Inn Stores, suppliers and affiliates, including, without limitation, all aspects of any social media marketing. We may require you to participate in any internet or intranet networks we establish and obtain the services of and pay the then current fees for ISP, ASP, social media marketing and similar services.

We own all rights, title and interest in and to any and all websites and any e-names we commission or utilize, or require or permit you to utilize, in connection with the System which bear our Marks or any derivative of our Marks. We own all rights, title and interest in and to any and all data or other information collected via e-commerce related to the System or the Marks, including any customer data, click-stream data, cookies, user data, hits and the like. Such data or other information also constitutes our Confidential Information.

If you request our assistance relating to these technology services, we may charge you a fee for this assistance. Our current fee is \$75 per hour which may be changed in the exercise of our sole discretion.

Should we transition to a cloud-based computing systems in the future, you will be required to transition to those systems on a date that we determine. We anticipate that this transition will result in a lower initial outlay for computer equipment and software but that there will probably be higher ongoing costs associated with the cloud based format. If we make this transition, you will be required to transition to this format and you will incur additional costs associated with this transition.

Loyalty Program and App

In 2022 our predecessor partnered with Punch to roll-out a new App based Loyalty program. The Loyalty App will be a new feature to allow customers to gain points and redeem points as a system-wide service.

Gift cards

We also require you to participate in our gift card program. This is currently administered through World Pay (formerly Vantiv/Mercury). If you use World Pay to process your credit card transactions, there is no fee for participation in this program. If you do not, you may be charged as much as \$50 per month for participation in the gift card program.

Operations Manual

We loan to you one or more copies of our Operations Manual or will provide access to the Operations Manual over our corporate Intranet. This Operations Manual contains mandatory and suggested specifications, standards, employee uniforms and appearance, operating procedures and rules prescribed periodically by us, as well as information relative to your other obligations under the Franchise Agreement and the operation of the Franchise System.

Please note that what we refer to as our Operations Manual actually consists of several topic-specific manuals. As of the date of this disclosure document, the title of each of these topic-specific manuals and the number of pages on each subject within each of these manuals is provided on Exhibit 4 to this disclosure document. Our Operations Manual consists at this time of 101 pages.

The Operations Manual must remain confidential and is our proprietary property. We have the right to add to and otherwise modify the Operations Manual periodically as it deems necessary, provided these additions or modifications will not alter your fundamental status and rights under the Franchise Agreement.

Before the Store opens, we will train you and/or your Managing Owner (and if you elect, another employee designated by you) on operating a Cottage Inn Store. This training is mandatory. Training occurs predominantly at an operating Cottage Inn Store and occasionally at our offices in Ann Arbor, Michigan. The trainee must complete initial training to our satisfaction. Our fee for the initial training is included in the initial franchise fee. You must pay all travel and living expenses which you incur in training. (See Item 5) The initial training program for a Cottage Inn Store is a minimum of six (6) weeks and must be completed no later than 4 weeks before you open your Cottage Inn Store. (Previous experience in the pizza delivery business may modify the initial training program). Additional training may be required if so determined by us at the end of the six-week period. Weekly evaluations will be given during the training period. Members of our operations team, including the store manager at the location where training is conducted who have restaurant operations and training experience will be the instructors for the in-class and in-store training. The training will be overseen by James Comiskey. Mr. Comiskey has more than 20 years in operational and management experience operating Cottage Inn pizza restaurants. Mr. Comiskey is located at our corporate headquarters in Ann Arbor, Michigan.

If we determine after training that you or your Managing Owner is not qualified to operate the Store, we may terminate the Franchise Agreement within 20 days. (See Item 5)

You and your managers and other employees must attend any additional training programs we schedule at or near your Store. We may also require you and your personnel to attend online classes, and we may charge you a fee for maintaining these classes although we don't currently do so. You or the Store's manager must attend any conferences that we designate as mandatory. We will not require attendance at more than one conference each calendar year. You must pay any reasonable fees we charge (see Item 6) and all of your travel and living expenses.

The following chart describes the training program, the number of hours of classroom and on the job training and its location:

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Initial Orientation	3	0	Corporate HQ
Level 1 Training	0	120	Corporate Store
Level 2 Training	0	40	Corporate Store
Level 3 Training	0	40	Corporate Store
Level 4 Training	0	40	Corporate Store
Training Evaluations/ Meetings with Department. Heads	3	0	Corporate HQ
Total	6	240	

You are solely responsible for training, supervision, hiring, firing and all other aspects of your employees and employment relationships with your employees. We have no duty or obligation to assist you regarding any issues relating to your employees and we have no authority to interfere with or control activities or the relationship between you and your employees.

ITEM 12 **TERRITORY**

You may operate at a specific location that we first must approve. Once you locate and we approve this site, we will grant you an Area of Primary Responsibility (the “Area of Primary Responsibility”) within which we will not establish, or grant a franchise to another person to establish, another Cottage Inn store the physical premises of which are located within the Area of Primary Responsibility with the following exception: We reserve the right to place company-owned or franchised Stores at “non-traditional venues,” such as airports, casinos, arenas, hospitals, hotels, malls, military installations, national parks, schools, stadiums and theme parks, within your Area of Primary Responsibility. We may also acquire a competing franchise system, which may or may not include Stores in your Area of Primary Responsibility. Inasmuch as the Area of Primary Responsibility is based upon the location we approve, we have no obligation to approve any relocation of your Store, although we will generally permit you to do so if you seek to relocate to a closely adjacent location and you can establish that customer service and product quality relating to deliveries will not be materially impaired. It is our current practice to determine the extent of an Area of Primary Responsibility based upon the demographics of the area and the locations of other Cottage Inn stores.

We typically will mark the Area of Primary Responsibility’s boundaries by streets, roads, highways or natural boundaries (e.g., rivers). We always will identify the Area of Primary Responsibility in an exhibit to the Franchise Agreement before you sign it. You may not operate the Store at any other site without our prior written consent. This Area of Primary Responsibility defines where you are permitted to operate and solicit or deliver products. You are restricted from soliciting or accepting orders from outside your Area of Primary Responsibility, and from delivering outside your Area of Primary Responsibility. If you violate this restriction you may be required to pay a noncompliance fee to us ranging from \$100 to \$150 per unauthorized delivery per address per day plus the amount of the unauthorized delivery or we may terminate your Franchise Agreement. (See Item 6) You do not have the right to use other channels of distribution to distribute any products. While you agree that you will not deliver out of your Area of Primary Responsibility, the area is not “exclusive” to you and we have no obligation to refrain from soliciting orders in your Area of Primary Responsibility nor do we have any obligation to compensate you for any sales by us or others within this area. Customers retain the right to purchase from any Cottage Inn store and we make no commitment to you to that we will terminate the franchise agreement or otherwise take

enforcement action against any franchisee that violates any similar contractual provision in their franchise agreement.

Except for our inability to operate or allow another to operate a Cottage Inn Store within your Area of Primary Responsibility subject to the limitation described above, we (and any affiliates) retain all rights concerning Cottage Inn Stores and any programs, products and services that are or may become associated with Cottage Inn Stores, the Marks and the System, including (for example):

- (a) the right to operate and allow others to operate Cottage Inn Stores anywhere we want and on any terms and conditions we feel appropriate;
- (b) the right to develop, produce, license, market and sell through similar or dissimilar channels of distribution, and whether under the Marks or other trade and service marks, products and services that Cottage Inn Stores typically sell or promote, including, but not limited to, products such as frozen pizzas sold through grocery stores, convenience stores and other retail outlets wherever located (including but not limited within the Area of Primary Responsibility);
- (c) the right to establish other franchises operating under different trademarks;
- (d) the right to provide consulting and other services to pizza and other restaurants other than Cottage Inn Stores on any terms and conditions we feel appropriate.

Therefore, you are not granted an exclusive territory, and may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive businesses that we own.

Continuation of your Area of Primary Responsibility does not depend on your achieving a certain sales volume (except that you are obligated to pay a minimum royalty if you do not), market penetration or other contingency, and we may not alter your Area of Primary Responsibility unless you deliver outside of your Area of Primary Responsibility (Franchise Agreement - Section 16.2). However, if you want us to approve a transfer (see Item 17), we may require the transferee to sign a new franchise agreement containing terms which differ from those in your Franchise Agreement, including a different Area of Primary Responsibility.

Unless you sign an Area Development Agreement, you have no right to acquire additional Store(s) anywhere and you have no other territorial rights, no options or rights of first refusal to acquire additional franchises, or similar rights of protection and no guarantee of exclusivity.

Although we have the right to do so, we have not established, and currently do not intend to establish, other franchise or Company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark.

After you have been operating your Store for one full calendar year, you must achieve minimum Gross Revenues of \$800,000 per calendar year throughout the term of the Franchise Agreement or any renewal Franchise Agreement (“**Performance Standard**”). If you fail to meet the Performance Standard, we may notify you of the failure. If, after the notice, you fail to meet the Performance Standard for the next consecutive calendar year, we may, but are not obligated to, have our or our affiliates’ employees or third-party contractors work with you and assist you in improving your operations and increasing your revenues. You will be responsible for all costs and expenses associated with that assistance, including, but not limited to, travel and living expenses, and a daily or hourly charge for the employees and/or third-party contractors providing the assistance. In addition, if we have provided notice to you of your failure to meet the Performance Standard for a calendar year within ninety (90) days of the end of that calendar year, and you fail to meet the Performance Standard for a second consecutive calendar year, we may elect to terminate the Franchise Agreement.

ITEM 13

TRADEMARKS

Through our acquisition of the assets of our Predecessor, CICD, we acquired the ownership rights to all proprietary marks that have been used, developed or held by CICD. We grant you the nonexclusive right to use these proprietary marks in connection with the operation of your Franchise Location. We will license you to use the proprietary marks currently used or that may hereafter be used in the operation of the business. You must use the proprietary marks only for the operation of your Franchise Business in the manner we authorize. You will be licensed to use our trademarks, service marks, trade names, logos and symbols (the “Marks”) in the operation of your Cottage Inn Pizza in accordance with the terms of your Franchise Agreement.

As of the date of this disclosure document, the following Marks have been obtained or an application made for registration with the United States Patent and Trademark Office (“USPTO”) in Washington, D.C.:

Mark	Registration Number	Registration Date
Cottage Inn Pizza	2298219	December 9, 1999
Cottage Inn Gourmet Pizza Since 1948	5039399	September 13, 2016
Cottage Inn Gourmet Pizza Since 1948 Taverna	5499206	June 19, 2018
Cottage Inn	7310570	February 20, 2024
Cottage Inn Pizza & Pub	7422517	June 18, 2024

We have timely filed affidavits of continuing use and incontestability if applicable for all registered Marks.

In the Franchise Agreement, you acknowledge and agree that your license to use the Marks is nonexclusive and limited to providing Cottage Inn Pizza products and services. We retain the right, among others, to grant other licenses for the use of the Marks outside your Protected Area, in addition to those licenses granted to you and to other franchisees, as well as to develop and establish other systems and programs providing similar products and services utilizing the same or similar marks or any other proprietary marks, without providing you with any rights to these other systems and programs.

You must use each Mark in full compliance with the Franchise Agreement, the Operations Manual and reasonable rules prescribed periodically by us. You are prohibited under the Franchise Agreement from using any Mark as part of any corporate or other legal name without our prior written consent. You must, except as prohibited by applicable law, operate your Franchised Business only under Marks designated by us for that purpose without any prefix, suffix or other modifying words, terms, designs or symbols without our prior written consent. In addition, you may not use any Mark in connection with the sale of any unauthorized product or service or in any manner not authorized in writing by us. You must submit to us samples of all advertising and other materials to be used by you upon which the Marks appear. You must use the symbol “®”, “SM”, “TM” or any other symbols or words as we may designate to protect the Marks in all printed or other advertising materials and upon all printed surfaces upon which any of the Marks appear. Under the Franchise Agreement, you agree not to contest, directly or indirectly, our ownership, title, right or interest in the Marks that are a part of the Cottage Inn Pizza System. Upon the termination or expiration of the Franchise Agreement, you must immediately discontinue all use of the Marks, remove all copies of the Marks from your business premises and vehicles, and take all necessary steps to assign to us all trade names, trademarks and service marks that you have used or registered during the term of the Franchise Agreement.

You may not permit any third party to print the Marks on any products, materials, documents or

supplies used by you in your COTTAGE INN PIZZA business without our prior consent and without causing the third party to sign a COTTAGE INN PIZZA license agreement with us.

The Franchise Agreement does not obligate us to protect your use of the Marks or protect you against claims of infringement of unfair competition arising out of your use of the Marks. You must promptly notify us of any use of, or claim of right to, the Marks or any colorable variation of the Marks and any litigation instituted by any third party against us or you involving the Marks. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving the Marks. We may, in our sole discretion, undertake the defense, prosecution or settlement of any litigation relating to the Marks. If we do so, you are required under the Franchise Agreement to sign documents and to render any other assistance as is reasonably necessary in our opinion to carry out the defense, prosecution or settlement. The Franchise Agreement does not require us to participate in your defense and/or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark, or if a proceeding involving a Mark is resolved unfavorably to you. We are not aware of either superior prior rights or infringing uses that could materially affect your use of the principal Mark in the state in which your franchise will be located.

If we discontinue or modify any of the Marks, we may require you to discontinue or similarly modify your use of that Mark at your expense. If this occurs, you will incur the tangible cost of compliance (for example, changing signs). If you fail to comply with this requirement, we have the right to terminate the Franchise Agreement.

ITEM 14 **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

Patents and Copyrights

We do not own any patents that are material to your franchise. We do not have any pending patent applications that are material to your franchise. We claim copyright protection for our written materials, including our Operations Manual, although these materials are not registered with the U.S. Registrar of Copyrights. There are no currently effective material determinations of the United States Copyright Office or any court regarding any of our copyrighted or confidential materials. There are no agreements currently in effect that limit our rights to use or license the copyrighted materials or any of our confidential information. We do not know of any superior prior right or infringing uses of our copyrighted materials or our confidential information that could materially affect your use of those materials or information.

Proprietary and Confidential Information; Trade Secrets

Our Operations Manual, specifications and procedures and other aspects of the Franchise System are considered proprietary and confidential and are or may be protected as trade secrets under various state and federal laws. This information may include site selection criteria, plans and specifications for developing Cottage Inn Stores, training materials, programs and systems for franchise owners and their personnel; methods, techniques, formats, recipes, materials, specifications, standards, systems, procedures, sales and marketing techniques, merchandising plans, knowledge of operating results, financial performance and related intellectual property, knowledge of specifications for and suppliers of products approved for sale by Cottage Inn Stores, and knowledge of operating results and financial performance of Cottage Inn Stores.

We grant you a limited license to use our trade secrets and proprietary know-how relating to the operation of Franchise System (the "Proprietary Information"). You acquire no interest in the Proprietary Information provided to you other than the right to utilize it in the operation of your franchise in accordance

with and during the term of the Franchise Agreement. You also must treat the contents of the Operations Manual as confidential. You are prohibited from disclosing, copying and/or duplicating, recording, reproducing or otherwise making available the contents of the Operations Manual to any unauthorized person without our consent.

You must not use our specifications and procedures or any other aspect of our Franchise System in any unauthorized manner and you must take reasonable steps to prevent disclosure of this information to others. Your employees must sign an agreement relating to confidentiality in a form specified by us before you may disclose our confidential information to them (see Exhibit 9).

You must promptly notify us of any use of, or claim of right to, the Proprietary Information and any litigation instituted by any third party against us or you involving the Proprietary Information. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. We may, in our sole discretion, undertake the defense, prosecution or settlement of any litigation relating to the Proprietary Information. If we discontinue or modify any of the Proprietary Information, we may require you, at your expense, to discontinue or similarly modify your use of that Proprietary Information.

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

Our System Standards require management by a full-time manager who has successfully completed our training program. You are obligated to submit the qualifications of your manager to us. If we believe that your manager and/or assistant managers are not qualified, you are obligated to replace that manager and to obtain training for the replacement manager. The manager must be capable of managing the Store and other matters concerning the Store's management and personnel. We recommend, but do not require, your on-premises participation in the Store's operation. If you are a partnership, corporation or limited liability company, you must designate one of your owners as the "Managing Owner." The Managing Owner must be a natural person who owns and controls at least 30% of your equity and voting power and has the authority of a chief executive officer. The Managing Owner must oversee the Store's management and your performance under the Franchise Agreement. You or the Managing Owner need not manage the Store's day-to-day operations. However, if you or the Managing Owner are not personally involved in the Store's daily management, you must hire a full-time manager who has successfully completed our initial training program. This manager need not have an equity interest in you but must sign a nondisclosure and noncompetition agreement in which he or she agrees not to have any interest in a competitive business or to disclose our confidential information improperly. You must ensure that all of the Store's employees are qualified and adequately trained to perform their jobs but we shall have no responsibility relating to their supervision, management or terms of employment.

If you are a corporation, limited liability company or partnership, your owners must personally guaranty your obligations under the Franchise Agreement and all ancillary agreements and agree to be personally bound by, and personally liable for the breach of, every provision of these documents as if he or she were you. The "Guaranty" is attached to the Franchise Agreement as Exhibit G. An "owner" is any person directly or indirectly holding a legal or beneficial ownership interest or voting rights in you, including any person who has community property rights in you, the Franchise Agreement or the Store or who has any other legal or equitable interest in the Store's revenue, profits, rights or assets.

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all products and services that we require for Cottage Inn Stores. You may not sell any products or services that we have not authorized. (See Item 8) Our System Standards may regulate types, models and brands of required or authorized products, employee uniforms, materials and supplies, requirements for stocking, storing and rotating an inventory of products for resale and other specifications concerning inventory practices and product mix. We may periodically change the types of required and/or authorized products and services. There are no limits on our right to do so. While you must refurbish the Store as we direct to conform to System Standards, we will not require refurbishing more than once every five (5) years and you will not be required to expend more than \$75,000.00 in connection with such refurbishing.

While we do not restrict the customers with whom you may deal, we do regulate how you may market your Store. You may only operate at the Store's premises, although you are encouraged to support local schools and charitable organizations and events.

Minimum and Maximum Prices

To the extent permitted by federal and state laws, to maintain uniformity and pricing viability of our franchise system, we reserve the right to require that your franchise advertise and charge minimum and maximum prices that we reasonably determine for your territory.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

These tables list certain important provisions of the franchise and related agreements and the area development agreement. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP Franchise Agreement

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	Summary
(a) Length of the franchise term	Section 2.1	10 years
(b) Renewal or extension of the term	Section 15	10 year renewal under the terms of our then-current Franchise Agreement if you are in good standing and meet certain requirements. You are required to sign our then-current form of Franchise Agreement which may contain other terms materially different from the terms of your original Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
(c) Requirements for you to renew or extend	Section 15	Written notice; not in default; past substantial compliance with Franchise Agreement, operating standards, and financial and marketing requirements; sign then-current form of Franchise Agreement, general release (if state franchise law allows), and other documentation; pay renewal fee; maintain possession of Store or secure approved substitute premises; refurbish and remodel Store under our then-current standards or, if we determine, relocate premises and develop the new premises in accordance with then-current standards; the Store's gross revenue during year before expiration exceeded certain minimum amount.
(d) Termination by you	Section 16.1	If we breach agreement and do not cure default after notice from you
(e) Termination by us without cause	None	We may not terminate you without cause
(f) Termination by us with cause	Section 16.2	We may terminate only if you or your owners commit one of several violations
(g) "Cause" defined - defaults which can be cured	Section 16.2	You have 3 days to cure health, safety or sanitation law violations, 10 days to cure monetary defaults and 30 days to cure operational defaults and other defaults not listed in (h) below
(h) "Cause" defined, non-curable defaults	Section 16.2	Abandonment, misrepresentation, conviction, loss of location, incapacity, failure to observe standards, unauthorized disclosure, failure to pay or report, failure to pay taxes or debts, bankruptcy or assignment, underreporting of Gross Revenues more than twice within a 12 month period and more than five times during the Agreement; purchase or use of ingredients from sources other than us more than twice in a 12 month period and more than five times during the Agreement; and others
(i) Your obligations on termination or nonrenewal	Sections 16.3 and 17	Obligations include payment of outstanding amounts, complete de-identification, assignment of lease to us (at our option) and return of confidential information, sell the store to us (at our option), observe noncompetition covenant, make store available for our management if we require
(j) Assignment of contract by us	Section 14.1	No restriction on our right to assign
(k) "Transfer" by you - definition	Section 14.2	Includes transfer of Franchise Agreement and Store and ownership change
(l) Our approval of transfer by you	Section 14.3	We must approve all transfers; no transfer without our prior written consent

Provision	Section in Franchise Agreement	Summary
(m) Conditions for our approval of transfer	Section 14.3	New franchisee qualifies, you pay us all amounts due and submit all reports, new franchisee and its owners sign our then current form of franchise agreement, training completed, transfer and training fees paid, we approve material terms, you subordinate amounts due to you, you sign other documents we require (including releases, if state franchise law allow) and you observe the post termination covenant not to compete
(n) Our right of first refusal to acquire your business	Section 14.6	We may match any offer for your Store or an ownership interest in your business entity if you have one.
(o) Our option to purchase your business	Section 17.5	We have the option to purchase your business on expiration or termination of franchise agreement.
(p) Your death or disability	Section 14.5	Franchisee or an ownership interest in your business entity if you have one must be assigned to an approved party within 6 months; we may assume Store's management
(q) Non-competition covenants during the term of the franchise	Section 9	During term, no direct or indirect ownership interest in, or performing services for, or relationship or association with any business that features pizza, pasta, sandwiches, chicken wings, chicken tenders, and/or any other products that are substantially the same as or similar to those offered or provided in the System or that franchises or licenses others to operate such a business, and no diverting customers or employing persons in a managerial capacity who have worked in the Cottage Inn System during prior 6 months.
(r) Non-competition covenants after the franchise is terminated or expires	Section 17.6	For 2 years, no direct or indirect ownership interest in, or performing services for, or relationship or association with any business (other than a Cottage Inn store) that features pizza, pasta, sandwiches, chicken wings, chicken tenders, and/or any other products that are substantially the same as or similar to those offered or provided in the System or that franchises or licenses others to operate such a business, within (i) your Area of Primary Responsibility, or the Area of Primary Responsibility or Protected Trading Area or Area of Primary Responsibility of of any other Cottage Inn Store, and (ii) within fifty (50) miles of any such area.
(s) Modification of the agreement	Section 19.14	No modifications generally but we may change Confidential Operating Manual and System Standards
(t) Integration/merger clause	Section 19.14	Only the terms of the Franchise Agreement (including the Confidential Operating Manual) are binding (subject to state law). Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Any other promises may not be enforceable.

Provision	Section in Franchise Agreement	Summary
(u) Dispute resolution by mediation or arbitration	None	NA
(v) Choice of forum	Section 19.9	At our discretion, litigation shall be in Washtenaw County, Michigan, subject to state law. See state addendum.
(w) Choice of law	Section 19.9	Michigan law applies, subject to state law. See state addendum.

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 Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Set forth below is information concerning the average weekly unit sales and other financial data of our and our predecessor's affiliates for corporate-owned Stores, as well as some information on franchisee-owned Stores. With respect to corporate-owned Stores, the information below is reflective of our predecessor's affiliate for corporate-owned Stores for calendar years 2018 through 2022, and from January 1, 2023 through August 31, 2023, and of our affiliate for corporate-owned stores from September 1, 2023 through December 31, 2023.

AVERAGE WEEKLY UNIT SALES AND OTHER FINANCIAL DATA

AVERAGE WEEKLY UNIT SALES

The average weekly unit sales ("AWUS") of franchised and company-owned Stores of our predecessor for the period of calendar years 2018-2023 is set forth below. The information was gathered by our affiliate for corporate-owned Stores, our predecessor's affiliate for corporate-owned Stores, and sales reported to us by franchise owned stores.* The average weekly unit sales is calculated by dividing the total Royalty Sales reported by the total number of stores operating for the full calendar year. Stores opened less than a full calendar year during the year noted below are not included.

	2018	2019	2020	2021	2022	2023
Corporate Stores	\$20,518.87	\$20,458.78	\$19,767.47	\$19,119.41	\$21,644.78	\$24,281.33

Franchised Stores	\$13,378.34	\$14,026.76	\$15,611.16	\$16,165.13	\$17,905.70	\$17,551.98
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MEDIAN WEEKLY UNIT SALES

	2018	2019	2020	2021	2022	2023
Corporate Stores	\$20,402.41	\$20,451.67	\$21,148.83	\$15,924.22	\$21,837.17	\$24,884.15
Franchised Stores	\$12,115.69	\$12,164.89	\$13,859.81	\$15,614.94	\$15,592.28	\$15,274.86

STORES OPENED FOR THE FULL YEAR

	2018	2019	2020	2021	2022	2023
Corporate Stores	9	9	9	9	9	6
Franchised Stores	43	41	43	44	44	48

*The 2023 figures for Corporate Stores set forth above are reflective of our predecessor's affiliate for corporate-owned Stores from January 1, 2023 through August 31, 2023, and of our affiliate for corporate-owned Stores from September 1, 2023 through December 31, 2023.

OTHER FINANCIAL DATA

Set forth below are calculations of our predecessor of EBITDA as a percentage of Average Weekly Unit Sales and other financial indicators based upon AWUS of \$20,000 to \$26,000 and \$27,000 to \$29,000. These pro forma statements have been derived from profit and loss statements submitted by our predecessor's corporate stores in operation as of the end of calendar year 2022.

Average Weekly Unit Sales	\$20,000-\$26,000	\$27,000-\$29,000
Prime Costs	65.89%	69.45%
Operating Expenses	27.87%	28.61%
EBITDA	6.24%	5.83%

Explanatory Notes:

Average Weekly Unit Sales: Total Royalty Sales reported divided by 52 weeks reported for the year.

