

# FRANCHISE DISCLOSURE DOCUMENT

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This Franchise Disclosure Document provides information on the following: (1) the purchase of a franchise to open and operate a single SARPINO'S PIZZERIA restaurant franchise, and (2) the right to become a Developer and to yourself open and operate multiple SARPINO'S PIZZERIA restaurant franchises.