Operating Expenses: Includes operating expenses that tend to vary with a change in sales. These expenses include food costs, variable labor costs (excluding manager salary), bonus payroll taxes, worker's compensation insurance, mileage reimbursement and related delivery expenses, advertising expenses and operating supplies.

Prime Costs: Includes operating expenses that tend to not vary with a change in sales. These expenses include telephone and utilities, rent, repairs and maintenance, professional fees, small equipment and computer expenses, other taxes (real and personal property taxes and business taxes), insurance (excluding worker's compensation), manager salary and miscellaneous operating expenses.

EBITDA: Earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated as follows: Average Weekly Unit Sales minus Prime Costs minus Operating Expenses plus Supply Chain Profit Sharing and Volume Discount rebates.

Individual stores may experience expense variations from the figures specified in each of the categories. Additionally, accounting, operational and management methods employed by a store, different geographic areas of the state/country, number of households in the delivery service area and menu price variations, among other factors, may significantly affect profitability in any given operation.

These sales, profits or earnings are averages of corporate stores and should not be considered as the actual or potential sales, profits or earnings that will be realized by any franchise owner. Cottage Inn does not represent that any franchisee can expect to attain these sales, profits or earnings. A new franchisee's financial results are likely to differ from the results stated. Operations/Operators play a big role in the efficiencies of a store. Some outlets have sold this amount. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

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

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2021 to 2023

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	43	44	+1
	2022	44	45	+1
	2023	45	50	+5
Company-Owned	2021	9	9	+0
	2022	9	9	+0
	2023	9	7	-2
Total Outlets	2021	52	53	+1
	2022	53	54	+1
	2023	54	57	+3

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

Column 1	Column 2	Column 3
State	Year	Number of Transfers
MI	2021	0
	2022	5
	2023	10
OH	2021	0
	2022	0
	2023	0
Total	2021	0

	2022	5
	2023	10

Table No. 3
Status of Franchised Outlets
For years 2021 to 2023

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
MI	2021	40	3	1	0	0	1	41
	2022	41	1	0	0	0	0	42
	2023	42	5	0	0	0	0	47
OH	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Totals	2021	43	3	1	0	0	1	44
	2022	44	1	0	0	0	0	45
	2023	45	5	0	0	0	0	50

Table No. 4
Status of Company-Owned Outlets
For years 2021 to 2023

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
MI	2021	9	0	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	1	0	0	3	7
Totals	2021	9	0	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	1	0	0	3	7

If a state is not listed above, we had no outlets in that state during the period in question. All corporate locations operated by companies affiliated with us through common ownership.

Table No. 5
Projected Openings
As of December 31, 2023

Column 1	Column 2	Column 3	Column 4
State			

	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company- Owned Outlets in the Next Fiscal Year
MI	9	13	2
OH	0	1	0
IN	0	2	0
Totals	9	16	2

NOTE: The numbers in the “Total from Left” column in the preceding chart may exceed the number of franchises affected because several events may have affected the same franchise. For example, the same franchise may have had multiple owners or a transfer may result in a termination of the franchise and license agreement with the former franchise owner as part of the resale.

- (1) Note: All numbers are as of December 31 for each year.
- (2) The numbers in the “Total” column may exceed the number of outlets affected because several events may have affected the same outlet. For example, the same outlet may have had multiple owners or we may have reacquired a terminated outlet.

Exhibit 1 is a list of names, addresses, and business telephone numbers of all corporate-owned and franchised Cottage Inn stores, and the Cottage Inn distribution center.

Exhibit 2 is a list of names, addresses, and business telephone numbers (or if unknown, the last known home telephone number) of all Cottage Inn franchisees who had outlets terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement, during the previous 12 months, or who have not communicated with us within 10 weeks of the application date.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

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

ITEM 21 **FINANCIAL STATEMENTS**

Exhibit 3 contains our audited financial statement for the fiscal year ending December 31, 2023.

ITEM 22 **CONTRACTS**

Attached to this Disclosure Document are copies of the following contracts and their attachments:

1. Franchise Agreement (Exhibit 5)
2. Assignment of Internet, Social Media, and Telephone Service Agreement (Exhibit 6)
3. Consent for Credit and Background Check (Exhibit 7)
4. Acknowledgment Addendum (Exhibit 8)

5. Confidentiality and Non-Solicitation Agreement (Exhibit 9)
6. Release of Claims (Exhibit 10)

ITEM 23
RECEIPTS

The last four pages of this Franchise Disclosure Document are two copies of a Receipt that acknowledges your receipt of this Franchise Disclosure Document, including all Exhibits. You must date and sign one copy of the Receipt and return it to us.

EXHIBIT 1

LIST OF CORPORATE-OWNED AND FRANCHISED STORES

LIST OF CORPORATE-OWNED STORES

The following stores are operated by our affiliate, Cottage Inn Delco, LLC:

Store	Company	Street Address	City	State	Zip	Store Phone
Ann Arbor - Plymouth Rd	Cottage Inn Delco, LLC	2715 Plymouth Rd	Ann Arbor	MI	48103	(734) 995-9101
Ann Arbor - Packard	Cottage Inn Delco, LLC	546 Packard St	Ann Arbor	MI	48104	(734) 769-5555
Ann Arbor - State St	Cottage Inn Delco, LLC	2900 S State St	Ann Arbor	MI	48104	(734) 663-4500
Holt	Cottage Inn Delco, LLC	1995 N Cedar St #6	Holt	MI	48842	(517) 699-1000
Lansing - Downtown	Cottage Inn Delco, LLC	206 S Washington Sq	Lansing	MI	48933	(517) 267-9000
Lansing - West	Cottage Inn Delco, LLC	5405 W Saginaw Hwy	Lansing	MI	48917	(517) 321-4800
Macomb	Cottage Inn, LLC	51040 Hayes Rd	Macomb Twp	MI	48042	(586) 300-9300

Our affiliate, Cottage Inn Commissary, LLC, also owns and operates the Cottage Inn distribution center at the following location:

4390 Concourse Drive
Ann Arbor, MI 48108
Phone: (734) 663-2470
Fax: (734) 663-9188

LIST OF FRANCHISED STORES

Store	Franchisee	Street Address	City	State	Zip	Store Phone
Allendale	Larue Pizza Co LLC	10745 48th Ave	Allendale Charter Twp	MI	49401	(616) 965-7050
Auburn Hills	WMDS Investments, Inc.	1970 N Opdyke Rd	Auburn Hills	MI	48326	(248) 371-9200
Bay City	RJ Restaurants LLC	216 Salzburg Ave	Bay City	MI	48706	(989) 459-5777
Berkley	Berkley Cottage Inn, Inc.	3642 12 Mile Rd	Berkley	MI	48072	(248) 268-0000
Big Rapids	Bulldog of Michigan Inc	126 S Michigan Avenue	Big Rapids	MI	49307	
Brighton	Olnick Foods LLC	721 W Grand River Ave	Brighton	MI	48116	(810) 229-2300
Canton - North	SAA Enterprise LLC	7684 N Canton Center Rd	Canton	MI	48187	(734) 455-4000
Canton - South	John Haddad	43647 Michigan Ave	Canton	MI	48188	(734) 398-6625
Charlotte	DAS Pizza, Inc.	137 S Cochran Ave	Charlotte	MI	48813	(517) 541-0522
Chelsea	Karen Fosdick / Sean Fosdick	520 S Main St	Chelsea	MI	48118	(734) 475-8833
Coldwater	Cottage Inn of Coldwater LLC	563 E Chicago St	Coldwater	MI	49036	(517) 278-5900
Commerce	Cottage Inn Commerce	39550 W 14 Mile Rd	Commerce Charter Twp	MI	48390	(248) 960-4040
Davison	Pizza JK Corp	9430 Lapeer Rd	Davison	MI	48423	(810) 214-0100
Dexter	Neal Family Neighborhood LLC	3219 Broad St	Dexter	MI	48130	(734) 426-5110
Farmington	Cottage Inn of Farmington L.L.C.	33216 Grand River Ave	Farmington	MI	48336	(248) 957-9400
Fenton	Putt for Dough Inc	227 W Silver Lake Rd	Fenton	MI	48430	(810) 750-0200
Flint	8400 ABD LLC	3243 Miller Rd	Flint	MI	48507	(810) 341-1900
Flushing	Flushing CI LLC	6390 Pierson Rd	Flushing	MI	48433	(810) 867-0023
Gaylord	Cottage Inn Gaylord Inc					
Gibraltar	Miner Foods LLC	29110 N Gibraltar Rd	Gibraltar	MI	48137	
Grand Blanc	Trigger Fish Corporation	12830 S Saginaw St	Grand Blanc	MI	48439	(810) 695-6650
Grand Rapids - East	CI Dough Brothers GR LLC	1533 Wealthy St SE, Ste B	Grand Rapids	MI	49506	(616) 410-7111
Grand Rapids - West						
Hillsdale	Olmstead, LLC	3883 W Carleton Rd	Hillsdale	MI	49242	(517) 439-9191
Howell	Chamr Inc.	1245 E Grand River Ave	Howell	MI	48843	(517) 579-2682

Jackson	G & K Enterprises, Inc.	1208 W Michigan Ave	Jackson	MI	49202	(517) 787-2277
Kalamazoo	Rapids Capital Inc.	5038 W Kl Ave	Kalamazoo	MI	49009	(269) 353-4800
Lansing - East	Project Spartan Pizza Company	615 E Grand River Ave	East Lansing	MI	48823	(517) 324-4300
Lincoln Park	Lincoln Park Pie Co LLC	3356 Fort St	Lincoln Park	MI	48146	(313) 429-9600
Livonia	Pizza N Stuff LLC	15367 Newburgh Rd	Livonia	MI	48154	(734) 462-6500
Madison Heights	Cyrene Inc	505 W Eleven Mile Rd	Madison Heights	MI	48071	(248) 336-2600
Midland	R Mall LLC	983 S Saginaw Rd	Midland	MI	48640	(989) 486-9800
Monroe	Goleniak Foods, LLC	1269 N Telegraph Rd	Monroe	MI	48162	
Mt Pleasant	Mall's L.L.C.	1639 E Broomfield St	Mt Pleasant	MI	48858	(989) 772-5700
New Hudson	Seam II LLC	30751 Milford Rd	New Hudson	MI	48165	(248) 278-0800
Niles	Perfect Touch Investments L.L.C.	434 S 11th St	Niles	MI	49120	(269) 262-0369
Novi	No Limit Pizza Novi LLC	41758 W 10 Mile Rd	Novi	MI	48375	(248) 380-4900
Okemos	In the Slot Pizza CO.	1743 W Grand River Ave	Okemos	MI	48864	(517) 347-5555
Petoskey	Cottage Inn Petoskey Inc					
Pigeon	Ignash Two, Incorporated	15 N Caseville Rd	Pigeon	MI	48755	(989) 453-2017
Redford	B & W Holdings L.L.C.	23233 Plymouth Rd	Redford Charter Twp	MI	48239	(313) 255-5300
Romulus	F & M of Romulus, INC.	30881 Ecorse Rd	Romulus	MI	48174	(734) 728-9400
Saginaw	Cottage Inn Saginaw LLC	4342 Bay Rd	Saginaw	MI	48603	(989) 372-9800
Saline	Big City Saline LLC	501 E Michigan Ave	Saline	MI	48176	(734) 429-4774
Southfield	Doughboys Foods Mi01, LLC	25855 Lahser Rd	Southfield	MI	48033	(248) 357-3700
Stadium	Carryout Stores, Inc.	2301 W Stadium Blvd	Ann Arbor	MI	48103	(734) 663-2822
Sturgis	Adm Restaurant Management Inc.	116 N Centerville Rd	Sturgis	MI	49091	(269) 651-8500
Traverse City	Cottage Inn Traverse City Inc	822 E Front St	Traverse City	MI	49686	
Troy	Cottage Inn Troy, LLC	1123 E Long Lake Rd	Troy	MI	48085	(248) 524-2441
Vassar	Cottage Inn Vassar LLC	123 E Huron Ave	Vassar	MI	48768	(989) 589-0090
Warren	Cottage Inn of Warren, L.L.C.	32397 Van Dyke Ave	Warren	MI	48093	(586) 250-4555
Waterford	Manning, LLC	47 S Cass Lake Rd	Waterford Twp	MI	48328	(248) 682-8700
Westland	No Limit Pizza Westland LLC	8303 N Wayne Rd	Westland	MI	48185	(734) 458-9999

Ypsilanti - Huron	Nick's Quick Stop Inc	1767 S Huron St	Ypsilanti	MI	48197	(734) 485-0100
Ypsilanti - Washtenaw	Cottage Inn Washtenaw LLC	2407 Washtenaw Ave	Ypsilanti	MI	48197	(734) 528-1515
South Bend	Perfect Touch Investments Indiana LLC	54594 N Ironwood Rd	South Bend	IN	46635	(574) 366-3090
Columbus	Karsiyaka LLC	2167 N High St	Columbus	OH	43201	(614) 564-9292
Hilliard	St. Father Joseph LLC	4674 Cemetery Rd	Hilliard	OH	43026	(614) 777-5450
Polaris	St Pejol LLC	8317 Market Exchange Dr	Columbus	OH	43801	(614) 888-8488

For franchisees where there is a location and a name of the franchisee but no store address, the franchisee has signed a franchise agreement but a site for the store has not yet been determined or opened.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

EXHIBIT 2

LIST OF FORMER FRANCHISEES

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

The following is a list of Cottage Inn Franchisees whose franchises have, during our previous fiscal year ended December 31, 2023 or who have been terminated, transferred, canceled, not renewed or otherwise have voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement or who have not communicated with us within the last 10 weeks: None.

EXHIBIT 3

FINANCIAL STATEMENTS

COTTAGE INN FRANCHISOR, LLC

FINANCIAL STATEMENTS

Four Months Ended December 31, 2023

COTTAGE INN FRANCHISOR, LLC

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Schedule of General and Administrative Expenses	1

INDEPENDENT AUDITORS' REPORT

To Management
of Cottage Inn Franchisor, LLC

Opinion

We have audited the accompanying financial statements of Cottage Inn Franchisor, LLC (a Michigan sole proprietorship), which comprise the balance sheet as of December 31, 2023, and the related statements of income and member's equity, and cash flows for the four months then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cottage Inn Franchisor, LLC as of December 31, 2023, and the results of its operations and its cash flows for the four months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of general and administrative expenses for the four months ended December 31, 2023, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Macomb, Michigan

July 10, 2024

COTTAGE INN FRANCHISOR, LLC

BALANCE SHEET

December 31,

ASSETS

	<u>2023</u>	
Current Assets:		
Cash and Cash Equivalents	\$ 579,376	
Accounts Receivable	95,439	
Accounts Receivable and Advances - Affiliated Entities	<u>378,090</u>	
Total Current Assets		1,052,905
Property and Equipment:		
Furniture & Fixtures	20,000	
Leasehold Improvements	7,658	
Less: Accumulated Depreciation	<u>(1,226)</u>	
Net Property and Equipment		26,432
Other Assets:		
Right-of-Use Asset - Operating Lease	384,226	
Intangible Assets:		
Goodwill	3,330,000	
Less: Accumulated Amortization	<u>(92,500)</u>	
Net Intangible Assets	<u>3,237,500</u>	
Total Other Assets		<u>3,621,726</u>
Total Assets		<u>\$ 4,701,063</u>

LIABILITIES	
	<u>2023</u>
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 48,615
Current Portion of Long-Term Debt	418,157
Current Portion Operating Lease Liability	<u>75,997</u>
Total Current Liabilities	542,769
Long-Term Liabilities:	
Long-Term Debt	3,040,490
Operating Lease Liability	<u>308,229</u>
Total Long-Term Liabilities	<u>3,348,719</u>
Total Liabilities	3,891,488
MEMBER'S EQUITY	
Member's Equity	<u>809,575</u>
Total Liabilities and Member's Equity	<u><u>\$ 4,701,063</u></u>

See Independent Auditors' Report and Accompanying Notes.

COTTAGE INN FRANCHISOR, LLCSTATEMENT OF INCOME AND MEMBER'S EQUITY
For the Four Months Ended December 31,

	2023	
	Amount	Percent of Sales
Revenues:		
Royalties	\$ 913,308	86.30
Franchise and Development Fees	145,000	13.70
Total Revenues	1,058,308	100.00
General and Administrative Expenses	664,229	62.77
Operating Income	394,079	37.23
Other Income (Expense):		
Interest Expense	(34,514)	(3.26)
Total Other Income (Expense)	(34,514)	(3.26)
Net Income	359,565	33.97
Member's Equity - Beginning of Year	-	
Member Contributions	450,010	
Member's Equity - End of Year	\$ 809,575	

See Independent Auditors' Report and Accompanying Notes.

COTTAGE INN FRANCHISOR, LLC

STATEMENT OF CASH FLOWS
For the Four Months Ended December 31,

	<u>2023</u>
Cash Flows From Operating Activities:	
Net Income	\$ 359,565
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Depreciation	1,226
Amortization	92,500
(Increase) Decrease in Assets:	
Accounts Receivable	(95,439)
Advances Due to/from Affiliates	(378,090)
Increase (Decrease) in Liabilities:	
Accounts Payable	<u>48,615</u>
Net Cash Provided by (Used in) Operating Activities	28,377
Cash Flows From Investing Activities:	
Purchase of Property and Equipment	(27,658)
Acquisition of Goodwill	<u>(3,330,000)</u>
Net Cash Provided by (Used in) Investing Activities	(3,357,658)
Cash Flows From Financing Activities:	
Long-Term Debt Acquired on Purchase	3,500,000
Repayment of Long-Term Debt	(41,353)
Member Contributions	<u>450,010</u>
Net Cash Provided by (Used in) Financing Activities	<u>3,908,657</u>
Net Increase in Cash and Cash Equivalents	579,376
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 579,376</u></u>

See Independent Auditors' Report and Accompanying Notes.

COTTAGE INN FRANCHISOR, LLC

STATEMENT OF CASH FLOWS
For the Four Months Ended December 31,

2023

Supplemental Disclosure of Cash Flow Data:

Interest Paid

\$ 34,514

See Independent Auditors' Report and Accompanying Notes.

COTTAGE INN FRANCHISOR, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Cottage Inn Franchisor, LLC (the "Company"), is a franchisor whose principal business activity is selling franchise agreements, collecting royalties and franchising fees from franchisees, and developing new franchise locations. Under terms of the licensee agreement, the Company agrees to provide a specified amount of training, support and ongoing management assistance to franchisees. At December 31, 2023, the Company had 65 franchised stores, of which 7 were owned and operated by companies related through common ownership.

The Company purchased the assets of Cottage Inn Carryout & Delivery, Inc., a Michigan Corporation, on August 31, 2023 for a total purchase price of \$3,500,000. The accompanying financial statements represent the four month period subsequent to the transaction.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. These balances fluctuate greatly during the year and at times can exceed the federally insured limits.

Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Equipment and vehicles are stated at cost, less accumulated depreciation. The cost of furniture, equipment and vehicles are generally depreciated using straight line depreciation over the estimated economic useful lives of the assets which range from 3 to 10 years. Repairs and maintenance are expensed as incurred. Upon sale or retirement of these assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in income.

See Independent Auditors' Report.

COTTAGE INN FRANCHISOR, LLC**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Depreciation expense for the four months ended December 31, 2023 was \$1,226.

Intangible Assets

The Company purchased Cottage Inn Carryout & Delivery, Inc. on August 31, 2023 through an asset sale. The total purchase price of the entity's assets acquired was \$3,500,000. The amount of Goodwill recognized from this transaction was \$3,330,000. The Company has elected the private company option to amortize goodwill, as allowed under U.S. Generally Accepted Accounting Principles.

Amortization expense for the four months ended December 31, 2023 was \$92,500.

Revenue Recognition

The Company derives its revenues from royalties and franchise fees charged to franchisees. Royalties are charged to franchisees based on sales and are recognized as revenue when earned. Franchise fees charged to new stores are deferred until the store opens and the Company has performed all of the initial services it is required to provide. Development fees are recognized as revenue, generally, upon execution of the agreement and are non-refundable.

The Company has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and concluded that no changes are necessary to conform with the new standard. Revenue is recognized upon delivery of invoices to customers and franchisees.

Concentration of Credit Risk

The Company maintains cash deposits in financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The maximum loss that would have resulted from that risk is the excess of the deposits reported by the bank over the amount that would have been covered by federal insurance. The Company has not experienced any losses and believes it is not exposed to any significant credit risk related to cash deposits. At December 31, 2023, the Company's uninsured cash balances totaled \$329,377.

Income Taxes

The Company elected under the Internal Revenue Code to be taxed as a sole proprietorship. Under this election, income, loss and credits are included in the individual tax return of the sole member. Accordingly, no provision or liability for federal income taxes is included in the Company's financial statements. As of December 31, 2023, the tax year 2023 remains subject to examination.

COTTAGE INN FRANCHISOR, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and cash equivalents, accounts receivable and accounts payable – The carrying amounts reported in the balance sheets for these items approximate fair value due to the short maturity of these financial instruments.

Advertising

A company related through common control administers a cooperative advertising program as an agent for its franchisees. Franchisees are charged an advertising fee based upon 3.0% of food sales, as well as, reimbursement for certain additional advertising expenditures. These receipts and disbursements are not reported as part of the accompanying income statement.

The Company expenses advertising costs as they are incurred. Total advertising expenses were \$21,513 for the four months ended December 31, 2023.

Note 2 – Transactions with Related Parties

The Company has entered into transactions with related parties. The amounts due to and from the related parties is presented below, followed by a description of the transactions with each entity.

<u>Entity / Related Party</u>	<u>Due (To) / From</u>
Cottage Inn Commissary, LLC	\$ 242,285
Cottage Inn Delco, LLC	36,215
Cottage Inn Marketing, LLC	55,752
Cottage Inn Development, LLC	23,490
Cottage Inn Properties, LLC	(30,224)
Employee Advances - Rohit Mall	50,572
Total	<u>\$ 378,090</u>

See Independent Auditors' Report.

COTTAGE INN FRANCHISOR, LLC**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

Note 2 – Transactions with Related Parties (Continued)

Cottage Inn Delco, LLC is a company owned under common control, which owns and operates franchises which were acquired from Carryout Stores, Inc. in the transaction dated August 31, 2023. As of December 31, 2023, there were six franchise locations owned and operated by this entity. The amounts receivable from this entity were the royalties due for sales in December 2023.

Cottage Inn Commissary, LLC is a company owned under common control, which sells food, paper, and related items for use in store operations to all Cottage Inn franchises. The amounts receivable were for short term loans to the company.

Cottage Inn Marketing, LLC is a company owned under common control, which administers the Cottage Inn advertising fund. As mentioned, the franchisees are charged an advertising fee based upon 3.0% of food sales. The amounts receivable from this company relate to short term loans to the company.

Cottage Inn Development, LLC is a company owned under common control, which provides development and construction services, as well as equipment, to all franchisees. The amounts receivable from this entity relate to short term loans to the company.

Cottage Inn Properties, LLC is a company owned under common control is the owner of the building in which the Company leases office space from. The amounts due to this entity relate to the four months of rent expense during 2023.

Cottage Inn, LLC is owned under common control and owns and operates the Cottage Inn corporate franchises that have been opened subsequent to the purchase of Cottage Inn Carryout & Delivery, Inc. in August 2023. As of December 31, 2023, there was only one store owned and operated by this entity.

Rohit Mall was an employee of the Company and now owns from the franchisee locations. The amounts receivable from Rohit are employee advances and short term loans.

Note 3 – Leases

The Company leases its office space from Cottage Inn Properties, LLC, a related party, under an operating lease for a monthly rental of \$7,556. Under the agreement, the Company is obligated to pay all operating expenses including property taxes, insurance, and all utilities. Total rental expense was \$30,224 for the four months ended December 31, 2023.

See Independent Auditors' Report.

COTTAGE INN FRANCHISOR, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Note 3 – Leases (Continued)

The Company adopted FASB ASC 842 *Leases* in 2023, which generally requires all leases to be classified as either an operating or finance type lease and a right-of-use asset and liability is recorded on the balance sheet. The details of the Company's leases for the four months ended December 31, 2023 are as follows:

Lease expense

Operating lease expense	\$	30,224
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Other Information

ROU assets obtained in exchange for new operating lease liabilities	\$	401,287
Weighted-average remaining lease term in years for operating leases		4.67
Weighted-average discount rate for operating leases		4.29%

The future minimum lease payments on the operating lease liabilities are as follows:

<u>Years Ended December 31,</u>	
2024	\$ 90,673
2025	90,673
2026	90,673
2027	90,673
2028	60,449
Total undiscounted cash flows	423,141
Less: Present value discount	(38,915)
Total lease liabilities	<u>\$ 384,226</u>

Note 4 – Long-Term Debt

The Company purchased the assets of Cottage Inn Carryout & Delivery, Inc. (Seller), a Michigan Corporation, on August 31, 2023 for a total purchase price of \$3,500,000. The transaction resulted in the issuance of a note payable to the Seller, maturing in September 2033. The note bears interest at 4.0%, and includes monthly installments of \$25,319. In addition to the monthly installments, the note includes five principal-only payments of \$248,227, in December 2024, October 2028, October 2029, October 2030, and October 2031.

See Independent Auditors' Report.

COTTAGE INN FRANCHISOR, LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Note 4 – Long-Term Debt (Continued)

The details of the outstanding long-term debt is comprised of the following:

Note payable to Cottage Inn Carryout & Delivery, Inc., maturing in September 2033, due in monthly installments of \$25,319, including principal and interest at 4.0%	<u>\$ 3,458,647</u>
Total Notes Payable	3,458,647
Less: Current Portion of Long-Term Debt	<u>(418,157)</u>
Total Long-Term Debt	<u><u>\$ 3,040,490</u></u>

The future scheduled maturities of this note are as follows as of December 31, 2023:

<u>Years Ending December 31,</u>	
2024	\$ 418,157
2025	186,793
2026	194,325
2027	202,162
2028	460,182
Thereafter	<u>1,997,028</u>
Total	<u><u>\$ 3,458,647</u></u>

Interest expense for the four months ended December 31, 2023 totaled \$34,514.

Note 5 – Subsequent Events

The Company has evaluated subsequent events through July 10, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COTTAGE INN FRANCHISOR, LLC**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**

For the Four Months Ended December 31,

	2023	
	Amount	Percent of Sales
General and Administrative Expenses:		
Payroll	\$ 362,855	34.29
Amortization	92,500	8.74
Payroll Taxes	59,424	5.62
Rent	30,224	2.86
Advertising	21,513	2.03
Professional Fees	22,699	2.14
Travel and Delivery Charges	22,426	2.12
Office Supplies	13,803	1.30
Insurance	8,994	0.85
Utilities	7,150	0.68
Repairs and Maintenance	6,327	0.60
Bank Fees	4,815	0.45
Payroll Fees	4,132	0.39
Dues and Subscriptions	1,896	0.18
Licenses and Fees	1,612	0.15
Depreciation	1,226	0.12
Telephone	950	0.09
Franchise Relations	846	0.08
Miscellaneous	837	0.08
Total General and Administrative Expenses	<u>\$ 664,229</u>	<u>62.77</u>

See Independent Auditors' Report and Accompanying Notes.

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OPERATIONS MANUAL TABLE OF CONTENTS

Operations Resource Manual

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EXHIBIT 5

FRANCHISE AGREEMENT

COTTAGE INN FRANCHISOR, LLC

FRANCHISE AGREEMENT

FRANCHISEE: _____

DATE: _____

STORE LOCATION: _____

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COTTAGE INN FRANCHISOR, LLC
FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT (this "**Agreement**") is made by and between **COTTAGE INN FRANCHISOR, LLC**, a Michigan limited liability company, with its principal place of business at 4390 Concourse Drive, Ann Arbor, Michigan 48108 ("**Franchisor**", "**Cottage Inn**", "**Company**", "**we**", "**us**", or "**our**"), and the franchisee identified on the signature page hereto ("**Franchisee**", "**Franchise Owner**", "**you**", or "**your**"). The effective date of this Agreement shall be the date it is signed by an authorized officer or representative of Franchisor on the signature page to this Agreement (the "**Effective Date**").

1. INTRODUCTION AND ACKNOWLEDGMENTS

1.1 **Introduction.** Through the expenditure of considerable time, effort and money, we (and our affiliates) have acquired experience in the operation of fast food restaurant stores which feature a wide variety of pizza and related food items for carryout and, delivery and dine in services. Such stores are known as "**Cottage Inn**" stores. We (and our affiliates) have developed certain proprietary food product recipes (such as pizza sauce, pizza cheese, pizza dough and pepperoni) used in the making of pizzas and methods of making such pizzas and developing, equipping, operating, identifying and promoting Cottage Inn stores, which we refer to in this Agreement as the "**System**." We identify the System by certain trademarks, service marks, trade dress, designs, logos and other commercial symbols owned by us or our affiliates, currently including the mark "**Cottage Inn**" and associated logos, that we designate from time to time (collectively, the "**Marks**").

1.2 **The Nature of a Franchise System.** A fundamental feature of a franchise system is a consistent image and method of operation at all stores in the network. It is the franchisor who determines the image and methods of operation and who seeks to maintain consistency of image and operating standards among the stores in the network. Over time, the image and methods of a franchise system may need to change in order to achieve a greater market share or to respond to changes in market conditions. To maintain a sufficient level of consistency among the stores in a franchise system as such changes occur, the franchisor must retain the right to control a number of aspects of its franchisees' business operations.

The source of this control is the franchise agreement between the franchisor and the franchisee. As is typical of franchise agreements, this Agreement identifies the elements of your operations and business that we control, or reserve the right to control, and requires you to comply with our standards, specifications and operating procedures. Although our obligations to you are fairly specific as they relate to our responsibilities to help you begin operations, our ongoing obligations to you are stated in more general terms to give us the flexibility we need to adapt the System, our franchise plan, and our business.

As a franchisor, it is our sole right and responsibility to direct and adapt the Cottage Inn store concept and the System. Our role includes evaluating the Cottage Inn store concept on an ongoing basis and attempting to improve it and adapt it to changing conditions; developing, evaluating, and testing, from time to time, new and existing products for sale at Cottage Inn stores; developing plans for promoting Cottage Inn stores; and working with franchisees, and the managers of the Cottage Inn stores that we and our affiliates operate, to maintain high standards of appearance, customer service and efficient operation. Over the course of a long relationship, such as that contemplated by this Agreement, it is expected that changes will occur in external conditions (such as demographics, general economic conditions, and competition in our market), in our franchising plan and in the System. Some of these changes may affect, beneficially or adversely, the success or profitability of the concept for Cottage Inn stores or of particular Cottage Inn stores, including your Cottage Inn store. As a franchisee, you will be bound to operate your franchised Cottage Inn store in accordance with the System as it changes from time to time, even though you may not always agree with or benefit from those changes.

1.3 **Acknowledgments.** This Franchise Agreement is being presented to you because of the desire you have expressed to obtain the right to own and operate a Cottage Inn store. In signing this Agreement, you acknowledge the importance of maintaining the high standards and the high quality image of Cottage Inn stores and the necessity of operating your Cottage Inn store in strict conformity with our standards and specifications for Cottage Inn stores. You also acknowledge that you have conducted an independent investigation of the business of a Cottage Inn store and recognize that, like any other business, its nature may evolve and change over time, that an investment in a Cottage Inn store or a similar business involves business risks, and that the success of this business venture is dependent primarily on your business abilities and efforts.

We have not made, and you acknowledge that you have not received or relied on, any representation or guarantee, express or implied, as to the revenue, profits, or likelihood of success of the Cottage Inn store contemplated by this Agreement. Any information that you have acquired from other Cottage Inn store franchisees regarding their sales, profits, or cash flows is not information obtained from us, and we make no representation about that information's accuracy. You acknowledge that there have been no representations by us or our officers, directors, shareholders, employees, or agents that are inconsistent with the statements made in the Cottage Inn Franchise Disclosure Document you received or the provisions of this Agreement. You further represent to us, as an inducement to our entering into this Agreement with you, that there have been no misrepresentations to us in your franchise application and financial statements or in other information you have submitted to us.

You acknowledge that, in all of their dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity. You further acknowledge that this Agreement, and all business dealings between you and such persons as a result of this Agreement, are solely between you and us.

1.4 **Corporate, Partnership or Limited Liability Company Franchise Owner; Managing Owner; Reference to Exhibit A.** If the Franchise Owner is at any time a partnership, corporation or limited liability company, you agree and represent that: (1) the Franchise Owner has the authority to execute, deliver, and perform your obligations under this Agreement and, if the Franchise Owner is a corporation or limited liability company, it is duly organized and validly existing in good standing under the laws of the state of its incorporation or formation; (2) the organizational documents of such partnership, corporation or limited liability company recite that the issuance and transfer of any interest in such partnership, corporation or limited liability company are restricted by the terms of this Agreement, and all certificates representing interests in it bear a legend referring to the restrictions of this Agreement; (3) **Exhibit A** to this Agreement completely and accurately describes all of your Owners (as defined below) as of the Effective Date, the ownership interest of each Owner, and certain other information about the Franchise Owner; and (4) each person who is an Owner at any time during the term of this Agreement, including after an approved transfer under Section 14, will execute an agreement that we prescribe from time to time, undertaking personally to be bound jointly and severally by all provisions of this Agreement and any ancillary agreements between you and us (or our affiliates) that bind you. You and your Owners will execute and deliver to us such revised **Exhibit A** as may be necessary to reflect any changes in the information contained therein and furnish such other information about the Franchise Owner's organization or formation as we may reasonably request. As used in this Agreement, an "**Owner**" is any person holding a legal or beneficial ownership interest or voting rights in the Franchise Owner, directly or indirectly (for example, through an intermediate corporate entity), including (but not limited to) any person who has any legal or equitable interest in the revenue, profits, rights or assets of the Store.

If the Franchise Owner is at any time a partnership, corporation or limited liability company, one Owner must be designated by you in **Exhibit A** to this Agreement as the "**Managing Owner**." The Managing Owner must be a natural person who owns and controls not less than thirty percent (30%) of the equity and voting power of the Franchise Owner and who has the authority of a chief executive officer of the Franchise Owner. You agree that the Managing Owner will diligently attend to the management of the

Store and to the performance of your and your Owners' obligations under this Agreement and other agreements related to the Store.

1.5 **Direct and Indirect Owners to Execute Guaranty.** The following individuals and entities shall guarantee Franchise Owner's performance of each and every provision of this Agreement, by executing a Guaranty substantially identical to the form in the then current Franchise Disclosure Document:

(a) Any individual or entity that owns any direct or indirect interest in Franchise Owner. Franchise Owner acknowledges and agrees that the information contained in the "Franchise Owner and its Owners" form attached hereto as Exhibit A is accurate and complete and that each owner identified therein shall execute a Guaranty.

(b) Any individual that is or becomes the spouse of any natural person required by Section 1.5(a) to execute a Guaranty shall execute the Guaranty jointly and severally with that person.

2. **GRANT OF FRANCHISE.**

2.1 **Ten-Year Term; Store Location and Area of Primary Responsibility; Reference to Exhibit B.** You have applied for a franchise to own and operate a Cottage Inn store at the location identified in **Exhibit B** to this Agreement (the "**Premises**"). We have approved your application in reliance on all of the representations you have made to us in connection with your application. As a result, and subject to the provisions of this Agreement, we grant to you a franchise (the "**Franchise**") to operate a Cottage Inn store (the "**Store**") at the Premises and at no other location. You may not at any time operate your business or deliver outside of your "Area of Primary Responsibility" (as defined below), or deliver into the "Area of Primary Responsibility" of any other Cottage Inn franchised or Company-owned store. (If applicable, in a limited instance we may, upon your request and at our option, give you written permission to deliver, only for the time and in the manner specified in such writing, outside of your Area of Primary Responsibility into an area not then serviced by another Cottage Inn franchised or Company-owned store.)

In addition, with the exceptions noted in Section 2.3 below, provided that you are in substantial compliance with this Agreement, during the term of this Agreement we will not establish, or grant a franchise to another person to establish, another Cottage Inn store the physical premises of which are located within the area described in **Exhibit B** as the "**Area of Primary Responsibility.**"

The Franchise we have granted to you by this Agreement gives you the right to use the Marks and the System in the operation of that Store for a term of ten (10) years from the Effective Date, subject to earlier termination as provided in Section 16.

The fact that we are granting this franchise for the Store at the Premises does not mean that we guarantee or are in any way responsible for the ultimate suitability or success of the Store at the Premises or that you have any rights of exclusivity. You represent to us that you have investigated the Premises and you understand that you bear the risks associated with the Store's location.

2.2 **Full Term Performance.** You agree to operate the Store, perform your obligations under this Agreement, and continuously exert your best efforts to promote and enhance the business of the Store for the full term of this Agreement.

2.3 **Reservation of Rights.** Except as otherwise specifically provided in Section 2.1 above regarding the physical premises of other Cottage Inn stores, we (and our affiliates) retain all rights with respect to Cottage Inn stores, any programs, products and services that are or may become associated with Cottage Inn stores, the Marks, and the System, including (by way of example only and not as a limitation): (a) the right to operate or grant others the right to operate Cottage Inn stores at any locations, in any areas, and on any terms and conditions we deem appropriate; (b) the right to develop, produce, license, market

and sell, under the Marks and under other marks, products and services of the type sold or promoted by Cottage Inn stores through similar or dissimilar channels of distribution (including the Internet) pursuant to terms and conditions we deem appropriate, including, but not limited to, products such as frozen pizzas sold through grocery stores, convenience stores; other retail outlets wherever located (including but not limited within the Area of Primary Responsibility), and (c) the right to establish or acquire other franchise systems; and (d) the right to provide consulting and other services to pizza and other restaurants other than Cottage Inn Stores on any terms and conditions we feel appropriate.

3. **DEVELOPMENT AND OPENING OF THE STORE.**

3.1 **Location and Lease Requirements.** The location for the Franchise Business must be approved in advance in writing by Franchisor in its sole discretion, and Franchisee must always operate its Franchise Business only at a location approved in writing by Franchisor (the location approved in writing by Franchisor will be referred to in this Agreement as the "Franchise Location"). If a location for the Franchise Business has been determined and approved before the signing of this Agreement, that location will be designated in Exhibit B. If the exact location of the Franchise Business has not been determined before the signing of this Agreement, Franchisee must use its best efforts to find a suitable location for the Franchise Business within the area designated by Franchisor, but must obtain a lease for a site within 180 days from signing of this Agreement and be open no later than 180 days after the lease is signed. Franchisee must submit to us, in a form acceptable to Franchisor, a description of the proposed site, evidence confirming the Franchisee's prospects for obtaining the site, demographic information, economic terms, use clause and any other materials Franchisor specifies before we will consider approving the location. Although we may provide assistance in obtaining a Franchise Location, it is Franchisee's responsibility to obtain and evaluate its commercial value for operation of the Franchise Business. Our location recommendations and approval of the Franchise Location do not constitute a representation or guaranty of the commercial value or success of the Franchise Location. In conjunction with the lease, Franchisee and its landlord must execute our Lease Rider in the form substantially attached to this Franchise Agreement as Exhibit D, or the lease must contain provisions substantially to the same effect as those contained in the Lease Rider. Each original lease, renewal lease, and lease addenda and modification of any type must be submitted to us prior to execution for our examination and approval that it contains the terms we require. You must provide us with a copy of the executed lease, any renewal lease, and any addenda and modification upon execution by you and the landlord. You must fulfill your obligations under the lease, and any default by you under the lease shall also be a default under this Agreement.

If the Franchise Location initially approved by Franchisor becomes unusable for the Franchise Business, Franchisee must obtain written approval of a new site. If the initial Franchise Location became unusable through no fault of Franchisee and a substitute location is not available, this Agreement will terminate on conclusion of operation of the Franchise Business at the initial Franchise Location.

You also acknowledge that you have arranged for adequate financing for the build-out of the Store, initial inventories as required under the System Standards, and initial working capital, and that you have provided us with complete copies of all agreements and instruments related to that financing.

3.2 **Prototype and Construction Plans and Specifications.** We will furnish conceptual drawings and specifications reflecting our requirements and suggestions for layout, equipment, fixtures, furnishings, furniture, design, decoration, and signs for Cottage Inn stores. It will then be your responsibility to have prepared all required construction plans and specifications and to ensure that they comply with the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, laws, regulations and lease requirements and restrictions applicable to your particular Premises. You must submit final construction plans and specifications to us for our approval before you begin construction at the Premises and must construct the Store in accordance with those approved plans. Our (and our agents') review and approval of any and all plans, specifications, and other aspects of the construction of the Store

are for the limited purpose of establishing general conformance with the image of Cottage Inn stores. Our review is not designed to assess compliance with federal, state, or local laws and regulations, including the Americans with Disabilities Act, as compliance with such laws is your responsibility. We will expeditiously review such plans and specifications. Our approval will not be unreasonably withheld. We may inspect the Premises while you are developing the Store.

3.3 **Development of the Store.** You agree, at your own expense, to do the following: (1) secure all financing required to construct, develop and operate the Store; (2) obtain all required building, utility, sign, health, sanitation, business and other permits, licenses and approvals required for construction and operation of the Store; (3) construct the Store according to construction plans and specifications we have approved; (4) develop and decorate the Store in compliance with plans and specifications we have approved; (5) purchase or lease, and install, all required equipment, furniture, furnishings and signs; (6) purchase an opening inventory of proprietary and similar products from us and purchase such other supplies and materials as are required for the operation of the Store; (7) do any other acts necessary to open the Store for business; (8) obtain our approval to open the Store for business; and (9) open the Store for business. Our approval where required under this Section will not be unreasonably withheld.

3.4 **Equipment, Furniture, Furnishings, Signs and Inventory.** You agree to use in the development and operation of the Store only those brands, types, and/or models of equipment (including computer, fax, and point of sale information system), furniture, furnishings, signs, graphics, and decorating materials that we have approved or designated and also agree to purchase them from suppliers we have approved. You agree to stock and display an opening inventory of products in accordance with the System Standards.

3.5 **Store Opening.** You agree not to open the Store for business until: (1) all of your obligations under Sections 3.1 through 3.4 have been fulfilled; (2) we have approved the Store as developed (although our acceptance is not a representation or warranty, express or implied, that the 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 our right to require continuing compliance with our requirements, standards, and policies); (3) you or your Managing Owner has completed pre-opening training to our satisfaction; and (4) you have furnished us with copies of all insurance policies required under the System Standards and evidence that such insurance coverage is in effect and that premiums have been paid. Your Store must be opened no later than six (6) months from execution of this Agreement. If it is not, we have the right to terminate this Agreement without refund of any fees or other payments to us.

3.6 **Opening Promotion.** You agree to conduct an opening advertising and promotional program for the Store of not less than Ten Thousand Dollars (\$10,000), following a plan that you have submitted to us and we have approved in writing. This sum must be deposited with us upon execution of this Agreement. We will use a portion of this deposit to establish a Store specific page on our internet website and the balance will be expended in advance of and during the first two months after opening. You agree to spend for such opening program, at a minimum, the amount specified in **Exhibit B**.

4. **TRAINING.**

4.1 **Initial Training Program.** Because it is very important that the Store be managed by persons who have received appropriate training, before your Store opens for business: (a) you must designate a person (who must be you or your Managing Owner) who will be active in managing or supervising Store operations; and (b) you and/or your Managing Owner must attend and satisfactorily complete our initial training program on the operation of a Cottage Inn store. (At your request, we will permit you to also have one or more of your employees complete our initial training program.) Such training program will occur at a mutually agreed time. The first part of the training program will be furnished at our offices and at a Cottage Inn store. The second part of the training program will take place

at the Store immediately before and after its scheduled opening. The approximate length of such program is specified in **Exhibit B**.

If we determine after you and/or your Managing Owner attends training that you and/or such Managing Owner is not qualified to operate a Cottage Inn store, we will have the right to terminate this Agreement upon written notice to you within twenty (20) days after the completion of such training. If we terminate this Agreement for such reason, we will return to you seventy-five percent (75%) of the Initial Franchise Fee, with the remaining twenty-five percent (25%) to be retained by us to help defray our costs, expenses and administrative overhead in conducting the due diligence process with you, executing this Agreement, and providing training to you and/or your Managing Owner.

You and/or your Managing Owner (and/or any employee) may request additional training during the initial training program, to be provided at no additional charge, if you and/or your Managing Owner (and/or such employee) do not feel completely trained in the operation of a Cottage Inn store. However, if you and/or your Managing Owner (and/or such employee) satisfactorily complete our initial training program, and do not expressly inform us at the end of that program that you and/or your Managing Owner (and/or such employee) do not feel completely trained in the operation of a Cottage Inn store, then you and/or your Managing Owner (and such employee) will be deemed to have been trained sufficiently to operate a Cottage Inn store.

4.2 **Additional Training and Conference Attendance.** You or your Managing Owner is responsible for conducting and managing ongoing training to ensure that all employees of the Store are qualified and adequately trained to perform their jobs. You agree that you and your managers will attend any additional training programs we schedule at your Store or elsewhere. In addition, you or the Store manager must attend any Cottage Inn conferences that we designate as mandatory for franchisees or managers, as applicable, at such places and times we specify during the term of this Agreement. All training conferences will be held in the State of Michigan. We will not require attendance at more than one such conference in any calendar year.

4.3 **Training Fees and Expenses.** As provided in Section 7.1, the fee for the initial training program is included in the Initial Franchise Fee. We have the right to charge a fee for any other training programs which we provide to you, your managers, or your other employees and you agree to pay our then applicable fee. You agree to pay all your own expenses and the expenses incurred by others that you request us to train in connection with all training programs and conferences, including travel, room, board, local transportation expense, and wages.

5. **GUIDANCE; CONFIDENTIAL OPERATING MANUAL.**

5.1 **Guidance and Assistance.** During the term of this Agreement, we will from time to time guide you with respect to: (1) methods, standards and operating procedures utilized by Cottage Inn stores; (2) purchasing required equipment, furniture, furnishings, signs, inventory, food products, materials and supplies; (3) marketing programs; (4) administrative, bookkeeping, accounting, inventory control, record keeping and general operating and management procedures; (5) employee training; and (6) changes in any of the above that occur from time to time. Such guidance will be furnished in the form of our Confidential Operating Manual (as defined and described in Section 5.2 below), bulletins, newsletters, written reports and recommendations, and other written or audiovisual materials; electronic transmissions; telephone consultations; and/or personal consultations at our offices or at the Store. If you ask us to provide special training of your personnel or other operating assistance at your Store, you agree to pay all our expenses for such training or assistance, including our per diem charges and travel and living expenses for our personnel.

5.2 **Confidential Operating Manual.** We will loan to you during the term of this Agreement one copy of the Cottage Inn "**Confidential Operating Manual**," which consists of such written, audiovisual, and other formats of materials we furnish to our franchisees from time to time for use in guiding

the operation of Cottage Inn stores. The Confidential Operating Manual will contain System Standards (as defined in Section 10 below) and may also reflect suggested operating procedures for Cottage Inn stores and information about other obligations you have in the operation of a Cottage Inn store. We may modify the Confidential Operating Manual from time to time to reflect changes in the System Standards for Cottage Inn stores. You must keep your copy of the Confidential Operating Manual current and in a secure location at the Store. If a dispute develops with respect to the contents of the Confidential Operating Manual, the master copies we maintain at our principal office will be controlling. You will not at any time copy or allow the copying of any part of the Confidential Operating Manual or remove it from the Store.

6. **MARKS.**

6.1 **Ownership and Goodwill of the Marks.** Your right to use the Marks is derived solely from this Agreement and is limited to your operation of the Store pursuant to and in compliance with this Agreement and all applicable System Standards we prescribe from time to time during the term of the Franchise. If you make any unauthorized use of the Marks, including use on any promotional material, on any internet website or social media forum that has not been authorized us in writing, it will constitute a breach of this Agreement and an infringement of our rights in the Marks. Any goodwill established by your use of the Marks is for our exclusive benefit. This Agreement does not confer any goodwill or other interests in the Marks on you, other than the right to operate a Cottage Inn store in compliance with this Agreement. All provisions of this Agreement which apply to the Marks will apply to any additional trademarks, service marks, trade dress, designs, art work, logos, and other commercial symbols we may authorize and license you to use during the term of this Agreement.

6.2 **Limitations on Your Use of the Marks.** You agree to use the Marks we designate as the sole trade identification of the Store, except that you will display at the Store a notice, in the form we prescribe, which states that you are the independent owner of the Store pursuant to a franchise agreement with us. You agree not to use any Mark as part of any corporate or legal business name; with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); in connection with the performance or sale of any unauthorized services or products; as part of any domain name or electronic address you maintain on any Electronic Media (defined as the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system), unless and then only to the extent that we authorize you to do so; or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Store, on delivery vehicles, on forms, and in connection with advertising and marketing materials and to use, along with the Marks, any notices of trademark registration that we specify. You further agree to obtain any fictitious name, assumed name or "doing business as" registrations that may be required under applicable law. At our request, you agree to participate, in the manner we specify, in any Website we establish for the System. We define a "Website" as an interactive electronic document contained in a network of computers linked by communications software, including the Internet and World Wide Web Home Pages.

6.3 **Notification of Infringements and Claims.** You agree to notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark or similar trade name or trademark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge or claim. We have the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You agree to sign any documents, give any assistance, and do any acts that our attorneys say are necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks or otherwise to protect and maintain our interests in the Marks, provided that we agree to reimburse you for the reasonable out-of-pocket expenses you incur in furnishing such assistance.

6.4 **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole judgment for the Store to modify or discontinue the use of any Mark or for the Store to use one or more additional or

substitute trademarks or service marks, you agree to comply with our directions to modify or otherwise discontinue the use of such Mark, or use one or more additional or substitute Marks, within a reasonable time after our notice to you. We will reimburse you for reasonable expenditures you must make to modify the Store's primary outdoor and indoor signage but need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Section 6.4 apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, we think best. You acknowledge our right to take this action and your obligation to comply with our directions.

6.5 **Indemnification of Franchise Owner.** We agree to indemnify you against and to reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Mark, pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, have otherwise complied with this Agreement, and comply with our directions in responding to the claim.

7. **FEES, ROYALTIES AND PAYMENTS.**

7.1 **Initial Franchise Fee.** When you sign this Agreement, you must pay us an initial franchise fee (the "**Initial Franchise Fee**") in the amount specified in Exhibit B. You agree that we will have fully earned the Initial Franchise Fee when we and you sign this Agreement and that it will be non-refundable.

7.2 **Initial Training Fee.** We do not charge a separate training fee for the initial training we furnish pursuant to Section 4.1. That training is provided in consideration of your payment of the Initial Franchise Fee. You are responsible for travel, lodging, meals and wages or employees as well as any other cost to you during training.

7.3 **Royalty.** You agree to pay us a royalty ("**Royalty**") for your right to use the Marks and the System based on the Store's Gross Revenues (as defined in Section 7.4 below). The Royalty will be based upon the Store's weekly Gross Revenues. Commencing on the day the Store opens, the Royalty will be six (6%) percent of the Store's weekly Gross Revenues (5% in Michigan and Ohio). Royalties will be payable on a weekly basis, due by the Wednesday, Thursday or Friday (as we determine to withdraw the funds via EFT) of the week following the prior week ending.

You also agree to pay us the minimum annual Royalty amount which is \$15,000. If the aggregate Royalty due during any twelve (12) month period is less than the specified Royalty minimum amount, you must pay the deficiency to us not later than fifteen (15) days after the end of such period.

7.4 **Definition of Gross Revenues.** As used in this Agreement, the term "**Gross Revenues**" means the total of all revenues from your sale of products and services at or from the Store, or through any other means that is in any way related to the Store, whether from cash, check, credit and debit card, trade credit, barter, or credit transactions, but excluding all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority and all customer refunds and adjustments.

7.5 **Advertising Fees.** You agree to contribute to the Advertising Fund ("Advertising Fund" or "Fund"), an amount based upon a percentage of your Gross Revenue, not to exceed six percent (6%). At the time of execution of this Agreement, this amount is three percent (3%) of your Gross Revenue but we have the right to increase this percentage to six percent (6%) during the term of this Agreement. Your required payments to the Advertising Fund shall be made at the same time and in the same manner as, and in addition

to, the Royalty Fee provided above. Such payment shall be made in addition to and exclusive of any sums that you may be required to spend on local advertising and promotion. Upon ninety (90) days written notice, we may increase the amount of your Advertising Fund fees to as much as six percent (6%) of your Gross Revenue.

7.6 **Interest on Late Payments; Late Fee.** Royalties, Advertising Fund fees, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates will begin to accrue interest after their respective due dates at the highest commercial contract rate of interest permitted by applicable law or one and one-half percent (1.5%) per month, whichever is less. In addition, any payment not made to us or our affiliates by the due date shall be deemed overdue and will be subject to a late fee of Two Hundred Fifty Dollars (\$250) (or our then-current late fee) for each unpaid obligation. This late fee is not interest or penalty but compensates us for increased administrative and management costs due to the late payment. We may debit your bank account automatically for interest, late fees, and payments. You acknowledge that the inclusion of this Section in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your operation of, the Store. The assessment of late charges and interest under this Section shall be in addition to any other remedies we and our affiliates may have.

7.7 **Application of Payments.** When we receive a payment from you, we have the right to apply it as we see fit to any of your past due indebtedness to us or our affiliates, whether for Royalties, purchases, interest, or any other reason, regardless of how you may designate a particular payment to be applied.

7.8 **Right of Offset.** We will have the right at any time and in any manner of our choosing to set off and apply any amounts that you or your Owners owe us or our affiliates against any amounts that we or our affiliates owe you.

7.9 **Manner of Payment.** You are required to make any payments required in this Agreement directly to us or to a bank account specified by us, by electronic fund transfer ("EFT"), pre-authorized auto draft arrangement, or other such means as we may specify from time to time in writing. You shall furnish us, our bank, and any other recipients of payment with such information and authorizations as may be necessary to permit such persons to make withdrawals by electronic fund transfer ("EFT") or auto draft arrangement. You shall bear all expenses, if any, associated with such authorizations and payments. We may cause payments to be made by debit to your account(s) on or after the date any payment is due to us. If we do not receive from you when due the report of Gross Revenues for any week, we may cause payment to be made to us for Royalties and Advertising Fund fees based on the last reported weekly Gross Revenues or upon our reasonable estimate of your Gross Revenues for such week as we determine. We may also initiate credits to your account(s) for any amounts we owe you as a result of an erroneous debit for our benefit or otherwise. You agree to notify us promptly of any error that you believe may have occurred in any debit to your account(s) for payment to us. We will reconcile the amounts that you actually owe us with the amounts that you actually paid after you report your weekly Gross Revenues for the missing period(s). All payments made via EFT are subject to confirmation and final receipt by us. Data displayed or conveyed through the electronic funds transfer system is based upon reporting which you have made to us, is not data supplied by us and is subject to confirmation and approval by us. You acknowledge that you remain fully obligated to accurately report data and to pay all sums due under all agreements with us, including any franchise agreement.

7.10 **Renewal Fee.** If you choose to renew and qualify for renewal of your franchise, you must pay us a renewal fee in the amount of \$5,000 (the "**Renewal Fee**") when you are approved for renewal of your franchise. You agree that we will have fully earned the Renewal Fee when we and you sign the new franchise agreement and that it will be non-refundable.

7.11 **Transfer Fee.** See Section 14 of this Agreement.

8. CONFIDENTIAL INFORMATION.

8.1 **Types of Confidential Information.** We and our affiliates possess (and will continue to develop and acquire) certain confidential information ("**Confidential Information**") relating to the development and operation of Cottage Inn stores, which includes, but is not limited to: (1) proprietary food recipes and food preparation methods and techniques; (2) site selection criteria; (3) plans and specifications for the development of Cottage Inn stores; (4) training materials, programs, and systems for franchisees and personnel of Cottage Inn stores; (5) methods, techniques, formats, specifications, standards, systems, procedures, sales and marketing techniques, merchandising plans, and knowledge and experience in developing and operating Cottage Inn stores; (6) marketing and promotional programs for Cottage Inn stores; (7) knowledge of specifications for and suppliers of products approved for sale by Cottage Inn stores; (8) knowledge of specifications for and suppliers of materials, supplies, equipment, furniture, furnishings and services; and (9) knowledge of operating results and financial performance of Cottage Inn stores other than the Store. We will disclose certain Confidential Information to you and to certain Store personnel in the initial training program and subsequent training, in the Confidential Operating Manual, and in guidance furnished to you and Store personnel during the term of this Agreement.

8.2 **Nondisclosure Agreement.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of a Cottage Inn store under this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us and our affiliates, may contain trade secrets belonging to us and our affiliates, and is disclosed to you and authorized for your use solely on the condition that you agree, and you therefore do agree, that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, but not limited to, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements with those who have access to the Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) disclosure or use of information, methods, or techniques which are generally known and used in the industry (as long as the availability is not because of a disclosure by you or your employees or agents, and such disclosure or use is not otherwise prohibited by this Agreement), provided that you have first given us written notice of your intended disclosure and/or use; and (b) disclosure of the Confidential Information in legal proceedings when you are legally required to disclose it, provided that you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

All ideas, concepts, techniques, or materials relating to a Cottage Inn store, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and our affiliates' sole and exclusive property, part of the System, and works made-for-hire for us and our affiliates. To the extent any item does not qualify as a "work made-for-hire" for us and our affiliates, by this paragraph you assign ownership of that item, and all related rights to that item, to us and our affiliates and agree to sign whatever assignment or other documents we request to evidence our ownership or to help us and our affiliates obtain intellectual property rights in the item.

9. **EXCLUSIVE RELATIONSHIP.**

You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Cottage Inn stores if owners of franchised Cottage Inn stores were permitted to hold interests in or perform services for a Competitive Business, as defined below. You also acknowledge that we have granted the Franchise to you in part in consideration of and in reliance on your agreement to deal exclusively with us. You therefore agree that, during the term of this Agreement, neither you, any Owner, nor any spouse of you or of any Owner will: (1) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, wherever located or operating; or (2) perform services as a director, officer, employee, manager, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating; or (3) recruit or hire our employees or the employees of any Cottage Inn store without obtaining our or the employer's prior written permission; or (4) divert or attempt to divert any actual or potential business or customer of any Cottage Inn store to another business.

As used in this Agreement, a "**Competitive Business**" is any business (other than a Cottage Inn store) that features pizza, pasta, sandwiches, chicken wings, chicken tenders, and/or any other products that are substantially the same as or similar to those offered or provided in the System or that franchises or licenses others to operate such a business.

10. **OPERATIONS.**

10.1 **System Standards.** You acknowledge and agree that the development and operation of your Store in accordance with the mandatory specifications, standards, operating procedures and rules we prescribe for the development and operation of Cottage Inn stores (the "**System Standards**") are the essence of this Agreement and essential to preserve the goodwill of the Marks and all Cottage Inn stores. Therefore, you agree that, at all times during the term of this Agreement, you will develop, maintain and operate the Store in accordance with each and every System Standard, as periodically modified and supplemented by us during the term of this Agreement. These System Standards will become effective upon their communication to you in writing. You also agree that you will comply with such System Standards upon our communication of these System Standards to you regardless of our past practices or standards and that your failure to do so is a material breach of this Agreement. Among the aspects of the development and operation of franchised Cottage Inn stores that we may regulate through the System Standards are the following:

(a) design, layout, decor, appearance and lighting; periodic maintenance and cleaning; replacement of obsolete or worn-out improvements, equipment, furniture, furnishings, and signs; periodic painting, redecorating and remodeling and the frequency of such painting, redecorating and remodeling; use of signs, banners, graphics, emblems, lettering and logos; and periodic modification of the Store in accordance with our plans, specifications and directions at such time or times as we require;

(b) types, models and brands of required or authorized food products (including, but not limited to, pizza sauce, pizza cheese, pizza dough and pepperoni), equipment, furniture, furnishings, signs and other products, materials and supplies (including, but not limited to, pizza boxes and other paper products);

(c) requirements for stocking, storing, and rotating an inventory of products for resale of such types and formats and in such packages as we may prescribe and other specifications relating to inventory practices and product mix;

(d) designated or approved suppliers (including and/or limited to us and/or our affiliates) of required and authorized food products, employee uniforms, equipment, furniture,

furnishings, signs, inventory, and other products, materials and supplies (including, but not limited to, pizza boxes and other paper products) and, if supply sources are limited to us and/or our affiliates, your obligation to acquire the items subject to those purchasing restrictions only from us and/or our affiliates at the prices we decide to charge;

(e) payment of vendors and terms and conditions of sale and delivery of and payment for products, materials, supplies and services sold by us, our affiliates, or unaffiliated suppliers; our and our affiliates' right not to sell you any products or to provide you with services, or to do so only on a "cash-on-delivery", prepayment, or other basis, and/or to require you to provide us with a security deposit for future shipments, if you fail to make any payment to us or are in default under any agreement with us; our right (without liability) to advise your suppliers and others with whom you, we, and other franchisees deal that you are in default under any agreement with us; and our and our affiliates' right to receive payments from suppliers on account of their dealings with you and other franchisees and to use all amounts we and our affiliates receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate;

(f) in-store displays of products and literature, including, without limitation, required digital menu boards;

(g) sales and marketing activities (including telemarketing within your market area), advertising and promotional activities, and materials and media required or authorized for use in such activities and programs, including, without limitation, content and other requirements relating to your use of the internet or websites / text / SMS messaging or social media platforms, all such activities requiring advance written approval before you use them;

(h) use and display of the Marks and use and display of other trademarks, service marks and commercial symbols, including through any internet websites or social media platforms;

(i) qualifications, initial and ongoing training, dress, and appearance of Store employees (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(j) minimum hours of operation of the Store during which you agree to operate and delivery procedures. You are required to be open every day of the year with the exception of Thanksgiving Day and Christmas Day, and during such hours as we determine under System Standards as described in the Confidential Operating Manual. You must open the Store every day we require, to keep the minimum store operation hours, and to be open not less than eighty one (81) hours per week; any deviations from this standard require written approval from Cottage Inn Franchisor, LLC prior to any deviation from standard hours.

(k) services (including customer amenities) required or authorized to be offered by the Store;

(l) participation in market research programs;

(m) management by a full-time manager (who may be you, the Managing Owner, or an employee approved by us) who has successfully completed our training program; communication to us of the identity of such manager; replacement of any manager or assistant manager whom we determine to be unqualified to manage the Store; and other matters relating to the management of the Store and its management personnel;

(n) acceptance of credit and debit cards, other payment systems and check verification services;

(o) bookkeeping, accounting, inventory control and reorder, data processing, and record keeping systems and forms; records retention systems; and methods, formats, content and frequency of reports to us of the Store's sales, revenues, financial performance and condition, tax returns and other operating and financial information;

(p) types, amounts, terms and conditions of insurance coverage required to be carried for the Store and approved underwriters and brokers of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of such coverage that must be furnished to us; our right to obtain insurance coverage for the Store at your expense if you fail to obtain required coverage; our right to defend claims against us; and similar matters relating to insured and uninsured claims pertaining to the Store or its business;

(q) compliance with applicable laws; obtaining required licenses and permits; adherence to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers, and us and our affiliates; and notification to us in the event any action, suit or proceeding is commenced or threatened against you or the Store;

(r) regulation of such other elements and aspects of the development, appearance, and operation of, and conduct of business by, Cottage Inn stores as we determine from time to time to be useful or required to preserve or enhance the operation, image or goodwill of Cottage Inn and the Marks;

(s) use of such technology as we determine appropriate under the System Standards, including requirements for point of sale terminals, computer technology, communication via email or other electronic communications, participation in electronic ordering systems, including participation in internet based ordering systems and similar implementation of technology as we determine appropriate for adoption within the Cottage Inn system; and

(t) consumer pricing recommendations and guidelines including implementation of our tiered pricing standards for promotional and other products sold by the Store.

We may from time to time modify the System Standards in our sole discretion. Such modifications may obligate you to invest additional capital in the Store and/or incur higher operating costs, but such modifications will not alter your fundamental status and rights under this Agreement. System Standards may accommodate regional or local variations or other factors as we determine. Although we may require you to reimage, refurbish or refurbish the Store (including changes in signage, floor covering, wall covering, and other decor features except for fixtures) to conform with System Standards, we will not require such refurbishing more often than once every five (5) years and you will not be required to expend more than \$25,000.00 in connection with such refurbishing, such limitation applying only to mandatory reimagining, refurbishing or refurbishing. You agree that System Standards prescribed from time to time in the Confidential Operating Manual, or otherwise communicated to you in writing or another form, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all System Standards as periodically modified.

Without limitation upon any of the foregoing, you may not assess a separate fee or charge to customers for deliveries made by you to them.

10.2 **Insurance.** You must obtain and provide us with evidence of insurance in the amounts and with the coverages we specify. The insurance coverage currently specified by us includes the following:

(a) Commercial General Liability limits of \$1,000,000 per occurrence and a \$2,000,000 policy aggregate, including liquor liability insurance coverage if the Store serves or delivers alcoholic beverages of any kind;

(b) Commercial Automobile Liability, including coverage for non-owned autos, of \$1,000,000 each accident;

(c) Statutory Workers Compensation coverage;

(d) Employers Liability of \$500,000 bodily injury by accident – each accident, \$500,000 bodily injury by disease – each employee and \$500,000 bodily injury by disease – policy limit;

(e) Umbrella Liability of \$1,000,000 (optional).

In all policies, Cottage Inn Franchisor, LLC and its affiliates must be named as an additional insured on all franchisee liability policies, and all policies must provide that we must be given thirty (30) days notice prior to your cancellation of any insurance.

You must keep your insurance in force throughout the term of this Agreement and provide us with a current certificate of coverage. We can terminate the franchise if required insurance coverage lapses or is cancelled and is not restored or replaced within 48 hours after you receive written notice of default.

We may from time-to-time update and/or modify these insurance requirements in our sole discretion, including but not limited to updates and/or modifications to the types of insurance coverage required and the limits relating to the insurance coverage.

10.3 **Tiered Pricing.** As of the date of this Agreement, all new Cottage Inn stores must operate under our lower tiered pricing standards until the earlier to occur of (a) six (6) months from the date the store opens for business to the public, or (b) when the store has achieved average weekly Gross Revenues of \$20,000 for three (3) consecutive months.

10.4 **Performance Standard.** After you have been operating your Store for one full calendar year, you must achieve minimum Gross Revenues of \$800,000 per calendar year throughout the term of the Franchise Agreement or any renewal Franchise Agreement (“**Performance Standard**”). If you fail to meet the Performance Standard, we may notify you of the failure. If, after the notice, you fail to meet the Performance Standard for the next consecutive calendar year, we may, but are not obligated to, have our or our affiliates’ employees or third-party contractors work with you and assist you in improving your operations and increasing your revenues. You will be responsible for all costs and expenses associated with that assistance, including, but not limited to, travel and living expenses, and a daily or hourly charge for the employees and/or third-party contractors providing the assistance. In addition, if we have provided notice to you of your failure to meet the Performance Standard for a calendar year within ninety (90) days of the end of that calendar year, and you fail to meet the Performance Standard for a second consecutive calendar year, we may elect to terminate the Franchise Agreement.

11. **ADVERTISING.**

11.1 **Advertising Fund.** You agree to participate in an advertising fund (the “**Advertising Fund**”) for such marketing, promotion, advertising and related programs as we may deem necessary or appropriate. Cottage Inn stores that we or our affiliates own will contribute to the Advertising Fund on the same percentage basis as our franchisees. We have the right to collect for deposit into the Advertising Fund any advertising, marketing, or similar allowances paid by suppliers who deal with Cottage Inn stores. (These payments are different from those which we may use for any purposes we deem appropriate, as provided in Section 10(e) above.) The following provisions will be applicable to the Advertising Fund:

We will direct all programs financed by the Advertising Fund, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation and designations of local suppliers that we approve to provide advertise design services or to provide print materials for your advertising. You agree that the Advertising Fund may be used to pay the costs of designing, preparing and producing video, audio and written advertising materials and electronic media (including a Website); administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising; employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs; and supporting public relations, market research and other advertising and marketing activities. Because of the importance of local marketing activities for Cottage Inn stores, the Advertising Fund may develop sample advertising and promotional materials, including sample advertisements and brochures, for use by Cottage Inn stores in their local markets. The Advertising Fund will furnish you with samples of print materials at no charge to you. If the Advertising Fund (or the Company) provides you with multiple copies of print materials (such as mailers) or with other types of promotional items, such as videotapes, you may be charged a price to cover the direct production costs of such items plus any related shipping and handling charges. You may not use any supplier of marketing or print services or goods that we have not approved.

The Advertising Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead that we may incur in activities related to the administration of the Advertising Fund and its programs (including, without limitation, conducting market research, preparing and updating marketing databases, preparing advertising and marketing materials, and collecting and accounting for fees to and expenditures by the Advertising Fund). The Advertising Fund will not be our asset. Although it is not a trust, we will hold all Advertising Fund fees for the benefit of the promotion of the Cottage Inn system and Cottage Inn Stores. We may spend in any fiscal year an amount greater or less than the aggregate fees of all Cottage Inn stores to the Advertising Fund in that year and may cause the Advertising Fund to borrow from us or other lenders to cover deficits of the Advertising Fund or to invest any surplus for future use by the Advertising Fund. All interest earned on monies contributed to the Advertising Fund will be used to pay costs incurred by the Advertising Fund before other assets of the Advertising Fund are expended. We will prepare an annual unaudited summary of monies collected and costs incurred by the Advertising Fund and will furnish it to you on written request. We may cause the Advertising Fund to be incorporated or operated through an entity separate from us at such time as we deem appropriate, and any such entity will succeed to all our rights and duties pursuant to this Section.

The Advertising Fund is intended to maximize recognition of the Marks and patronage of Cottage Inn stores. Although we will try to use the Advertising Fund to develop programs and materials and to develop and place advertising that will benefit all Cottage Inn stores, we undertake no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to the fees to the Advertising Fund by Cottage Inn stores operating in that geographic area or that any Cottage Inn store will benefit directly or in proportion to its fees to the Advertising Fund from the development and placement of advertising and the development of marketing materials. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Advertising Fund on behalf of and at the expense of the Advertising Fund and to forgive, waive, settle and compromise all claims by or against the Advertising Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you relating to the maintenance, direction or administration of the Advertising Fund.

We reserve the right to reduce or suspend fees to and operations of the Advertising Fund for one or more periods, and the right to terminate the Advertising Fund, upon thirty (30) days' prior written notice to you. All unspent monies on the date of termination will be distributed to our franchisees as of such date, and to us and our affiliates, in proportion to their and our respective fees to the Advertising Fund during the

preceding twelve (12) month period. We will have the right to reinstate the Advertising Fund upon thirty (30) days' prior written notice to you.

11.2 Advertising By Franchise Owner. You must expend each full or partial calendar year an amount equal to the percentage of the Store's Gross Revenues that we designate, not to exceed six percent (6%) of Gross Revenues during that calendar year on advertising and promotion. Such amount must be expended by you on a prorated monthly basis. If applicable, you may apply your payments to the Advertising Fund, as required by Section 7.5 of this Agreement, against this obligation. You agree to provide us quarterly and annual reports of your marketing and promotional activities and expenditures.

You agree to participate in any advertising or promotional program we develop for Cottage Inn stores in your area. You also agree to list and advertise the Store in each of the classified telephone directories distributed within the marketing area in which the Store is located, in those business classifications we prescribe from time to time, and to use our standard form of classified telephone directory advertisement. If there are other Cottage Inn stores within the distribution area of those classified directories, you agree to advertise in and pay your share of a collective advertisement.

You must submit to us for our prior approval samples of all advertising and promotional materials which were not prepared by us or which were not approved by us within the past six (6) months before your intended use of the materials. If you do not receive our written approval within fifteen (15) days from the date we receive the materials, the materials will be deemed disapproved. In no event shall you use any advertising or promotional materials that we have not approved or have disapproved in writing or that do not include the copyright and trademark notices we have specified. You may not use any vendor providing marketing or print services and goods that we have not approved in advance in writing.

11.3 Grand Opening Advertising. You must expend not less than the amount we specify in System Standards for grand opening advertising and promotion for opening or relocation of your Store. This total expenditure is currently Ten Thousand Dollars (\$10,000) which must be deposited with us at the time you sign this Franchise Agreement or you request relocation of your Store. We will expend this deposit on grand opening advertising and promotion and to create a page for your Store on our primary website. You agree that we may modify this deposit by amendment of the System Standards.

11.4 Advertising Cooperatives.

We may designate an advertising area that includes a group of Cottage Inn Stores. If the Franchise Business is within a designated advertising area, We may require Franchisee to join, maintain a membership in and abide by the governing instrument of an advertising cooperative for that area. The structure of the cooperative and the original governing instrument of the cooperative and any changes to that instrument must be approved by Us.. The cooperative cannot modify the terms of this Agreement, but may require Franchisee to make contributions to the cooperative in addition to any advertising fund contributions the Franchisee is required to make. Each Store in the cooperative will have one vote on matters before the cooperative. Decisions will be made as provided in the governing instrument of the cooperative, or if not otherwise specified, based on a majority of the votes entitled to be cast by the members of the cooperative. Any franchisee holding an officer, management, executive or committee position with the cooperative must be a franchisee in good standing. Each cooperative will work with Us or an agency designated by us in coordinating and placing regional and local advertising for the members of the cooperative. The costs and expenses of each cooperative must be paid by that cooperative. If a Coop is implemented, you will be credited with respect to any local advertising payments that otherwise would be owing.

12. **RECORDS AND FINANCIAL REPORTS.**

You agree to keep and maintain at your own expense full, complete and accurate books, records and accounts relating to the operation of the Store. You agree to keep such books, records and accounts in a secure location at the Store (or at another site we have approved) and to preserve them for at least five (5) years after they have been prepared. You also agree to keep such books, accounts and all reports derived there from in accordance with generally accepted accounting principles ("GAAP"). You agree that you are required to purchase and use a computer system in the required software and hardware configuration that we determine according to the system standards to maintain such data and other information as required by the system standards.

You agree to furnish us in the form and manner that we prescribe from time to time: (1) by Monday of each week, a weekly report of the sales of and products sold from your Store during the previous week (ending each Sunday) and such information and supporting records we require (including, but not limited to, a breakdown of food, supply and labor costs, daily cash receipts and cash balances); (2) within fifteen (15) days after the end of each month, unaudited statements of profit and loss and operating report for the preceding month; (3) within thirty (30) days after the end of each calendar quarter, a report specifying the amount of sales, income and employee withholding taxes due to any governmental authority during such period accompanied by evidence that all such taxes have been timely paid in full; (4) within sixty (60) days after the end of each fiscal year, unaudited annual statements of profit and loss and financial condition and balance sheet prepared by an independent certified public accountant (or equivalent); (5) within ten (10) days after our request, complete copies of federal and state income tax returns you file with the Internal Revenue Service and state tax departments reflecting sales and income of the Store; and (6) at the times we prescribe, such other reports as we may reasonably designate from time to time, which may include, without limitation, reports of advertising expenditures or any requested annual or periodic survey information. You must verify and sign each report and financial statement required by this Section in the manner we prescribe and submit any supporting documentation we request. We will have the right to disclose data derived from sales reports for the Store. We may, as often as we deem appropriate, access any computer system you maintain and retrieve all information relating to your operation of the Store.

We may require you to obtain at your expense and submit to us within sixty (60) days after such request an audited statement of profit and loss, balance sheet and financial condition for any fiscal year if we believe that you have submitted sales reports or other financial statements containing material inaccuracies.

13. **INSPECTIONS AND AUDITS.**

13.1 **Company's Right to Inspect the Store.** From time to time we may conduct Store visits and inspections to observe the Store's operations and to determine whether you and the Store are complying with this Agreement and with the specifications, standards, and operating procedures we prescribe for the operation of Cottage Inn stores. We and our agents will have the right, at any reasonable time during your scheduled business hours, to inspect the Store, observe and make recordings of the facilities and operations of the Store, and interview personnel and customers of the Store.

We may also arrange and conduct test shopper visits to your Store. You agree to cooperate fully with us in connection with our inspections, interviews, and other activities under this Section. You also agree to present to your customers any evaluation forms we periodically prescribe and to ask them to participate in any surveys performed by us or on our behalf.

13.2 **Company's Right to Inspect and Audit Records.** We have the right, at any time during your scheduled business hours, to inspect, copy and audit, or cause to be inspected, copied, and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns, and other

records relating to the operation of the Store (including the books and records of any corporation or partnership which holds the Franchise). You agree to fully cooperate with our representatives and independent accountants we may hire to conduct any inspection or audit. Our rights and your obligations under this Section will continue for a period of one (1) year after the termination of this Agreement. If you makes sales through any third-party vendors (for example, companies that facilitate online ordering, deliveries or catering orders), we and our designated agents shall have the right to access all sales records and other records of such vendor and may request and receive such records directly from the vendor without your consent.

If any inspection or audit discloses an understatement of the Gross Revenues of the Store, you must pay us, within fifteen (15) days after receipt of the inspection or audit report, the Royalties and Advertising Fund fees due, plus interest on the amount of the understatement (at the rate and on the terms provided in Section 7.5) from the date originally due until the date of payment. Further, if the inspection or audit is made necessary by your failure to furnish the reports, supporting records, other information, or financial statements required by this Agreement, or to furnish those reports, records, information, or financial statements on a timely basis, or if an understatement of weekly Gross Revenues for any period is determined by an audit or inspection to be two percent (2%) or more, you agree: (1) to reimburse us for the cost of such inspection or audit (including, but not limited to, the charges of attorneys and any independent accountants and the travel expenses, room and board and applicable per diem charges for our employees); and (2) if we request it, to have the annual financial statements for the Store for such year and subsequent years audited or reviewed by an independent certified public accountant and to provide such audited or reviewed statements to us within ninety (90) days after the end of your fiscal year. The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

14. **TRANSFER REQUIREMENTS.**

14.1 **Transfer by Company.** You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employee's come and go. You represent that you have not signed this Agreement in reliance on any shareholder, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement without restriction.

14.2 **Franchise Owner May Not Transfer Without Approval of Company.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a corporation, partnership or limited liability company, to your Owners) and that we have granted the franchise to you in reliance upon our perceptions of your (or your Owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (or any interest herein) nor any part or all of the ownership of the Franchise Owner or the Store (or any interest therein) may be transferred without our prior written approval. Any transfer without such approval will constitute a breach of this Agreement and be void and of no effect. As used in this Agreement, the term "**transfer**" includes the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by or from you (or any of your Owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchise Owner; or (3) the Store. An assignment, sale, gift or other disposition includes the following events:

(a) transfer of ownership of capital stock, a partnership interest, or another form of ownership interest;

(b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in the Franchise Owner;

(c) any sale of capital stock or other ownership interests of or partnership interest in the Franchise Owner or any security convertible to capital stock or other ownership interests of or partnership interest in the Franchise Owner;

(d) transfer of an interest in this Agreement, the Franchise Owner, or the Store in a divorce, insolvency, entity dissolution proceeding or otherwise by operation of law;

(e) transfer of an interest in this Agreement, the Franchise Owner, or the Store by declaration of or transfer in trust or, in the event of your death or the death of an Owner, by will, declaration of or transfer in trust or under the laws of intestate succession; or

(f) pledge of this Agreement (to a person other than us or an affiliate of ours) or of an ownership interest in the Franchise Owner as security, foreclosure upon the Store, or the transfer, surrender or loss of your possession, control or management of the Store (except to us as herein provided).

14.3 Conditions for Approval of Transfer. If you and each Owner are in substantial compliance with this Agreement, then subject to the other provisions of this Section 14, we will not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Paragraph. The proposed transferee and its direct and indirect owners must be persons of good character and reputation and must otherwise meet our then applicable standards for applicants for Cottage Inn store franchises, including not operating a Competitive Business. Except as otherwise provided below for a transfer of this Agreement or a controlling interest in the Franchise Owner, the proposed transferee and its direct and indirect owners must agree to be bound (jointly and severally, if applicable) by all of the terms and conditions of this Agreement. A transfer of ownership, possession, control or management of the Store may be made only in conjunction with a transfer of this Agreement.

We may impose reasonable conditions on you, the transfer, the transferor, and the transferee in connection with a proposed transfer. If the transfer is of this Agreement or a controlling interest in the Franchise Owner, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate constitute the transfer of this Agreement or a controlling interest in the Franchise Owner, all of the following conditions must be met before or at the same time as the transfer:

(a) the transferee must have sufficient business experience, aptitude and financial resources to operate the Store, and neither the transferee nor its owners or affiliates operate or have an ownership interest in a Competitive Business;

(b) you must have paid all Royalties, Advertising Fund fees, and all other amounts owed to us or our affiliates or to third-party creditors, must have submitted to us all required reports, financial statements, tax returns and other documents requested by us, and must not have violated any provision of this Agreement or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(c) the transferee and its owners must, in the event of a proposed transfer of this Agreement, and the Franchise Owner and its owners must, in the event of a proposed transfer of a controlling interest in the Franchise Owner, execute and deliver to us a franchise agreement and such ancillary agreements in the form that we are then using in the grant of franchises for a similar type of Cottage Inn store, which will provide for a term equal to the remaining term of this Agreement and may contain terms materially different from the terms of this Agreement, including a different Area of Primary Responsibility, except that it will provide for the same Royalty and Advertising Fund fees and will not materially alter the conditions on which the Franchise Owner will have a right to obtain a successor franchise upon the expiration of that franchise agreement;

(d) the transferee, its owners, and its management personnel (if different from your Store's current managers), or your new owners (in the event of a proposed transfer of a controlling interest in the Franchise Owner) must agree to complete our training program to our satisfaction at the cost of transferee or the Franchise Owner, including payment of our then current training fee;

(e) you or the transferee must pay us a transfer fee of Ten Thousand Dollars (\$10,000.00). The transfer fee shall be adjusted to reflect changes in the Consumer Price Index from the date of execution of this Agreement (however, no transfer fee will be required if the transfer is among your Owners). The transfer fee due when you request approval of the transfer and is non-refundable;

(f) you (and each Owner) must execute a general release, in form satisfactory to us, of any and all claims against us and our affiliates and our respective shareholders, officers, directors, employees and agents;

(g) we must have had the opportunity to review the material terms and conditions of such transfer related contracts and to determine to our satisfaction (without representing to you or the transferee) that the price and terms of payment are not so burdensome as to be likely to affect adversely the transferee's operation of the Store (but our determination in such cases is for our purposes only, and our determination and consent to a proposed transfer will not in any way constitute a representation or assurance to the transferee or to you that the terms and conditions of the transfer are fair or that the transferee will be able to operate successfully or profitably);

(h) if you or any Owner finances any part of the sale price of the transferred interest, you and/or your Owners must agree that all of the transferee's obligations under any promissory notes, agreements or security interests reserved by you or your Owners in the assets of the Store will be subordinate to the transferee's obligations to pay Royalties, Advertising Fund fees, amounts owed to us and our affiliates for purchases, and other amounts due to us and our affiliates and otherwise to comply with this Agreement;

(i) you and each transferring Owner (and your, his and her respective spouses) must execute a noncompetition covenant, for the benefit of us and the transferee, agreeing for a period of three (3) years from the date of the transfer not to hold any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business located or operating within the Area of Primary Responsibility of the Store, or within the "Area of Primary Responsibility" or "Protected Trading Area" of any other Cottage Inn franchised or Company-owned store; and

(j) you and each transferring Owner must agree not to, directly or indirectly, at any time or in any manner (except with respect to other Cottage Inn stores), identify yourself, himself, or herself or any business as a current or former Cottage Inn store, or as a current or former franchisee, licensee or dealer of us or our affiliates, use any Mark, any colorable imitation thereof or other indicia of a Cottage Inn store in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliates.

Our approval of a transfer of this Agreement and the Franchise or any interest in the Franchise Owner or the Store will not constitute a representation by us as to the fairness of the terms of any contract between you and the transferee or of the prospects of success of the Store or the transferee, nor will it serve to waive any claims we may have against you or your Owners or our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement. We may review all information

regarding your Store that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Store.

If this Agreement and the Franchise or any interest in the Franchise Owner or the Store is transferred to one of our then current prospective franchise candidates, you must pay us two percent (2%) of the gross sale price of the transferred interest. A "prospective franchise candidate" is an individual or entity that has asked us about our franchise opportunity and been added to our database of prospective franchise owners and with whom we have communicated about our franchise opportunity.

14.4 Transfer to a Wholly Owned Corporation or Limited Liability Company. If you are in full compliance with this Agreement, you may transfer this Agreement to a corporation or limited liability company, provided that you follow our procedures for doing so, including the execution of documents we prescribe or have approved. Such corporation or limited liability company may not conduct any business other than the Store and other Cottage Inn stores, and you must maintain management control and own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding capital stock or other ownership interests of the corporation or limited liability company. Transfers of shares or other ownership interests in such corporation or Limited Liability Company will be subject to the provisions of this Section. Moreover, you will remain personally liable under this Agreement as if the transfer to such corporation or limited liability company had not occurred.

14.5 Transfer Upon Death or Permanent Incapacity. Upon your death or permanent incapacity (physical or mental), or, if you are a corporation, partnership or limited liability company, upon the death or permanent incapacity of the Managing Owner, the executor, administrator, conservator, guardian or other personal representative of such person must transfer his or her interest in this Agreement and the Store, or such interest in the Franchise Owner, to a third party we have approved. Such transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent incapacity, and will be subject to all the terms and conditions applicable to transfers contained in this Section; however Section 14.6, regarding our right of first refusal, will not apply to a transfer by gift, devise or inheritance. Failure to transfer the interest in this Agreement and the Store or in the Franchise Owner within said period of time will constitute a breach of this Agreement. For purposes hereof, the term "permanent incapacity" includes a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or the Managing Owner from supervising the management and operation of the Store.

We will have the right, but not the obligation, to appoint a manager for the Store from the time of such death or permanent incapacity until the transfer of this Agreement and the Store, or the interest in the Franchise Owner, has been completed as provided above, or for such shorter period as we may determine. If we appoint such a manager, you must pay all the costs and expenses of such manager, including, but not limited to, wages and reasonable expenses for travel, food and lodging. We will have a duty to utilize only reasonable efforts and will not be liable to you or your Owners for any debts, losses, or obligations the Store incurs or to any of your creditors for any products or services the Store purchases while we manage it.

14.6 Company's Right of First Refusal. If you or any Owner at any time determines to transfer for consideration an interest in this Agreement and the Store, or an ownership interest in the Franchise Owner in a transaction that otherwise would be allowed under Sections 14.2 and 14.3 above, you or such Owner: (a) must notify us in writing of such intention or desire at least fifteen (15) days before you enter any brokerage or listing agreement to sell (any such agreement must include contingencies relating to our waiver of our rights under this Paragraph and our consent to the transfer); (b) must obtain a bona fide, executed written offer and earnest money deposit in an amount of not less than five percent (5%) of the offered price from a responsible and fully disclosed individual making the offer; and (c) must submit to us a true and complete copy of such offer immediately upon your receipt of such offer, which offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The offer must apply only to an interest in this Agreement and the Store or in

the Franchise Owner and may not include an offer to purchase any other property or rights. However, if the individual making the offer proposes to buy any other property or rights from you (or any Owner) under a separate offer, such other offer must be disclosed to us. The price and terms of purchase offered to you (or the Owner) for the interest in this Agreement and the Store, or in the Franchise Owner, must reflect the bona fide price offered for such interest and shall not reflect any value for any other property or rights. The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 14.2 and 14.3 above. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section.

We (or our assignee) will have a "right of first refusal" with respect to any such offer on the following terms:

(a) to exercise such right, we must give written notice to you or your selling Owner(s) within thirty (30) days after we have received an exact copy of such offer and all other required information about the transaction and the individual making the offer (however, under certain circumstances, we may waive our right of first refusal in advance, after receiving notice of your (or an Owner's) intention to sell);

(b) we will have the right to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (1) we may substitute cash for any form of payment proposed in such offer and may exercise our right of offset; (2) our credit will be deemed equal to the credit of any proposed purchaser; and (3) we will have not less than ninety (90) days after we give notice of our election to prepare for closing;

(c) in connection with our purchase of such interest, we will be entitled to receive, and you and your Owners agree to make, all customary representations and warranties given by the seller of the assets of a business, or the capital stock or other ownership interests of an incorporated business, limited liability company or general or limited partnership interest, as applicable, including, without limitation, representations and warranties as to ownership, condition of and title to stock or other form of ownership interest and/or assets, liens and encumbrances relating to the stock or other ownership interest and/or assets, and the validity of contracts and the liabilities, contingent or otherwise, of the corporation, limited liability company or partnership whose stock, partnership or other ownership interest is being purchased;

(d) we will be entitled to a noncompetition covenant from you and your selling Owners as provided in Section 14.3 hereof with respect to a transfer.

If we do not exercise our right of first refusal, you or your Owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 14.2 and 14.3. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Sections 14.2 and 14.3 above, you or your Owners may not move forward with the transfer at all. If the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you must tell us promptly), we will again have a right of first refusal for thirty (30) days after we receive such notice (which we may waive).

15. EXPIRATION OF THIS AGREEMENT.

15.1 **Your Right to Acquire a Successor Franchise.** Upon expiration of the term of this Agreement, if you (and all Owners) satisfy the conditions set forth in this Section, then, subject to the terms and other conditions set forth in this Section, you will have the right to acquire a successor franchise for the

Store. In order for you to have the right to acquire a successor franchise, you (and your Owners, if applicable) must satisfy the following conditions:

(a) you (and all Owners) must be in substantial compliance with this Agreement and all other agreements with us or our affiliates and must have substantially complied with this Agreement (and any other agreements with us or our affiliates) during its term;

(b) you must have the right to maintain possession of the Store and must agree to remodel and/or expand the Store, add or replace improvements, equipment, furniture, furnishings and signs, and otherwise modify the Store as we require to bring it into compliance with specifications and standards then applicable for Cottage Inn stores; and

(c) the Store must have reported Gross Revenues for the full calendar year immediately preceding the date of expiration of this Agreement that, calculated per square foot of the Premises of the Store, equal or exceed the Gross Revenues per square foot reported for the immediate preceding calendar year by the Cottage Inn store(s) in the top twenty-five percent (25%) of those Cottage Inn stores in operation during that entire year.

15.2 **Notice of Election.** If you wish to obtain a successor franchise upon the expiration of this Agreement, you must give us written notice of your election to acquire a successor franchise at least six (6) months, but not more than twelve (12) months, before the end of the term of this Agreement. If you give such notice, then within ninety (90) days after delivery of your notice, we will give you written notice (the "Successor Notice") of our decision in accordance with the provisions of this Paragraph:

(a) to grant a successor franchise;

(b) to grant a successor franchise on condition that you take the actions we specify to correct deficiencies of the Store or in your operation of the Store; or

(c) not to grant a successor franchise, based on our determination that there has not been substantial compliance with this Agreement by you and your Owners.

As applicable, the Successor Notice will describe the refurbishing and redecorating and other improvements or modifications required to bring the Store into compliance with our then current specifications and standards; will state the actions you must take to correct deficiencies and the time period in which you must correct such deficiencies; or will state the reasons for our decision not to grant a successor franchise. If for any reason we do not give you a Successor Notice within ninety (90) days after delivery of your election notice, we may extend the term of this Agreement for any period of time necessary in order to provide you at least ninety (90) days' notice of any deficiencies that must be cured as a condition to a successor franchise or our decision not to grant you a successor franchise.

15.3 **Refurbishing of Store.** In order to obtain a successor franchise upon the expiration of this Agreement, you must have the right to maintain possession of the Premises and must agree to reimage, refurnish, refurbish and redecorate the Premises (both interior and exterior), replace fixtures, furnishings, wall decor, furniture, equipment, and signs, and otherwise modify the Store so that it is in compliance with specifications and standards then applicable under new or successor franchises for Cottage Inn stores.

15.4 **Agreements and Releases.** If you satisfy all other conditions for the grant of a successor franchise, you (and your Owners, if applicable) must execute and deliver to us:

(a) the form of standard franchise agreement and any ancillary agreements we are then customarily using in the grant of successor franchises for Cottage Inn stores (which will require you to pay upon execution a successor franchise fee in an amount that equals five percent (5%) of

our then-current initial franchise fee for new franchises, may provide for new and increased fees, and may have other terms that differ materially from any and all of those contained in this Agreement); and

(b) general releases, in a form satisfactory to us, of any and all claims against us, our affiliates, and our respective shareholders, officers, directors, employees, agents, successors and assigns.

If you and your Owners fail or refuse to sign and deliver to us those agreements and releases within thirty (30) days after their delivery to you, you will be deemed to have elected not to acquire a successor franchise.

16. DEFAULT AND TERMINATION OF THE FRANCHISE.

16.1 Termination by Franchise Owner. If you have substantially complied with your obligations under this Agreement and we materially breach this Agreement, you will have the right to terminate this Agreement if we do not cure such material breach within thirty (30) days after we receive a written notice of default from you, unless the breach cannot reasonably be cured within thirty (30) days, in which case you will have the right to terminate this Agreement if, after our receipt of a written notice of default from you, we do not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish you reasonable proof of our efforts. To terminate this Agreement under this Section, you must give us a separate written notice of termination which will be effective thirty (30) days after delivery of such notice to us. If you terminate this Agreement other than in accordance with this Section, it will be deemed a termination without cause.

16.2 Termination by Company. We can terminate this Agreement after training, upon written notice to you, as provided in Section 4.1. We will have the further right to terminate this Agreement, effective upon delivery of notice of termination to you, if you (or any of your Owners):

(a) abandon or fail actively to operate the Store for two (2) consecutive working days, (unless the Store has been closed for a purpose we have approved or because of fire, flood or other casualty or government order) or if you fail to reopen the Store within six months of the casualty or other event leading to the closure of the Store.

(b) have made any material misrepresentation or omission in applying for or operating the Franchise;

(c) are or have been convicted of or plead or have pleaded no contest to a felony or engage in any criminal, dishonest or unethical conduct that may adversely affect the reputation of the Store or another Cottage Inn store or the goodwill associated with the Marks;

(d) lose the right of occupancy of the Premises or transfer or attempt to transfer this Agreement, an ownership interest in the Franchise Owner or the Store without compliance with Section 14 of this Agreement;

(e) in the event of your death or permanent incapacity, or the death or permanent incapacity of your Managing Owner, your interest (or the interest of such Owner) in this Agreement and the Store or in the Franchise Owner is not transferred as required pursuant to this Agreement;

(f) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Confidential Operating Manual in violation of this Agreement;

(g) fail or refuse to comply with any System Standard relating to health or safety or violate any health, safety or sanitation law, ordinance or regulation and do not correct such noncompliance within seventy-two (72) hours after written notice thereof is delivered to you (or if such noncompliance cannot reasonably be corrected within seventy-two (72) hours, fail to immediately undertake and exercise continuous diligent efforts to correct such noncompliance until corrected and furnish us a full written account within such seventy-two (72) hour period and at regular intervals until corrected);

(h) fail to report accurately the Store's Gross Revenues for any period, or fail to pay when due any Royalties, amounts owed for purchases from us or our affiliates (including the Cottage Inn Commissary), or any other amounts due to us or our affiliates (including the Cottage Inn Commissary and payments for telephone or similar charges), and do not correct such failure within ten (10) days after written notice of such failure is delivered to you;

(i) understate the Gross Revenues of the Store five (5) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;

(j) fail to pay when due any federal or state income, service, sales or other taxes arising from operation of the Store (unless you are in good faith contesting your liability for such taxes);

(k) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you, including, without limitation, the sale of any products not approved by us in advance of sale or the delivery of products outside of your Area of Primary Responsibility;

(l) you purchase on two (2) or more separate occasions within any period of twelve (12) consecutive months or on five (5) or more occasions during the term of this Agreement, ingredients used in any menu item from any source other than us or our affiliates without our written permission, whether or not such failure to comply is corrected after we have given you notice of such failure;

(m) fail on two (2) or more separate occasions within any period of twelve (12) consecutive months or on five (5) or more occasions during the term of this Agreement to submit when due reports or other data, information or supporting records or to pay when due the Royalties, amounts due for purchases from us or our affiliates (including Cottage Inn Commissary, LLC), or other payments due to us or our affiliates (including Cottage Inn Commissary, LLC) or otherwise fail to comply with this Agreement, whether or not such failure to comply is corrected after we have given you notice of such failure; or

(n) make an assignment for the benefit of creditors or admit in writing your (or his or her) insolvency or inability to pay your (or his or her) debts generally as they become due; or consent to the appointment of a receiver or trustee or liquidator of all or the substantial part of your (or his or her) property; or the Store is attached, seized, subjected to a writ or distress warrant, or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of the Store or of the Franchise Owner, or any of your Owners or all or a substantial part of the property of any of them, is not vacated within thirty (30) days following the entry of such order.

16.3 Our Other Rights Upon Your Default. In addition to and without limiting our other rights and remedies in the event of your default under this Agreement, we will have certain rights that we may exercise in our sole option: (i) after we give you any notice of your default under this Agreement, until

such default is fully cured; and (ii) after we give you any notice of termination under this Agreement. Our rights include (but are not limited to) the following:

- (a) the right to suspend the delivery to you of any and all goods, and the provision to you of any and all services provided on a fee for service basis, unless we receive full payment for such goods and services in advance;
- (b) the right to remove and cause the removal of the Store from any and all listings, directories and advertising of Cottage Inn Stores;
- (c) the right to manage the Store on your behalf;
- (d) the right to prohibit you and your Owners and employees from attending any and all meetings, conferences, or training sessions held or sponsored by us; and
- (e) the right to suspend the dissemination to you by any person of any and all publications, materials or updated information for Cottage Inn Stores.
- (f) the right to impose interim liquidated damage and other remedies, related to your breach of this Agreement, which shall not be deemed a waiver or a limitation of our right to terminate this Agreement if we determine appropriate. These interim remedies may be imposed in the event that you deliver food products outside of your Area of Primary Responsibility or if you purchase ingredients used in any menu item from any source other than us without prior approval.

(1) If you deliver food products outside of the Area of Primary Responsibility for the Store or if you sell any unapproved products, we may elect to exercise interim remedies such as permanently reducing the scope of the Area of Primary Responsibility of the Store, requiring you to pay liquidated damages in the following amounts, or a combination of both:

1 st day of violations during Agreement term delivery <u>plus</u> the amount of such delivery	\$100.00 per unauthorized
2 nd day of violations during Agreement term delivery <u>plus</u> the amount of such delivery	\$125.00 per unauthorized
3 rd day of violations during Agreement term delivery <u>plus</u> the amount of such delivery	\$150.00 per unauthorized

At our option, we may, but are not obligated to, assign the right to collect these liquidated damages to the Cottage Inn franchisee(s) whose “Area of Primary Responsibility(s)” was violated by your unauthorized deliveries outside of the Area of Primary Responsibility of the Store. If we do so, then such Cottage Inn franchisee(s) will be a third party beneficiary of this provision with an independent right to enforce it. If we conduct an audit of your obligations under this section and our audit discloses a failure by you to restrict your deliveries to your Area of Primary Responsibility, you shall pay all costs of the audit, including the time of our personnel. You agree that while you have agreed not to deliver outside of your Area of Primary Responsibility, this obligation does not require us to take any action against any Cottage Inn franchisee delivering or providing products into your Area of Primary Responsibility, which action we shall be entitled to enforce or refrain from enforcing in the exercise of our sole discretion.

(2) If you use any ingredient in any menu item purchased from a source other than us or our affiliates (or an approved vendor if we or our affiliates do not service your Store)

without our written permission, you agree to pay us an \$50 for each sale that includes a menu item that contains an unauthorized ingredient.

You and we agree that calculation of actual damages that may be incurred from sale of a menu item that may not comply with food labeling and similar laws or from the delivery of food products outside of your Area of Primary Responsibility is not subject to exact calculation, and that the amounts specified are our best estimate of such damages should they be incurred.

The exercise of our rights under this Section will not constitute a defense to our enforcement of any provision of this Agreement or operate to suspend or release you from or waive any obligation that you would otherwise owe to us or our affiliates.

If we have the right to assume the management of the Store, we will have the right to determine whether to exercise such right and when to cease our management. You agree to cooperate fully with us in the exercise of our management right. Our management of the Store under this Section will be as your agent and on your behalf and not as a partner or joint venturer with you. As manager, we will have the authority to do all things necessary or appropriate for the operation of the Store in accordance with this Agreement, including the right to hire and fire employees and contractors and to control all receipts and disbursements of the Store. We will not be a fiduciary but will have a duty only to utilize our reasonable efforts to manage the Store in compliance with this Agreement. We will not be liable to you or to any third party for any debts, losses or obligations incurred by the Store during our management or otherwise.

All revenue generated by the operation of the Store during the period of our management will be kept in a separate account. You must pay us a weekly management fee of one and one-half percent (1.5%) of the Store's weekly Gross Revenues for our management services and you must also reimburse us for the compensation, travel and living expenses and all other costs of our personnel who visit or work at the Store in connection with our management. If the revenues of the Store available to us from the separate account maintained by us for the Store are inadequate, or projected to be inadequate, to permit us to pay from such account when due all expenses of operating the Store in compliance with this Agreement, including, without limitation, the amounts payable to us, we will have the right to require you to pay directly any expenses designated by us or to deposit into the account maintained by us for the Store such amounts as we may designate from time to time to enable us to pay expenses of the Store from such account.

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

17.1 **Payment of Amounts Owed to Company.** You agree to pay us within fifteen (15) days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us (or our affiliates) are determined, any Royalties, Advertising Fund fees, amounts owed for your purchases from us or our affiliates, interest due on any of the above, and all other amounts owed to us or our affiliates which are then unpaid.

17.2 **Marks.** You agree that, upon the termination or expiration of this Agreement (without the grant of a successor franchise), you will:

(a) not directly or indirectly at any time identify yourself or any business with which you are associated as a current or former Cottage Inn store or franchisee;

(b) not use any Mark or any colorable imitation of any Mark or any indicia of a Cottage Inn store in any manner or for any purpose or use for any purpose any trade name, trademark, service mark, trade dress, or other commercial symbol that suggests or indicates an association with us or our affiliates;

(c) deliver to us, remove the Marks from, or destroy (whichever we specify) within thirty (30) days after the date of termination or expiration, all signs, sign-faces, advertising materials, invoices, forms and other materials containing any Mark or otherwise relating to a Cottage Inn store and allow us, without liability to you or to any third parties, to remove such items from the Store;

(d) cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark and, at our option, assign to us (or our designee) or cancel any electronic address, domain name, search engine, or Website that associates you with us, Cottage Inn stores, or the Marks (if we have allowed you to establish one);

(e) if we do not acquire the lease for the Premises pursuant to Section 17.4, promptly and at your expense make such alterations as may be necessary to distinguish the Store from its former appearance and to prevent the Premises from being associated by the public with Cottage Inn stores. At a minimum, you will be required to remove all Marks, signage, and graphics and to repaint the Store. If you do not immediately begin to make such alterations or do not complete them within sixty (60) days after termination or expiration, you expressly authorize us (and our agents) to enter the Premises without notice (and forcibly, if necessary) and to effect such alterations on your behalf and at your sole risk and expense (our only liability being for property damage caused by our reckless actions). You agree that, because of the irreparable injury we will suffer if you fail to make the required alterations, we may obtain an ex-parte order from a court of competent jurisdiction authorizing us to take such action;

(f) notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy, or other numbers and any regular, classified or other telephone directory listings associated with any Mark; authorize the transfer thereof to us or our designee; and/or instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and

(g) furnish to us, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with the above obligations.

17.3 **Confidential Information.** You agree that, on termination or expiration of this Agreement (without the grant of a successor franchise), you will immediately cease to use any of the Confidential Information (including computer software) and will not use it in any business or for any other purpose. You further agree to immediately return to us all copies of the Confidential Operating Manual and any other confidential materials that we have loaned to you.

17.4 **Assignment of Lease.** You agree that, upon termination or expiration of this Agreement without the grant of a successor franchise (other than termination by you in accordance with Section 16.1), at our option, you will assign to us your interest in the lease for the Premises.

17.5 **Option to Purchase Assets.** Upon termination or expiration of this Agreement without the grant of a successor franchise (other than termination by you in accordance with Section 16.1), we will have the option (but not the obligation), which we have the unrestricted right to assign, to purchase from you certain assets of the Store, as set forth in this Section. To exercise our option to purchase, we must give you notice of exercise of our option under this Section within forty-five (45) days after termination or expiration of this Agreement. The following provisions will govern our option to purchase:

(a) If this Agreement is terminated prior to its expiration either by us with cause or by you without cause, or if this Agreement expires and no successor franchise is granted for the Store

either because you failed to satisfy the conditions for a successor franchise or you satisfied such conditions, we offered a successor franchise and you declined to accept it, then we will have the option to purchase any or all of the assets of the Store, provided that with respect to each category of Store assets (such as fixtures, furniture, furnishings, equipment, signs, inventory, materials or supplies, and all other assets) that we elect to purchase, we must purchase all of the Store's assets of that category that (i) are in good and saleable condition, (ii) conform with our specifications and standards, if applicable, and (iii) are transferable to us free and clear of any and all liens and encumbrances. The purchase price for any such assets that we acquire will be determined for each category of assets as either (x) with respect to inventory of goods for resale, your cost less five percent (5%) and (y) with respect to all other assets, the fair market value on the date of termination of this Agreement.

(b) If you and we cannot agree under Section 17.5(a) on the fair market value of any category of assets, the fair market value of such assets will be determined by an independent appraiser agreed upon by you and us. If you and we are unable to agree on an independent appraiser, each party will select one appraiser, and those two will select a third appraiser, and the purchase price will be conclusively determined by a majority of the three appraisers. The cost of such appraisal will be equally shared by you and us.

(c) The purchase price as determined by Section 17.5(a) will be reduced by any offset to which we (or any of our affiliates) are entitled hereunder and by the amount we reasonably determine is necessary to upgrade and renovate the Store to meet our then-current standards. The balance of the purchase price shall be payable as follows: the lesser of the amount of secured indebtedness of the Store or ten percent (10%) at the time of closing, and the remainder in sixty (60) equal monthly installments of principal plus interest, at a per annum rate of interest equal to the prime lending rate published from time to time to time in the "Money Rates" table of *The Wall Street Journal*, determined as of the closing date, with annual adjustments based on the prime rate published on each anniversary date thereafter, with the first payment to be due on the first day of the second calendar month following the closing date and the remaining payments on the first day of each month thereafter. On the first payment date, interest from the date of closing to the first day of the first succeeding month shall also be paid. The closing of the purchase will take place no later than thirty (30) days after you receive our notice of our election to exercise our option to purchase or fifteen (15) days after the determination of the purchase price, whichever is later. At the closing, you must deliver instruments transferring to us (or our assignee) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you, and, as applicable, a covenant not to compete, in form acceptable to us, executed by you and your Owners. If you cannot deliver clear title to all of the purchased assets at the closing, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow. We (or our assignee) will be entitled to all customary warranties and representations given by the seller of the assets of a business. Before closing, you must comply with any applicable Bulk Sales provisions of the Uniform Commercial Code of the state where the Store is located. If we exercise our option, we will have the right to set off against and reduce the purchase price by any and all amounts which you owe to us or our affiliates. Further, if we exercise our option to purchase upon expiration of this Agreement, then, pending the closing of such purchase, (i) we will have the right, at our option, to appoint a manager to operate the Store or to require that you close the Store, and (ii) you will be required to maintain in force all insurance policies required for the Store.

17.6 **Covenants.**

(a) **Franchise Owner to Devote Full Time, Energy and Best Efforts to Store.** Franchise Owner covenants that during the term hereof, Franchise Owner shall devote full time, energy and best efforts to the management and operation of the Store.

(b) **Non-Competition During Term of Agreement.** Franchisee covenants that during the term hereof, it shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

(1) Divert or attempt to divert any business or customer of any Cottage Inn store to any competitor by inducement or otherwise, or do or perform any other act injurious or prejudicial to the good will associated with the Marks and System;

(2) Own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business; or

(3) Employ or seek to employ, directly or indirectly, any person serving in a managerial position who is at the time or was at any time during the prior six (6) months employed by Franchisor or any of its affiliates, or a franchisee of any restaurant concept franchised by Franchisor or its affiliates, without the prior written consent of the then current or prior employer. If Franchisor or its Affiliate was the prior employer, a violation of this Section shall entitle Franchisor to liquidated damages equal to twice the annual salary of the employee (while employed by the prior employer), plus reimbursement of all costs and attorney fees incurred in enforcing this provision.

(c) **Non-Competition After Term of Agreement.** Commencing upon the date of (a) a transfer permitted under to Section 14 of this Agreement; (b) expiration of this Agreement; (c) termination Agreement (regardless of the cause for termination); or (d) a final arbitration or court order (after all appeals have been exhausted) with respect to any of the foregoing events or with respect to enforcement of this Section 17.6(c), Franchise Owner and each owner of Franchise Owner shall not, during the time frame and in the areas described below, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business. The prohibitions set forth in this Section 17.6(c) shall apply for a continuous uninterrupted two (2) year period, within (i) the Area of Primary Responsibility of the Store, or within the Protected Trading Area or Area of Primary Responsibility of any Cottage Inn Store, and (ii) within fifty (50) miles of the Area of Primary Responsibility of the Store, or within the Protected Trading Area or Area of Primary Responsibility of any Cottage Inn Store; regardless of whether the Cottage Inn store is owned by a franchisee of Cottage Inn or by Cottage Inn or an affiliate of Cottage Inn. Said time period shall be tolled for any period of time during which Franchise Owner or any owner of Franchise Owner is in breach of this Section 17.6(c) and shall resume only when such party beings or resumes compliance.

(d) **Breach of Covenants Cause Irreparable Injury.** Franchise Owner acknowledges that a violation of the terms of this Section 17.6 would result in irreparable injury to Cottage Inn for which no adequate remedy at law may be available, and agrees to pay all court costs and attorneys' fees incurred by Franchisor in obtaining any injunctive or other equitable or legal relief with respect to such conduct or action.

(e) **Right to Reduce Scope of Covenants.** Franchise Owner acknowledges and agrees that Cottage Inn shall have the right to reduce the scope of any covenant or any portion thereof set forth in Sections 17.6(b) and 17.6(c) hereof, without Franchise Owner's consent, effective immediately upon delivery of written notice thereof to Franchise Owner; and Franchise Owner agrees that it shall comply forthwith with any covenant so modified, which shall be fully enforceable notwithstanding the provisions of Section 19 hereof.

(f) **Covenants Reasonable.** Franchise Owner agrees that the covenants contained in Section 17.6(b) and 17.6(c) are reasonable with respect to the activities covered, duration, and geographic

scope, and that Franchise Owner shall not raise any issue of the reasonableness of the terms of such covenants in any proceeding to enforce those covenants. Franchise Owner acknowledges and agrees that Franchise Owner and each of owner of Franchise Owner possess skills and abilities of a general nature that provide them with other opportunities for employment and, therefore, Cottage Inn's enforcement of the non-competition covenant under Section 17.6(c) will not deprive Franchise Owner or any owner of Franchise Owner of their personal goodwill or ability to earn a living through alternative means.

(g) **Enforceability of Covenants Not Affected by Franchise Owner Claims.** Franchise Owner expressly agrees that the existence of any claims it may have against Cottage Inn, whether or not arising hereunder, shall not constitute a defense to the enforcement by Cottage Inn of the covenants in this Section 17.6.

(h) **Commitments from Individuals.** Franchise Owner shall obtain signed agreements containing restrictions similar to those set forth in this Section 17.6 (including restrictions applicable upon the termination of a person's relationship with Franchise Owner) from the following persons; (i) all officers, directors, and store supervisors of Franchise Owner; and (ii) all persons and entities from which Cottage Inn may require a Guaranty pursuant to Section 1.5 hereof.

17.7 **Continuing Obligations.** All obligations of this Agreement (whether yours or ours) which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire.

17.8 **Damages for Loss of Bargain.**

In addition to any other remedies available to us, if this Agreement is terminated before its expiration (other than termination by Franchisee for cause), we will be entitled to recover from Franchise Owner damages attributable to the loss of bargain resulting from that termination. The parties stipulate and agree that the damages for our loss of bargain will be the present value of the royalty fees that would have been payable to Franchisor for the lesser of: (i) the balance of the term of this Agreement if this Agreement had not been terminated; or (ii) 104 weeks. The parties agree that the total amount of royalty fees that would have been payable will be calculated utilizing annual Gross Revenue equal to the average annual Gross Revenue of the Store for the two-year period (or such lesser period if Franchise Owner was not in operation for a full two year period) immediately preceding the date of termination. For the purposes of this Section, Gross Revenue will be calculated based on Gross Revenue reported by Franchise Owner or as actually determined by an audit of Franchise Owner's business. If Franchise Owner has failed or refused to report Gross Revenue for any part of its operation before termination, Franchisor may reasonably estimate those Gross Revenue.

The parties acknowledge and agree that the actual damages that would be sustained by Franchisor if this Agreement is terminated before its expiration are incapable of calculation at the time of execution of this Agreement. The parties further acknowledge and agree that the damages set forth in this Section are a reasonable estimation of those damages.

18. **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.**

18.1 **Independent Contractor; No Fiduciary Relationship.** You understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you are an independent contractor, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all your dealings with customers, suppliers, public officials, Store personnel, and others as the owner of the Store pursuant to a franchise agreement with us and agree to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials that we may require from time to time. You agree that you shall be solely responsible for all aspects of the employment relationship with your employees and that we are not obligated to provide you with any recommendation or advice relating to any aspect of the employment relationship with your employees.

18.2 **No Liability, No Warranties.** We have not authorized or empowered you to use the Marks except as provided by this Agreement and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations. Except as expressly authorized by this Agreement, neither party to this Agreement will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other party or represent that the relationship between you and us is other than that of franchisee and franchisor.

18.3 **Indemnification.** We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property or for any fines or penalties directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act. We will have no liability for any sales, service, use, excise, income, gross receipts, property, or other taxes levied against you or your assets or on us in connection with the business you conduct or any payments you make to us pursuant to this Agreement or any related agreement (except for our own income taxes and any taxes we are required by law to collect from you on purchases from us). You agree to indemnify, defend, and hold harmless us, our affiliates, and our respective shareholders, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your Store, the business you conduct under this Agreement, or your breach of this Agreement, unless (and then only to the extent) caused by the Indemnified Party's negligence. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution, and travel and living expenses. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you.

18.4 **Your Employees.** Franchisee acknowledges and agrees that, except as otherwise provided in this Agreement, Franchisor does not have authority to exercise control over the means or manner in which Franchisee operates the Store. All Store operations will be determined by Franchisee in its own judgment, subject only to legal requirements, the terms of this Agreement, and the standard, procedures and policies we prescribe for the preservation of the goodwill associated with the Marks. Franchisee shall maintain a competent and conscientious staff who have been trained in product preparation and general

business operations in accordance with the procedures set forth in the Operations Manual, and who meet required governmental health and employment standards. Franchisee shall take such steps as are necessary to ensure that its employees do not violate our policies relating to the use of any electronic medium, including, but not limited to, prohibiting employees from posting any information relating to us, the Franchise System, or the Marks without our prior written approval. Franchisee is exclusively responsible for decisions related to all employees of your franchise, including but not limited to establishing the terms, conditions, and benefits of employment for all employees, including without limitation, hiring, firing, scheduling, employee discipline, employee performance evaluations, awards, promotions, demotions, work assignments, wages, benefits, vacation time, and sick time policies, the compensation rates for all employees, and for ensuring that all employees are properly trained in the operation of your franchise consistently with the Operations Manual. You acknowledge that we do not have direct or indirect control, including through the implementation of our System, of your employment decisions.

19. **ENFORCEMENT.**

19.1 **Severability; Substitution of Valid Provisions.** The provisions of this Agreement are deemed to be severable (that is, independent of any other provisions). If any court, agency or other tribunal with proper jurisdiction in a proceeding to which we are a party holds, in a final un-appealable ruling, that any part of this Agreement or any System Standard is invalid or in conflict with any applicable law, such ruling will not affect this Agreement unless and until: (1) if you are a party to that proceeding, the time for appeal expires; or (2) if you are not a party to that proceeding, we give you written notice that we will not enforce the part(s) of this Agreement held to be invalid and/or will modify this Agreement in accordance with such ruling. In either case, the parties to this Agreement agree that the only effect of such ruling and non-enforcement by us will be that the invalid part(s) will be deleted from this Agreement or modified in accordance with such ruling, and the parts of this Agreement which are meaningful after the deletion or modification of the invalid part will continue to be effective and bind the parties to this Agreement.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement or refusal to enter into a successor franchise agreement to this Agreement than is required by the terms of this Agreement, or the taking of some other action not required by this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid or unenforceable, then the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision or System Standard to the extent required to make it valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result (a) from striking from any of the provisions of this Agreement, or any System Standard, any portion or portions which are held to be unenforceable in a final decision to which we are a party, or (b) from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

19.2 **Unilateral Waiver of Obligations.** Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other party under this Agreement. The waiver or reduction may be revoked at any time for any reason on ten (10) days' written notice.

19.3 **Written Consents from Company.** Whenever this Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid or binding unless it is in writing.

19.4 **No Guarantees.** If in connection with this Agreement we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those,

we will not be deemed to have made any warranties or guarantees which you may rely on and will not assume any liability or obligation to you.

19.5 **No Waiver; No Reliance.** If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice which is at variance with the terms of this Agreement, we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time upon notice to you. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between us and any franchisee will not affect our rights to enforce this Agreement against you. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments which are due to us under this Agreement.

Except as expressly provided to the contrary in this Agreement, Franchisor makes no representations, warranties or guarantees upon which Franchisee may rely. Franchisor does not assume any liability or obligation to Franchisee by providing any waiver, approval, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor unless such conduct would otherwise constitute a breach of an express obligation of Franchisor under this Agreement.

19.6 **Cumulative Remedies.** The rights and remedies specifically granted by this Agreement to either party will not be deemed to prohibit either party from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

19.7 **Injunctive Relief.** Each party will have the right in a proper case to obtain temporary restraining orders, temporary or preliminary injunctive relief or other form of equitable relief from a court of competent jurisdiction. No bond shall be required, but upon due notice, and the sole remedy of the restrained or enjoined party in the event of the entry of such order or injunction will be the dissolution of such temporary restraining order or temporary or preliminary injunction, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any such order or injunction are expressly waived).

19.8 **Costs and Attorneys' Fees.** If we assert any claim against you for amounts owed in a legal proceeding, or if we or you are required to enforce this Agreement in a judicial or a mutually agreed alternate dispute resolution ("ADR") proceeding, the party that prevails in such proceeding (as determined by a court of competent jurisdiction or ADR authority (i.e., arbitrator, mediator, etc., as may be applicable, if necessary) will be awarded its costs and expenses, including, but not limited to, reasonable attorneys', accounting, ADR, paralegal, and expert witness fees, whether in contemplation of, in preparation for, before, or after the filing of any written demand, claim or proceeding to enforce this Agreement. If we incur out-of-pocket expenses in connection with your failure to pay when due amounts owing to us, to submit when due any reports, information or supporting records, or otherwise to comply with this Agreement, you will reimburse us for any such expenses, including, without limitation, attorneys' and accounting fees.

19.9 **Governing Law/Consent to Jurisdiction.** EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND THE RELATIONSHIP BETWEEN THE PARTIES WILL BE GOVERNED BY THE LAWS OF THE STATE OF MICHIGAN, EXCEPT THAT THE PROVISIONS OF ANY MICHIGAN LAW GOVERNING THE OFFER AND SALE OF FRANCHISES OR THE RELATIONSHIP BETWEEN A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY, WITHOUT REFERENCE TO THIS SECTION.

YOU (AND YOUR OWNERS) AGREE THAT WE MAY INSTITUTE ANY ACTION AGAINST YOU AND/OR YOUR OWNERS IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF MICHIGAN SITTING IN OR HAVING JURISDICTION IN WASHTENAW COUNTY, MICHIGAN, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY OBJECTION YOU, HE OR SHE MAY HAVE TO EITHER THE JURISDICTION OF OR VENUE IN SUCH COURTS.

19.10 Limitations of Claims. Except for claims arising from underreporting of Gross Revenues by you or nonpayment or underpayment of amounts you owe us or our affiliates pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or the relationship between the parties hereto will be barred unless a judicial or ADR proceeding is commenced within one (1) year from the date you or we knew or should have known of the facts giving rise to such claims.

19.11 Waiver Of Punitive Damages. **WITHOUT LIMITING YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO SECTION 18.3 OF THIS AGREEMENT, THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM SHALL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

19.12 Waiver Of Jury Trial. **EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY OR AGAINST EITHER OF THEM OR ANY OF THEIR OWNERS, OFFICERS, DIRECTORS OR AUTHORIZED AGENTS.**

19.13 Binding Effect. This Agreement is binding on and will inure to the benefit of our successors and assigns and will be binding on and inure to the benefit of your successors and assigns and, if you are an individual, on and to your heirs, executors and administrators.

19.14 Entire Agreement. This Agreement, including the introduction and exhibits to it, constitutes the entire agreement between you and us, and there are no other oral or written understandings, representations, or agreements between you and us concerning the subject matter of this Agreement, except that you acknowledge that we have justifiably relied on your representations made before the execution of this Agreement as set forth in Section 1. Nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

19.15 Construction. Except as provided in Section 18.3 above, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any action or request by you, we have the absolute discretion whether to grant or approve any action or request by you.

The headings of the several sections and Sections hereof are for convenience only and do not define, limit or construe the contents of such sections or Sections.

As used herein, an "affiliate" of a person is any person directly or indirectly owned or controlled by, under common control with, or owning or controlling such person. The term "Franchise Owner" or "you" as used herein is applicable to one or more persons, a corporation, a limited liability company or a

partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchise Owner hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us will be joint and several and the Franchise Owner will be deemed to be a general partnership for purposes of this Agreement. References to "Franchise Owner," "you," "owner" and "transferee" which are applicable to an individual or individuals shall include Owners or Owners of the transferee as appropriate. A controlling interest in the Franchise Owner means the percent of your voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of your owners that would exist either immediately before or after the time the determination is made.

The term "Store" includes all assets, revenue and income of the Cottage Inn store you operate pursuant to this Agreement. The term "person" includes any natural person, corporation, general or limited partnership, unincorporated association, cooperative or other legal or functional entity. The terms "trademarks" and "marks" include trademarks, service marks and certification marks.

When this Agreement refers to an obligation to be performed on a weekly, monthly, quarterly, or annual basis, unless otherwise specified it refers to full or partial weeks, calendar months, quarters, and years.

19.16 **Counterparts; Signatures.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. A facsimile or electronic signature shall have the same legal force and effect as an original.

19.17 **Security Interest.** As security for the performance of your obligations under this Agreement, including payments owed to us for purchases by you, you grant us a security interest in all of the assets of the Store, including, but not limited to, inventory, fixtures, furniture, equipment, accounts, supplies, contracts, and proceeds and products of all those assets. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest, including, but not limited to, the financing statement attached as **Exhibit E**. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law.

We will not unreasonably withhold our consent to a request that we subordinate our security interest to the security interest of a third party lending institution that provides financing for the original development or purchase of the Store.

20. **DISPUTE RESOLUTION**

20.1 **Negotiation.**

Except for actions described in Section 19.7, the parties will try to resolve all disputes by having the Franchisee, its majority Owner, negotiate with an executive officer of Franchisor to resolve the dispute. The parties agree to conduct these negotiations in good faith and to use their best efforts to resolve any such disputes. If the parties have not resolved the dispute within 30 days after beginning these negotiations, then either party may demand arbitration of the dispute in accordance with Sections 20.2 and 20.3.

20.2 **Binding Arbitration.**

Except for actions described in Section 19.7, all controversies, disputes or claims between: (a) Franchisor and/or its officers, directors, members, managers, employees, agents or representatives, and (b) Franchisee, and/or its officers, directors, members, managers, employees, agents or representatives, arising out of or related to this Agreement or any other agreement between Franchisor and Franchisee or any

provision of such agreement, or our relationship with Franchisee, or any other dispute between Franchisor and Franchisee, must be submitted for binding arbitration in accordance with the provisions of this Article 20 on the demand of either party. A party may demand arbitration for a dispute only after complying with the duty to negotiate contained in Section 20.1. Except as otherwise provided in this Article 20, such arbitration proceeding must be conducted in accordance with the commercial arbitration rules (the “Rules”) of the American Arbitration Association (“AAA”). The Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) (the “Act”) and not any state arbitration law will govern all matters relating to arbitration. The parties stipulate that venue for the arbitration must be in Washtenaw County, Michigan.

The provisions of this Article 20 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after and notwithstanding the expiration or termination of this Agreement.

20.3 Arbitration Procedures.

Any matter will be adjudicated before one (1) arbitrator unless Franchisor elects for the dispute to be decided before a panel of three (3) arbitrators. The arbitration will be administrated and conducted in the office of the AAA in or closest to Ann Arbor, Michigan. The parties desire that at least one of the arbitrators be an attorney experienced in the practice of franchise laws. The arbitrator will follow the Rules except as otherwise provided in this Section. The arbitrator will comply with the Federal Rules of Evidence and will grant limited discovery consisting of requests for production of documents eliciting only relevant evidence; will provide for the exchange of witness lists and exhibit copies; and will conduct a pretrial and rule on dispositive motions. Each party will have the right to request the arbitrator to make findings of specific factual issues.

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in connection with any such arbitration proceeding, each must submit or file any claim that would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted or filed as described above will be forever barred.

Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis, and that an arbitration proceeding between the parties, will not be consolidated with any other arbitration proceeding between them and any other person, corporation, limited liability company, partnership or other entity.

20.4 Decision of Arbitrator.

The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper under the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorney’s fees and costs, provided that the arbitrator will not have the right to award special, exemplary or punitive damages. The decision of the arbitrator will be final and binding on the parties, subject only to appeal rights under the Act, and a judgment by a court of competent jurisdiction may be entered in accordance with the decision.

20. NOTICES AND PAYMENTS.

All written notices and reports permitted or required under this Agreement or by the Operations Manual will be deemed delivered at the earliest of the following times: (a) at the time of delivery by hand; (b) one (1) business day after transmission by facsimile, telecopy, telegraph, mailgram or comparable electronic system; (c) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or (d) three (3) business days after being placed in the United States Mail

by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. You agree to send all payments and required reports to us at any address(es) we designate to you in writing and, in the absence of another designation, to our then-current principal business address. Any required payment or report which we do not actually receive at the correct address during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent.

22. **FORCE MAJEURE**

Neither party will be responsible for any contingency or performance that is unavoidable or beyond its control, such as strike, flood, pandemic, war, rebellion, governmental limitation or Act of God (including infectious diseases). However, any financial obligations of Franchisee during such period shall continue and are independent of any Force Majeure matters.

23. **ANTI-TERRORISM LAW COMPLIANCE**

FRANCHISEE AND ITS EQUITY OWNERS AGREE TO COMPLY WITH, AND TO ASSIST FRANCHISOR, TO THE FULLEST EXTENT POSSIBLE IN FRANCHISOR'S EFFORTS TO COMPLY WITH ANTI-TERRORISM LAWS OF THE UNITED STATES. IN CONNECTION WITH THAT COMPLIANCE, FRANCHISEE, AND ITS OWNERS CERTIFY, WARRANT AND REPRESENT THAT NONE OF FRANCHISEE'S, OR IT'S EQUITY OWNER'S PROPERTY, OR INTERESTS, ARE SUBJECT TO BEING BLOCKED UNDER ANY ANTI-TERRORISM LAWS, AND THAT FRANCHISEE AND ITS OWNERS OTHERWISE ARE NOT IN VIOLATION OF ANY ANTI-TERRORISM LAWS. "ANTI-TERRORISM LAWS" MEANS EXECUTIVE ORDER 1324 ISSUED BY THE PRESIDENT OF THE UNITED STATES, THE USA PATRIOT ACT, AND ALL OTHER PRESENT AND FUTURE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, REGULATIONS, POLICIES, LISTS AND OTHER REQUIREMENTS OF ANY GOVERNMENTAL AUTHORITY ADDRESSING OR IN ANY WAY RELATING TO TERRORIST ACTS AND ACTS OF WAR. FRANCHISEE SHALL IMMEDIATELY NOTIFY FRANCHISOR OF ANY MISREPRESENTATION OR BREACH OF THIS REQUIREMENT. FRANCHISOR MAY TERMINATE THIS AGREEMENT WITHOUT ANY OPPORTUNITY FOR FRANCHISEE TO CURE UNDER THIS AGREEMENT UPON ANY MISREPRESENTATION OR BREACH BY FRANCHISEE OF THIS SECTION 23.

[Signature page follows]

[Signature page to Cottage Inn Franchisor, LLC Franchise Agreement]

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the Effective Date first above written.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT A
TO THE FRANCHISE AGREEMENT

FRANCHISE OWNER AND ITS OWNERS

1. **Managing Owner.** The Managing Owner is _____.

2. **Form of Franchise Owner.**

(a) **Corporation or Limited Liability Company.** The Franchise Owner was incorporated or formed on _____ under the laws of the State of _____. It has not conducted business under any name other than its corporate or limited liability company name and _____. The following is a list of the Franchise Owner's directors and officers as of the effective date shown above:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>

(b) **Partnership.** The Franchise Owner is a general partnership formed and operating under the laws of the State of _____ on or about _____. It has not conducted business under any name other than its partnership name (which is _____) and _____. The sole Managing Partner, if any, is the Managing Owner, who shall have full authority to bind the Franchise Owner and act as its chief executive officer.

3. **Owners.** The following list includes the full name and mailing address of each person who is an Owner (as defined in the Franchise Agreement) and fully describes the nature of each Owner's interest.

<u>Name of Each Owner</u>	<u>Address</u>	<u>Description of Interest</u>

[Signature page follows]

[Signature page to Exhibit A to the Franchise Agreement - Franchise Owner and its Owners]

IN WITNESS WHEREOF, the parties have executed this Franchise Owner and its Owners as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT

STORE LOCATION, AREA OF PRIMARY RESPONSIBILITY, AND OTHER TERMS

1. **Location:** The Premises at which the Store will be located, as referred to in Section 2.1, are as follows: _____.
2. **Area of Primary Responsibility:** The area referred to in Section 2.1 as the Area of Primary Responsibility is the area described as follows: _____.
3. **Minimum Expenditure for Opening Promotion:** The minimum amount you must spend for the Store's opening advertising and promotional program is Ten Thousand Dollars (\$10,000.00). (See Section 3.6.)
4. **Length of Initial Training Program:** The initial training program that we will furnish you will last for approximately thirty (30) working days. The part of the training program conducted at our offices and at a Company or affiliate-owned store will last for approximately twenty (20) working days, typically a five (5) day work week over four (4) consecutive weeks. The training provided at the Store will take place over approximately ten (10) working days, up to eighty (80) hours in aggregate. (Additional in-Store training will be available at a mutually convenient time at our then-standard daily rates.) (See Section 4.1.)
5. **Amount of Initial Franchise Fee or Transfer Fee:** The amount of the Initial Franchise Fee, you must pay us is Twenty-Five Thousand Dollars (\$25,000.00). The amount of the Transfer fee is Ten Thousand Dollars (\$10,000.00). These fees are non-refundable.

[Signature page follows]

[Signature page to Exhibit B to the Franchise Agreement - Store Location, Area of Primary Responsibility, and Other Terms]

IN WITNESS WHEREOF, the parties have executed this Store Location, Area of Primary Responsibility, and Other Terms as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT

REQUIRED LEASE TERMS

The lease for the Premises must include the following provisions, in language acceptable to us:

(1) "Anything contained in this lease to the contrary notwithstanding, Landlord agrees that without its consent, this lease and the right, title and interest of the Tenant under it, may be assigned by the Tenant to Cottage Inn Franchisor, LLC, a Michigan limited liability company ("Cottage Inn"), or its designee, provided that Cottage Inn executes such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Tenant arising under this lease from and after the time of such assignment."

(2) "Tenant agrees that Landlord may, on the written request of Cottage Inn, disclose to Cottage Inn all reports, information, or data in Landlord's possession concerning the business conducted at or from the leased premises."

(3) "Landlord agrees to give written notice to Cottage Inn (concurrently with the giving of notice to Tenant) of any default by Tenant under the lease, and Cottage Inn will have, after the expiration of the period during which the Tenant may cure the default, an additional fifteen days to cure, at its sole option, the default, or if the default cannot reasonably be cured within fifteen days, such additional time as is reasonably necessary to cure the default. If Cottage Inn cures the default, Landlord agrees that Cottage Inn may at its discretion choose have the lease assigned to Cottage Inn."

(4) "Landlord agrees that on expiration or termination of the Cottage Inn Franchise Agreement for the Cottage Inn store at the leased premises, Cottage Inn may remove from the leased premises all signs, sign-faces, and other items identifying a Cottage Inn store."

(5) "Nothing in this lease restricts the right of Tenant or third parties, including Cottage Inn, to operate or franchise Cottage Inn stores at locations other than the leased premises."

(6) "Tenant shall not have the right to sublet or assign this lease to a person other than Cottage Inn or its designee without the prior written consent of Cottage Inn."

(7) "No material amendment to this lease shall be made without the prior written consent of Cottage Inn."

EXHIBIT D
TO THE FRANCHISE AGREEMENT

LEASE RIDER

**COTTAGE INN FRANCHISOR, LLC
LEASE RIDER**

This COTTAGE INN FRANCHISOR, LLC LEASE RIDER (this "Rider"), is made and entered into on _____ (the "Effective Date"), by and between _____ (the "Tenant"), and _____ (the "Landlord").

RECITALS

A. Tenant and Landlord are parties to a lease (the "Lease") for the premises of Tenant's Cottage Inn Pizza store located at _____ (the "Premises").

B. Tenant has or intends to execute a Franchise Agreement (the "Franchise Agreement") with Cottage Inn Franchisor, LLC ("Franchisor") for the operation of a Cottage Inn Pizza store at the Premises.

C. As a condition to Franchisor's grant of a franchise to a franchisee, Franchisor requires certain provisions to be contained in the leases entered into by its franchisees, and to evidence Landlord's and Tenant's agreement to these terms, the parties hereby enter into this Rider.

NOW THEREFORE, in consideration of the foregoing Recitals, which are hereby incorporated herein and made a part hereof by this reference, the mutual covenants and agreements set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. In the event of any conflict or inconsistency between the terms of the Lease and this Rider, the terms of this Rider shall prevail.

2. The Premises may only be used for the operation of a Cottage Inn Pizza restaurant during the term of the Lease and any renewals thereof. If the Premises are part of a strip mall, shopping center, or similar location (including out parcels and pad sites), no operation currently exists, and Landlord shall not permit, directly or indirectly, another business that sells pizza ("Competing Business") to be operated within any such location. The aforementioned restriction shall not apply to a business whose sales of pizza are incidental to its primary business and do not exceed ten percent (10%) of its total gross sales. In the event Landlord violates this provision, all rent shall abate in full until such time that the Competing Business no longer occupies the space in such location. If Landlord is unwilling or unable to cure such violation within six (6) months, Tenant shall have the right to terminate the Lease after providing Landlord thirty (30) days written notice and an opportunity to cure.

3. The Lease, and all right, title, and interest of Tenant and any subsequent or successor Tenant under the Lease and to the Premises may be assigned, without Landlord's consent, to Franchisor or its affiliates, or to an approved franchisee of Franchisor. If the assignment is to Franchisor or its affiliates, Franchisor and its affiliates shall have the right to reassign the Lease, without Landlord's consent, to an approved franchisee of Franchisor, and Franchisor and its affiliates shall thereupon be released from any further liability or obligation under the Lease. In addition, notwithstanding anything to the contrary contained in the Lease, Landlord agrees to allow a change in the controlling interest of Tenant and any

subsequent or successor Tenant thereunder, without Landlord's consent, provided that such controlling owner is Franchisor or its affiliate or an approved franchisee of Franchisor.

Tenant shall, if requested by Franchisor, assign to Franchisor or its affiliates, and Landlord hereby irrevocably and unconditionally consents to such assignment, of all of Tenant's or any subsequent or successor Tenant's rights, title and interest in, to and under the Lease upon any of the following: (a) any termination of the Franchise Agreement; (b) the expiration of the Franchise Agreement without the execution of a successor Franchise Agreement; or (c) any default by Tenant under the Franchise Agreement or Lease.

Tenant shall not assign the Lease or sublet the Premises other than in accordance with this Rider without the prior written consent of Franchisor and Landlord.

4. Landlord agrees to provide contemporaneous written notice to Franchisor of any notice of default given to Tenant, which notice shall specify the method of curing such default, and Franchisor may cure such default at its sole option within thirty (30) days of receipt of such notice by Franchisor.

In addition, Landlord shall provide Franchisor with thirty (30) days prior written notice of any of the following: (a) any cancellation or termination of the Lease prior to the expiration date of the Lease; (b) any assignment or proposed assignment of the Lease by Landlord or Tenant; (c) any sublease or proposed sublease of the Premises by Tenant; (d) any modification of the Lease; (e) Tenant's exercise or intent to exercise any option to extend or renew the Lease; (f) the renewal of the Lease by Landlord and Tenant, or the execution of a new Lease; or (g) Landlord institutes any eviction or other action against Tenant.

5. Landlord shall provide adequate parking to serve the Premises (including Tenant's carryout business) in accordance with applicable local ordinances and required parking ratios.

6. Landlord and Tenant grant to Franchisor the right to enter the Premises to inspect and audit the Tenant's business or to make any modifications necessary to protect Franchisor's trademarks.

7. Nothing in the Lease restricts the right of Tenant or third parties, including Franchisor, to operate or franchise Cottage Inn pizza stores at locations other than the Premises.

8. This Rider shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. With respect to the provisions in this Rider, Franchisor shall be deemed a third-party beneficiary of the Lease.

9. All notices sent to Franchisor pursuant to this Rider shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by nationally recognized overnight delivery service, to the following address (or to such other address as Franchisor may specify by written notice to Landlord): 4390 Concourse Drive, Ann Arbor Michigan 48108, Attn: Legal Department.

[Signature page follows]

[Signature page to Cottage Inn Franchisor, LLC Lease Rider]

IN WITNESS WHEREOF, this Lease Rider is executed and effective as of the Effective Date first above written.

LANDLORD:

Signature: _____

Name: _____

Title: _____

Date: _____

TENANT:

Signature: _____

Name: _____

Title: _____

Date: _____

EXHIBIT E
TO THE FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR ELECTRONIC FUNDS TRANSFER

Franchisee: _____

Territory: _____

Date: _____

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes Cottage Inn Franchisor, LLC, or any affiliated entity (collectively, "Cottage Inn") to initiate weekly ACH debit entries against the account of the undersigned with Franchisee in payment of amounts for Royalty Fees, Advertising Fees, product purchases or other applicable fees or amounts that become payable by the undersigned to Cottage Inn. The dollar amount to be debited per payment will vary.

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

This authorization is binding and will remain in full force and effect until 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 entries pursuant to this letter of authorization.

Please honor ACH debit 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 entries.

Name on Account: _____

Bank Name: _____

(Street Address)

(Branch Street Address)

(City) (State) (Zip Code)

(City) (State) (Zip Code)

(Account Number)

(Routing Number)

Signature: _____

Name: _____

Signature: _____

Name: _____

***** ATTACH VOIDED CHECK *****

EXHIBIT F
TO THE FRANCHISE AGREEMENT

STATE LAW ADDENDA

CALIFORNIA APPENDIX

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

The financial performance representation does not reflect the operating expenses or other costs or expenses that must be deducted from the gross revenue or Gross Revenue figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will in operating your franchise. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement requires binding arbitration. The arbitration will occur at Michigan with the costs being borne equally by the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
10. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

11. The Franchise Agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.
12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
13. OUR WEBSITE, www.cottageinn.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of California]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

1. The following item must be included within the Disclosure Document and shall replace the language that is in the Disclosure Document itself:

Section 4, Jurisdiction and Venue, of the Illinois Franchise Disclosure Act of 1987 (“Act”) states that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” This Section of the Act replaces any contradictory language contained in the Franchise Agreement and Area Development Agreement.

2. Illinois law governs the Franchise Agreement .

3. Any releases and/or waivers that we request you to sign must conform with Section 41, Waivers Void, of the Illinois Franchise Disclosure Act of 1987 which states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. The Franchise Agreement a is amended to comply with Section 27, Periods of Limitation, of the Act to allow any and all claims and actions arising out of or relating to these Agreement, the relationship of Franchisor and Franchisee , or your operation of the Franchise brought by you against us shall be commenced within 3 years from the occurrence of the facts giving rise to such claim or action, within 1 year after you become aware of the facts or circumstances indicating you may have a claim for relief, or 90 days after delivery to you of a written notice disclosing the violation, or such claim or action will be barred.

5. Item 17(g) of the Disclosure Document and Article 16.2 of the Franchise Agreement is amended by changing the time frame to cure defaults, excluding defaults for safety or security issues, to 30 days.

6. In recognition of the requirements of the Illinois Franchise Disclosure Act, the Franchise Agreement for COTTAGE INN FRANCHISOR, LLC is amended as follows:

A. The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

B. The Illinois law will govern any franchise agreement if: (a) it applies to a franchise located in Illinois; or (b) a franchisee who resides in Illinois.

C. The franchise agreement will become effective on its acceptance and signing by us. The franchise agreement will be interpreted and construed under the Illinois Franchise Disclosure Act (“Act”) or the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., Sections 1051 et seq.). Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Items 17(v) and (w) are amended to state “Illinois choice of law and forum.”

D. Any releases and/or waivers that the Franchisor requests the Franchisee to sign must conform with Section 41 of the Act.

E. Section 1.3 is amended as follows: “Notwithstanding the foregoing, nothing in the franchise agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.”.

Any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2010).

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Illinois]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's designated territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 17 of the Franchise Agreement and Section 19 of the Area Development Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Indiana]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for COTTAGE INN FRANCHISOR, LLC's Franchise Disclosure Document and for its Franchise Agreements. The amendments to the Franchise and Agreement included in this addendum have been agreed to by the parties.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee/ may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

7. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of refund, renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

8. The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Maryland]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Franchise Division
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to effectively amends and revises the Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document and Article 19.9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

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

3. Item 17 of the Disclosure Document and Article 19.9 of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4. Item 17 of the Disclosure Document and Article 14.3 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Article 19.2 of the Franchise Agreement is amended to comply with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article 19 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Item 6, Insufficient Advertising Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of \$30 on an NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

The appropriate sections of the Franchise Agreement are hereby amended accordingly.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Minnesota]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by

a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of New York]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document, Franchise Agreement and Area Development Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document and Article 14.3 of the Franchise Agreement is amended to indicate that a franchisee shall not be required to sign a general release.
2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document, Article 17.6 of the Franchise Agreement is amended accordingly.
3. Item 6 and Item 17(i) of the Disclosure Document and Article 17.8 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.
4. Item 17(u) of the Disclosure Document, Article 20 of the Franchise Agreement is amended to provide that arbitration shall be held at a site that is agreeable to all parties.
5. Item 17(v) of the Disclosure Document and the provisions of Article 19.9 Franchise Agreement which require jurisdiction of courts in Michigan are deleted.
6. Item 17(w) of the Disclosure Document, Article 19 of the Franchise Agreement is amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.
7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.
8. The provisions of Article 19.12 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages is contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.
9. The provisions of Article 20 of the Franchise Agreement a which requires a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of North Dakota]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Rhode Island]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for COTTAGE INN FRANCHISOR, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute “reasonable cause,” as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the Commonwealth of Virginia]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, FRANCHISEE
DISCLOSURE ACKNOWLEDGMENT STATEMENT AND RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

[Signature page follows]

[Signature page to Exhibit F to the Franchise Agreement -
Addendum Required by the State of Washington]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT G
TO THE FRANCHISE AGREEMENT

GUARANTY

This Guaranty (this "Guaranty"), dated as of the date of the Franchise Agreement, is made by each of the undersigned individuals ("Guarantor" and/or "Guarantors") in favor of COTTAGE INN FRANCHISOR, LLC, a Michigan limited liability company, COTTAGE INN COMMISSARY, LLC, a Michigan limited liability company, and COTTAGE INN MARKETING, LLC, a Michigan limited liability company, and their affiliated entities (collectively, "COTTAGE INN PIZZA" and/or "Franchisor"), and is executed with respect to that certain Franchise Agreement (the "Franchise Agreement") of even date herewith between Franchisor and _____ (referred to herein as "Franchisee").

RECITALS

A. Franchisee and Franchisor are prepared to execute the Franchise Agreement, and, as an inducement to Franchisor to enter into the Franchise Agreement, each of the Guarantors has agreed to guarantee the performance of all obligations of Franchisee and to abide by the terms set forth by the Franchise Agreement and any other agreements (the "Other Agreements") executed between Franchisee and COTTAGE INN PIZZA now or in the future (collectively, the "Obligations") and to execute this Guaranty; and

B. Each Guarantor, individually, will directly benefit from the Franchise Agreement and any Other Agreements with Franchisee.

NOW, THEREFORE, in consideration of the foregoing, the execution of the Franchise Agreement and Other Agreements and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the Guarantors, and each of them, agree as follows:

Section 1: Statement of Guaranty. The Guarantors, and each of them, jointly and severally, unconditionally, absolutely and irrevocably guarantee prompt and satisfactory performance of the Obligations provided by the Franchise Agreement and Other Agreements in accordance with all its terms and conditions, and all renewals, extensions, modifications and amendments of the Franchise Agreement. If Franchisee defaults in performance of its Obligations under the Franchise Agreement according to its terms and conditions, the Guarantors, and each of them, jointly and severally, irrevocably and unconditionally agree that they are each liable to COTTAGE INN PIZZA as primary obligors for the full payment and performance of the Obligations and all damages, costs, and expenses that COTTAGE INN PIZZA is entitled to recover from Franchisee by reason of such default.

Section 2: Payment. The Guarantors, and each of them, jointly and severally, agree that, if any of the Obligations requiring payment to Franchisor of sums of money are not punctually paid to COTTAGE INN PIZZA when such amounts are due according to the terms of the Franchise Agreement and/or the Other Agreements, the Guarantors, and each of them, shall, immediately upon demand by COTTAGE INN PIZZA and without any other notice whatsoever, pay the amount due to COTTAGE INN PIZZA at the address listed in the Franchise Agreement or at such other address as Franchisor may notify the Guarantors in writing. It shall not be required in order to enforce such payment by any of the Guarantors, that Franchisor must first institute suit or exhaust its remedies against Franchisee or others liable for such amount. COTTAGE INN PIZZA shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Obligations. No setoff, counterclaim, reduction or diminution of any Obligation, or any defense of any kind or nature that any of the Guarantors has or may have against Franchisee or COTTAGE INN PIZZA shall be available under this Guaranty to such Guarantor. No payment by any of the Guarantors shall discharge the liability of such Guarantor hereunder until all Obligations have been satisfied in full.

Section 3: Duration and Requirement to Keep Contact Information Current. This Guaranty shall continue in force until all Obligations under the Franchise Agreement and the Other Agreements have been satisfied or until Franchisee's liability to COTTAGE INN PIZZA under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantors, and each of them, agree to provide written updated contact information to COTTAGE INN PIZZA within thirty (30) days of any change. The Guarantors, and each of them, shall not be discharged from liability under the Guaranty as long as any claim by COTTAGE INN PIZZA against Franchisee remains outstanding. This Guaranty shall be reinstated if at any time payment of the Obligations is rescinded or must otherwise be restored or returned by Franchisor due to the insolvency, bankruptcy, or reorganization of Franchisee or any Guarantor or otherwise, all as though such payment had never been made.

Section 4: Joint and Several Liability. The Guarantors, and each of them, shall be jointly and severally liable for all Obligations under this Guaranty. This Guaranty may be enforced against any of the Guarantors separately or against all Guarantors jointly. Any spouse of an Owner of an interest in a COTTAGE INN PIZZA shall be required to execute this Guaranty.

Section 5: Waivers and Consents. The Guarantors, and each of them, hereby: (a) assent to all terms and agreements made by Franchisee with Franchisor either before or after the date of this Guaranty; and (b) consent that Franchisor may without in any manner impairing its rights or the obligations of the Guarantors hereunder: (1) waive or delay the exercise of its rights or remedies against Franchisee or any other person or entity, including, without limitation, any of the Guarantors; (2) release Franchisee or any other person or entity, including, without limitation, any of the Guarantors; (3) make, grant or give any adjustment, indulgence, forbearance or compromise to Franchisee or to any of the Guarantors; (4) renew, extend or modify the terms of, or increase, any of the Obligations or any agreement evidencing the same; and (5) apply payments by Franchisee, the Guarantors, or any other person or entity to any of the Obligations.

Section 6: Notices. The Guarantors, and each of them, hereby waive all notices whatsoever with respect to this Guaranty or with respect to the Obligations, including, but without limitation, notice of: (a) COTTAGE INN PIZZA's acceptance of this Guaranty or its intention to act, or its action, in reliance hereon; (b) the present existence or future incurring of any of the Obligations or any terms or amounts of the Obligations or any change therein; (c) any default by Franchisee or any surety, pledgor, grantor of security, or guarantor, including, without limitation, any of the Guarantors; and (d) the obtaining or release of any guaranty or surety agreement (in addition to this Guaranty), pledge, assignment, or other security for all or any part of the Obligations.

Section 7: Benefit. This Guaranty shall inure to the benefit of Franchisor, its successors and assigns, and to any person to whom COTTAGE INN PIZZA may grant an interest in any of the Obligations, and shall be binding upon the Guarantors and their respective successors, assigns, heirs, executors, administrators and legal representatives.

Section 8: Jurisdiction and Venue. Each Guarantor, (a) agrees that any action, suit or proceeding by such party seeking any relief whatsoever arising out of, relating to and/or in connection with this Agreement and any dispute(s) by and between the parties shall be brought, prosecuted and enforced solely in the Washtenaw County Circuit Court, except for those claims or actions which must be filed, prosecuted and/or enforced in a federal court and in such event any such action must be filed, prosecuted and enforced solely and exclusively in the U.S. District Court for the Eastern District of Michigan, (b) agrees to submit to the sole and exclusive jurisdiction of such courts for purposes of all actions, suits and/or proceedings arising out of, relating to and/or in connection with this Agreement, and/or any disputes(s) by and between the parties, (c) waives and agrees not to assert any objection that it may now or hereafter have to the venue of any such action, suit and/or proceeding brought in such a court or any claim that any such action, suit or proceeding brought in such a court has been brought in an inconvenient forum, (d) waives any right to

transfer or remove and agrees not to transfer or remove any action, suit or proceeding originally brought in the Washtenaw County Circuit Court to the U.S. District Court for the Eastern District of Michigan and/or to any other federal or state court regardless of where located; and further waives any right to transfer and agrees not to transfer or seek to transfer any suit, proceeding or action from the U.S. District Court for the Eastern District of Michigan to any other federal court, (e) agrees that a final judgment in any such action, suit or proceeding shall be final and conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law, and (f) agrees that service of process in any such action shall be in accordance with the laws of the State of Michigan or by registered mail, return receipt requested. Notwithstanding the foregoing, Franchisor, in its sole and absolute discretion, may file any action that includes a claim for injunctive relief in or near the location where Franchise is located.

Section 9: WAIVER OF JURY TRIAL. EACH GUARANTOR AND FRANCHISOR ABSOLUTELY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY DISPUTE RELATED TO THIS GUARANTY, THE RELATIONSHIP OF THE PARTIES, OR ANY ACTIONS OR OMISSIONS IN CONNECTION WITH THE ABOVE. EACH GUARANTOR AND FRANCHISOR ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VO

[Signature page follows]

[Signature page to Exhibit G to the Franchise Agreement - Guaranty]

IN WITNESS WHEREOF, the Guarantors, and each of them, intending to be jointly and severally legally bound hereby, have caused this Guaranty to be executed as of date of the Franchise Agreement.

Signature: _____

Name: _____

Address: _____

Phone: _____

Email: _____

Signature: _____

Name: _____

Address: _____

Phone: _____

Email: _____

EXHIBIT 6

ASSIGNMENT OF INTERNET, SOCIAL MEDIA, AND TELEPHONE SERVICE AGREEMENT

This ASSIGNMENT OF INTERNET, SOCIAL MEDIA, AND TELEPHONE SERVICE AGREEMENT (this "Agreement") is effective as of the date of termination or expiration of the COTTAGE INN PIZZA Franchise Agreement (the "Franchise Agreement") entered into between COTTAGE INN FRANCHISOR, LLC ("COTTAGE INN PIZZA") and the undersigned Franchisee ("Franchisee"). Franchisee irrevocably assigns to COTTAGE INN PIZZA or its designee the (i) telephone number or numbers and listings, including cell phone numbers issued (or issued in the future) to Franchisee with respect to each and all of Franchisee's COTTAGE INN PIZZA businesses ("Telephone Numbers"), and (ii) all internet sites, URL's, websites and social media listings ("Social Media"). This assignment is for collateral purposes only, and COTTAGE INN PIZZA has no liability or obligation of any kind whatsoever arising from this assignment, unless COTTAGE INN PIZZA desires to take possession and control over the Telephone Numbers and Social Media.

COTTAGE INN PIZZA is authorized and empowered upon termination or expiration of the Franchise Agreement and without any further notice to Franchisee to notify (i) the telephone company, as well as any other company that publishes telephone directories ("Telephone Companies"), to transfer the Telephone Numbers to COTTAGE INN PIZZA or such other person or entity as COTTAGE INN PIZZA designates, and (ii) all web providers, internet and social media hosting/listing companies. Franchisee grants to COTTAGE INN PIZZA an irrevocable power of attorney and appoints COTTAGE INN PIZZA as Franchisee's attorney-in-fact to take any necessary actions to assign the Telephone Numbers and Social Media, including but not limited to, executing any forms that the Telephone Companies and Social Media entities may require to effectuate the assignment. This assignment is also for the benefit of the Telephone Companies and Social Media entities, both of which may accept this assignment and COTTAGE INN PIZZA instructions as conclusive evidence of COTTAGE INN PIZZA rights in the Telephone Numbers and Social Media, and its authority to direct the amendment, termination or transfer of the Telephone Numbers and Social Media, as if they had originally been issued to COTTAGE INN PIZZA. In addition, Franchisee agrees to hold the Telephone Companies and Social Media entities harmless from any and all claims against them arising out of any actions or instructions by COTTAGE INN PIZZA regarding this Agreement.

[Signature page follows]

[Signature page to Exhibit 6 - Assignment of Internet, Social Media, and Telephone Service Agreement]

IN WITNESS WHEREOF, this parties have executed this Assignment as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT 7

CONSENT FOR CREDIT AND BACKGROUND CHECK

TO WHOM IT MAY CONCERN:

I, the undersigned individual, have: (i) made, or am considering making, an application to become a COTTAGE INN PIZZA franchisee under the COTTAGE INN PIZZA franchise system administered by COTTAGE INN FRANCHISOR, LLC, a Michigan limited liability company (hereinafter referred to as "COTTAGE INN PIZZA "); (ii) entered into a Franchise Agreement with COTTAGE INN PIZZA; or (iii) agreed to act as guarantor for such an applicant/franchisee.

I hereby authorize COTTAGE INN PIZZA (a) to make credit and background checks on me by, among other means, obtaining consumer reports from consumer reporting agencies, and by making direct inquiries of businesses where I have accounts and where I worked, and other sources, and (b) to report concerning any performance with COTTAGE INN PIZZA to consumer reporting agencies and others who may properly receive such information.

I hereby instruct any individual or entity, whether or not a consumer reporting agency, to provide any and all pertinent information they may have regarding me to COTTAGE INN PIZZA in response to any inquiry or request from COTTAGE INN PIZZA pursuant to the foregoing authorization. In that regard, this document shall constitute and be deemed to be my "written instructions" pursuant to Section 604(a) (2) of the Fair Credit Reporting Act.

It is my intention that the authorizations and instructions contained herein shall continuously remain in full force and effect so long as I have any application pending with or obligation owing to COTTAGE INN PIZZA.

A xerographic or other copy of this authorization and instruction shall be valid, and shall have the same force and effect as one originally signed by me provided that it has been certified as a true and correct copy by an authorized officer, employee or agent of COTTAGE INN PIZZA.

Applicant

Signature

Name

Street Address

City/State/Postal Code

Date: _____

Social Security #: _____

Date of Birth: _____

Phone #: _____

Driver's License #: _____

Co-Applicant or Guarantor

Signature

Name Printed

Street Address

City/State/Postal Code

Date: _____

Social Security #: _____

Date of Birth: _____

Home Phone #: _____

Driver's License #: _____

[Signatures continue on following page]

[Franchisor signature page to Exhibit 7 - Consent for Credit and Background Check]

I hereby certify that this is a true and correct copy of the authorization and instruction signed by _____ on _____.

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

EXHIBIT 8

ACKNOWLEDGMENT ADDENDUM

As you know, you and we are entering into a Franchise Agreement for the operation of a COTTAGE INN PIZZA franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least fourteen calendar days prior to signing the Franchise Agreement?
Check one: ☐ Yes ☐ No. If no, please comment: _____

2. Did you read our Franchise Disclosure Document and Franchise Agreement ?
Check one: ☐ Yes ☐ No. If no, please comment: _____

3. Did you receive a copy of the Franchise Agreement at least seven calendar days prior to the date on which the Franchise Agreement was executed?
Check one: ☐ Yes ☐ No. If no, please comment: _____

4. Did you consult with an advisor in making your franchise purchase?
Check one: ☐ Yes ☐ No. If yes, please state in detail the oral, written or visual claim or representation: _____

5. Did any employee or other person speaking on behalf of the Franchisor make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any location or business, or the likelihood of success in your franchised business?
Check one: ☐ Yes ☐ No. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Did any employee or other person speaking on behalf of the Franchisor make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document.
Check one: ☐ Yes ☐ No. If yes, please comment: _____

7. Do you understand that the franchise granted is for the right to operate a Cottage Inn Pizza franchise business in the Franchised Area only and that we have the right, subject only to the limited rights granted to you under the Franchise Agreement, to issue franchises or operate Competitive Businesses for or at locations, as determined by us, near your Franchised Area?
Check one: ☐ Yes ☐ No. If no, please comment: _____

8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning your franchised business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?
Check one: ☐ Yes ☐ No. If no, please comment: _____

9. Do you understand that the success or failure of your franchised business will depend in large part upon your skills and experience, your business acumen, the location of your Franchised Area, the local market for products and services provided under our trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your franchised business may change?
Check one: ☐ Yes ☐ No. If no, please comment: _____

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNER AND MINORITY OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

[Signature page follows]

[Signature page to Exhibit 8 - Acknowledgment Addendum]

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

COTTAGE INN FRANCHISOR, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT 9

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

(MANAGERS, OFFICERS/DIRECTORS/MEMBERS/SHAREHOLDERS)

This Confidentiality, Non-Solicitation and Non-Competition Agreement (referred to as “Confidentiality Agreement”) is made and entered into as of the date of the Franchise Agreement, by and among COTTAGE INN FRANCHISOR, LLC, a Michigan limited liability company (“Franchisor” and/or “Cottage Inn Pizza”), and each of the undersigned individuals (individually and collectively, as appropriate, “Individual”), and the undersigned Franchisee (hereinafter, “Franchisee”).

RECITALS:

A. Franchisor and Franchisee have entered into that certain Cottage Inn Franchisor, LLC Franchise Agreement dated of even date herewith and incorporated herein by this reference (the “Franchise Agreement”).

B. Individual, in the course of performance of his or her responsibilities to Franchisee, or as a result of his or her business or official relationship with or for Franchisee, will be provided confidential and proprietary information of or relating to FRANCHISOR, operation of a carryout, delivery, and/or dine in restaurant, for the sale of pizza and other food products under the COTTAGE INN PIZZA name and service marks (collectively, the “COTTAGE INN PIZZA System”).

C. Individual and Franchisee acknowledge the need for confidentiality of the confidential and proprietary information and the COTTAGE INN PIZZA System and agree that full compliance with the terms of this Confidentiality Agreement is necessary to protect such confidentiality.

D. The Franchise Agreement provides that the officers, directors, managers, members and shareholders of Franchisee shall be required to sign a confidentiality agreement with Franchisor, in form satisfactory to Franchisor.

E. Individual will receive benefits by virtue of the grant of the franchise by Franchisor to Franchisee.

AGREEMENT

Now therefore, in consideration of the covenants herein contained, it is agreed:

1. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Franchise Agreement.

2.. Confidential and Proprietary Information. Individual shall not, during the term of this Confidentiality Agreement or the Franchise Agreement, or any time after the expiration or termination of the Franchise Agreement or this Confidentiality Agreement use, except in the COTTAGE INN PIZZA business licensed under the Franchise Agreement; or communicate, divulge, or use for the benefit of any other person, any Confidential Information (as defined below), knowledge, or know-how concerning the COTTAGE INN PIZZA System or the methods of operation under the COTTAGE INN PIZZA System which may be communicated to Individual, or of which Individual may be apprised, by virtue of Individual’s position in Franchisee’s business operations.

“Confidential Information” means all of Franchisor’s financial, technical, operational, business,

management and other information disclosed to Individual under the Franchise Agreement or as part of COTTAGE INN PIZZA System.

Notwithstanding anything contained herein, Confidential Information shall not include any information:

- (a) which, at the date of disclosure to the recipient or its authorized representative, is in the public domain or which, after such disclosure, comes within the public domain through no fault of the party to which it is disclosed or its authorized representative;
- (b) which was known to the party to which it was disclosed under this Confidentiality Agreement, before the effectiveness of the Franchise Agreement or any other agreement with Franchisor;
- (c) the disclosure of which is required by law or by any competent regulatory authority; or
- (d) which at any time comes independently and lawfully into the possession of the recipient, either from its own resources or from any third party.

3. Individual Work Product. Individual hereby grants to Franchisor a nonexclusive royalty-free license to use in its COTTAGE INN PIZZA franchise and to sublicense the right to use in its Franchisee's COTTAGE INN PIZZA franchise business and any and all inventions, enhancements, processes, methods, designs and other creations (hereinafter, "Developments") that, during the term of this Confidentiality Agreement, Individual may develop, invent, discover, conceive or originate, alone or in conjunction with any other person, which Developments relate in any way to Individual's involvement in the operation of Franchisee's COTTAGE INN PIZZA business.

4. Remedies for Breach of Agreement. In the event of the breach or threatened breach of this Confidentiality Agreement by Individual, each of Franchisee and Franchisor shall be entitled to injunctions, both preliminary and final, enjoining and restraining such breach or threatened breach and to recover for the benefit of Franchisor, by means of an accounting, any profits Individual may obtain in violation of this Confidentiality Agreement. Such remedies shall be in addition to all of the remedies available at law or in equity. The prevailing party shall also be entitled to recover its attorneys' fees and expenses in any successful action to enforce this Confidentiality Agreement.

5. Covenant Not to Solicit Customers. Individual acknowledges that Franchisor has a proprietary interest in the goodwill established by Individual's contacts with Franchisee's clients and accounts. Therefore, Individual specifically agrees that, during the period of his or her relationship with Franchisee and for a period of twenty-four (24) months following the termination of such relationship with Franchisee for any reason, Individual shall not directly or indirectly, on behalf of himself or herself or any competing organization, as to the same or similar competing products or services, solicit any of Franchisee's clients for whom Individual performed services while an officer, director, member or shareholder of Franchisee or which Individual solicited on behalf of Franchisee.

Individual acknowledges that the restricted period of time and customer limitation specified herein are reasonable in view of the nature of the business in which Franchisee and Franchisor are engaged and Individual's knowledge of Franchisee's and Franchisor's operations. If the scope of any stated restriction is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law.

This covenant shall not affect any non-competition provision set forth in the franchise agreement or any other agreement with Franchisor, but shall be in addition to the terms of such covenant.

6. Injunctive Relief. Individual understands and agrees that the damages which Franchisee or Franchisor may suffer from Individual's violation of any of Individual's obligations pursuant to this Confidentiality Agreement would be difficult or impossible to measure and that either Franchisee or Franchisor, or both, is entitled to injunctive relief for any violation, plus damages in an amount equal to the profits of Individual gained by or from such violation.

7. Binding Effect. This Confidentiality Agreement shall be binding upon the parties to this Confidentiality Agreement and upon their respective executors, administrators, legal representatives, successors and assigns.

8. Applicable Law; Venue. This Confidentiality Agreement shall be governed by and construed under the internal laws of the State of Michigan, without application of its conflicts of laws provisions. If any provision of this Confidentiality Agreement is declared void, such provision shall be deemed severed from this Confidentiality Agreement, which shall otherwise remain in full force and effect. The parties stipulate that venue of any dispute shall be in Washtenaw County Circuit Court or the Federal District Court for the Eastern District of Michigan.

9. Entire Agreement. This Confidentiality Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Confidentiality Agreement, and no modifications or revisions of this Confidentiality Agreement shall have any force and effect, unless the same are in writing and executed by the parties to this Confidentiality Agreement.

10. Notices. Any notices required or permitted to be given under this Confidentiality Agreement shall be in writing, and sent by certified mail to the last known residential address in the case of Individual, or to its principal office in the case of Franchisee or Franchisor.

11. Construction of Agreement. The parties hereby confirm and agree that this Confidentiality Agreement is the result of negotiation and compromise, and that in interpreting this Confidentiality Agreement neither party shall be considered to be the drafter of this Confidentiality Agreement, and that the language should not be strictly construed against either party, but rather this Confidentiality Agreement shall be interpreted consistent with the ordinary and reasonable meaning of the words used herein.

[Signature page follows]

[Signature page to Exhibit 9 - Confidentiality and Non-Solicitation Agreement]

IN WITNESS WHEREOF, the parties have executed this Confidentiality Agreement as of the date of the Franchise Agreement.

COTTAGE INN FRANCHISOR, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

INDIVIDUAL:

Signature: _____
Name: _____

EXHIBIT 10

RELEASE OF CLAIMS

(FOR EXECUTION UPON RENEWAL OR TRANSFER OF FRANCHISE)

This Release ("Release") is effective on _____ (the "Effective Date"). As a precondition of and in consideration for the willingness on the part of COTTAGE INN FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor"), to renew or consent to the transfer to another franchisee of Franchisor the Franchise Agreement dated _____ (the "Franchise Agreement") between Franchisor and _____ ("Franchisee"), each of the undersigned desire to grant a release to Franchisor of any and all claims that it has against Franchisor. In consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the undersigned agree as follows:

Each of the undersigned, individually and for its parent, affiliates, successors, assigns, personal representatives, executor, and trustees, as applicable, unconditionally RELEASES and DISCHARGES Franchisor, any person acting by, through, under or on behalf of Franchisor, and the past and present members, shareholders, officers, directors, employees, successors, assigns, agents, parent and affiliates of Franchisor (collectively, "Franchisor Group") from any and all liabilities, claims, damages, demands, costs, indebtedness, expenses, debts, indemnities, compensation, suits, controversies, covenants, contracts, actions and causes of action of any kind whatsoever, whether developed or undeveloped, known or unknown, fixed or contingent, regarding or arising out of the Franchise Agreement, any prior or existing franchise agreement, or any other agreement or document executed by any of the undersigned and Franchisor (or any affiliate of Franchisor), the franchise relationship, or any other prior or existing business relationship between any of the undersigned and Franchisor (or any affiliate of Franchisor) which any of the undersigned have asserted, may have asserted or could have asserted against any of Franchisor Group at any time up to the date of this Release, including specifically, without limitation, claims under the Sherman and Clayton Acts and the anti-trust laws or regulations of the United States, and claims arising from contract, written or oral communications, alleged misstatements of fact, indebtedness of any kind or nature, and acts of negligence whether active or passive.

This Release shall survive the assignment, expiration or termination of any of the franchise agreements or other agreements entered into by and between Franchisor (and any affiliate of Franchisor) and the undersigned. This Release is not intended as a waiver of those rights of the parties which cannot be waived under applicable state franchise laws. Each of the undersigned acknowledge and agree that certain of its post-termination obligations as provided in the Franchise Agreement, in addition to those other obligations of the undersigned which specifically or by their nature survive termination of the Franchise Agreement, shall continue after the transfer, expiration or termination of the Franchise Agreement.

[Signature page follows]

[Signature page to Exhibit 10 - Release of Claims]

IN WITNESS WHEREOF, the parties have executed this Release as of the Effective Date first above written.

FRANCHISEE:

By: _____
Name: _____
Title: _____

INDIVIDUALS:

Signature: _____
Name: _____

Signature: _____
Name: _____

EXHIBIT 11

STATE LAW DISCLOSURES

General

These states have statutes which may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, Tit. 6, Chap. 25, Section 2551 *et seq.*], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1 – 523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with Us including the areas of termination and renewal of your franchise.

Some states have statutes that limit Our ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting Our ability to restrict your activity after the franchise agreement has ended.

A provision in the franchise agreement that terminates the franchise upon your bankruptcy may not be enforceable under Title 11, United States Code.

California Addendum (Applies only to California franchisees)

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination and non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER, BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT. 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.

Neither We nor any person identified in Item 2 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 the persons from membership in that association or exchange.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER BY THE PERSON ACQUIRING A FRANCHISE OF CERTAIN RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF CERTAIN RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must resolve disputes through binding arbitration. The arbitration will occur in Birmingham, Michigan with the costs of arbitration being borne equally by the parties. Each party will bear its own expenses, including attorney's fees. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as *per se* violations of the Cartwright Act. As long as this represents the law of the State of California, We will not interpret the Franchise Agreement as permitting or requiring maximum price limits.

Hawaii Addendum
(Applies only to Hawaii franchisees)

If your Business will be in Hawaii, You will not pay your Initial Fee to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 2 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

Illinois Addendum
(Applies only to Illinois franchisees)

The Illinois Franchise Disclosure Act, Section 4, prohibits any agreement that specifies jurisdiction or venue of any lawsuit in a place outside of the state of Illinois. The Act does permit agreements to require you to arbitrate outside the state of Illinois. The Act prohibits choice of law provisions that would require the application of any laws except the laws of the state of Illinois (Section 41). You cannot waive any of your rights given to you by the Illinois Franchise Disclosure Act (Section 41). You may have other rights under the Illinois Franchise Disclosure Act or other laws of the state of Illinois. To the extent that the Franchise Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20. The termination and nonrenewal conditions and rights for Illinois franchises are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act of 1987. 815 ILCS 705/19, 20 (West 2010).

The Illinois Franchise Disclosure Act will govern any franchise agreement if: (a) it applies to a franchise located in Illinois; or (b) a franchisee who resides in Illinois.

The franchise agreement will be interpreted and construed under the substantive laws of Michigan, except to the extent governed by the Illinois Franchise Disclosure Act or the United States Trademark Act of 1946

(Lanham Act, 15 U.S.C., Sections 1051 et seq.).

Franchisor will defer franchisee's payment of initial franchise fees until Franchisor has satisfied all of its pre-opening initial obligations to Franchisee and Franchisee has commenced doing business. The Office of the Illinois Attorney General has imposed this deferral requirement due to the Franchisor's current financial condition.

Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void. 815 ILCS 705/4 (West 2010). However, a franchise agreement may provide for arbitration in a venue outside of Illinois. 815 ILCS 705/41 (West 2012).

Any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2010).

Indiana Addendum
(Applies only to Indiana franchisees)

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

Maryland Addendum
(Applies only to Maryland franchisees)

The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise. We may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

If you are a resident of Maryland or your Business will be in Maryland, You will not pay your Initial Fee or any other money to Us until your business is open and we have completed all of Our material pre-opening obligations to you. Item 5 of the Franchise Disclosure Document and Article 6 of the Franchise Agreement are amended accordingly. Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition

on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Article 16 of the Franchise Agreement is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland.

Item 17 is hereby amended by adding the identical language in the “summary” column of line v.

**Michigan Addendum
(Applies only to Michigan franchisees)**

NOTICE UNDER MICHIGAN'S FRANCHISE INVESTMENT LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
4. A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (1) the term of the franchise is less than five (5) years and (2) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of Franchisor's intent not to renew the franchise.
5. A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

7. A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- a. the failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards;
- b. the fact that the proposed transferee is a competitor of the Franchisor or sub-Franchisor;
- c. the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and
- d. the failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor the right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subsection 3.

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

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

IF FRANCHISOR'S MOST RECENT UNAUDITED FINANCIAL STATEMENT SHOWS A NET WORTH OF LESS THAN ONE HUNDRED (\$100,000) DOLLARS, YOU HAVE THE RIGHT TO REQUEST THE ESCROW OF THE INITIAL INVESTMENT AND OTHER FUNDS PAID UNTIL OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT INVENTORY, TRAINING OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED.

ANY QUESTIONS REGARDING THIS NOTICE MAY BE DIRECTED TO THE STATE OF MICHIGAN, DEPARTMENT OF ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE, 670 LAW BUILDING, LANSING, MICHIGAN 48913, TELEPHONE (517) 373-7117.

**Minnesota Addendum
(Applies only to Minnesota franchisees)**

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate

or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. §80C.214, Subds. 3, 4, and 5 which require, except in certain specified cases, that We give you 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

We will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name, to the extent required by Minn. Stat. §80C.12, Subd. 1(g).

To the extent governed by Minn. Rule 2860.4400J, you shall not be deemed to have waived any rights under Minnesota law. You shall not be deemed to have consented to Us obtaining injunctive relief, although we may seek injunctive relief. A Court or the arbitrators shall determine whether to require a bond as a condition of injunctive relief.

Section 19 of the Franchise Agreement, Limitations of Claims, is amended to comply with Minn. Stat. 80C.17, Subd.5.

**New York Addendum
(Applies only to New York franchisees)**

Item 3 is amended to read as follows:

Neither We nor any person identified in Item 2 above have any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against us alleging a violation of any franchise law, antitrust or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above have been convicted of a felony or pleaded *nolo contendere* to any felony charge or during the 10 year period immediately preceding the date of this Franchise Disclosure Document, been convicted of or pleaded *nolo contendere* to a misdemeanor charge been held liable in any other civil action by final judgment or been the subject of any other material complaint or other legal proceeding where such felony, misdemeanor civil action, complaint or other legal proceeding involved violation of any franchise law, antifraud or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither We nor any person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange as defined by the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department.

Item 4 is amended to read as follows:

During the 10 year period immediately preceding the date of the Franchise Disclosure Document neither We nor any predecessor, affiliate, current officer or general partner of Us has been the subject of a

bankruptcy proceeding, been adjudged bankrupt or reorganized due to insolvency or been a principal officer of a company or a general partner of a partnership at or within one year of the time that such company or partnership became the subject of a bankruptcy proceeding or was adjudged bankrupt or reorganized due to insolvency or is subject to any such pending bankruptcy or reorganization proceeding.

Item 5 is amended by adding the following: We will use the Initial Fee for the purposes of covering the costs of selling the franchise and other franchises, for your initial training, for general overhead and for profit.

Item 17 is amended by changing the caption and preliminary statement to read as follows:

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 17 D is amended by adding the following: You may terminate the agreement on any grounds available by law.

Item 17 J is amended by adding the following: We will only assign to an assignee who in Our good faith judgment is willing and able to assume Our obligations.

North Dakota Addendum
(Applies only to North Dakota franchisees)

Under North Dakota law, no modification or change We make to the Manual or method of operation may materially affect your status, rights or obligations under the Franchise Agreement. Covenants not to compete are considered unenforceable in the State of North Dakota.

Under North Dakota law, a requirement that you consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

The North Dakota Franchise Investment Law (Section 51-19-09) requires that the laws of North Dakota, which laws will prevail, will govern the Franchise Agreement. Further, North Dakota law requires that all issues or disagreements relating to the Franchise Agreement will be arbitrated, tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Under the North Dakota Franchise Investment Law (Section 51-19-09), a North Dakota franchisee may not be required to execute a general release upon renewal of the Franchise Agreement.

Rhode Island Addendum
(Applies only to Rhode Island franchisees)

Item 17 is amended by adding the following: Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

Please review Item 11 for our pre-opening obligations. You must have your bank verify that you have sufficient funds available at the time We sign the Agreement. The only condition on your obligation to pay the Initial Fee is that We must complete all of Our material pre-opening obligations to you.

South Dakota Addendum
(Applies only to South Dakota franchisees)

Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the state where the franchise is located.

Any provision of the franchise agreement which requires you to agree to jurisdiction and venue outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota. Notwithstanding any term of the franchise agreement, We not terminate the franchise agreement upon default without first affording you thirty (30) days' notice with an opportunity to cure the default within that time.

To the extent required by South Dakota law, all provisions giving any party a right to liquidated damages are hereby deleted from the franchise agreement and the parties shall be entitled to their actual damages instead.

Virginia Addendum
(Applies only to Virginia franchisees)

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

Washington Addendum
(Applies only to Washington franchisees)

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an

action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

EXHIBIT 12

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

CALIFORNIA

California Department of Financial Protection
And Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

1350 Front Street
San Diego, CA 92101
(619) 525-4233

One Sansome Street, Suite 600
San Francisco, CA 94105
(415) 972-8559

CONNECTICUT

State of Connecticut
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230

Agent: Banking Commissioner

<u>HAWAII</u> (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<u>INDIANA</u> (state administrator) Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681 (for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	<u>MARYLAND</u> (state administrator) Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360 (for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360

<u>MICHIGAN</u> (state administrator) Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 6th Floor Lansing, Michigan 48933 (517) 373-7117 (for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909	<u>MINNESOTA</u> (state administrator) Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600 (for service of process) Minnesota Commissioner of Commerce
<u>NEW YORK</u> (state administrator) New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222 (for service of process) Secretary of State 99 Washington Ave. Albany, New York 12231 (518) 474-4750	<u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712
<u>OREGON</u> Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	<u>RHODE ISLAND</u> Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582

<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid Street, Ste. 104 Pierre, South Dakota 57501 (605) 773-3563	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051 (for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
<u>WASHINGTON</u> (state administrator) Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760 (for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501	<u>WISCONSIN</u> (state administrator) Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-1064 (for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

California	Effective Date:	_____
Hawaii	Effective Date:	_____
Illinois	Effective Date:	_____
Indiana	Effective Date:	<u>9/27/2024</u>
Maryland	Effective Date:	_____
Michigan	Effective Date:	<u>9/19/2024</u>
Minnesota	Effective Date:	_____
New York	Effective Date:	_____
North Dakota	Effective Date:	_____
Rhode Island	Effective Date:	_____
South Dakota	Effective Date:	_____
Virginia	Effective Date:	_____
Washington	Effective Date:	_____
Wisconsin	Effective Date:	<u>10/11/2023</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with us or make any payment to us. Michigan, Oregon, Washington and Wisconsin require us to give you this disclosure document at least 10 business days before signing a binding agreement with us or paying any consideration, whichever is first to occur.

If Cottage Inn Franchisor, LLC ("Franchisor") offers you a franchise, Franchisor 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 any affiliate in connection with the proposed franchise sale.

If Franchisor 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 your state agency, if one is listed in Exhibit 12 to this disclosure document.

Our franchise seller is Cottage Inn Franchisor, LLC, 4390 Concourse Drive, Ann Arbor, Michigan 48108, (734) 663-2470.

Issuance Date: July 12, 2024.

I have received a Franchise Disclosure Document dated July 12, 2024, that included the following Exhibits:

1. List of Corporate-Owned and Franchised Stores
2. List of Former Franchisees
3. Financial Statements
4. Operations Manual Table of Contents
5. Franchise Agreement
6. Assignment of Internet, Social Media, and Telephone Service Agreement
7. Consent for Credit and Background Check
8. Acknowledgment Addendum
9. Confidentiality and Non-Solicitation Agreement
10. Release of Claims
11. State Law Disclosures
12. List of State Administrators and Agents for Service of Process

Date: _____

Signature: _____

Print Name: _____

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12. List of State Administrators and Agents for Service of Process

Date: _____

Signature: _____

Print Name: _____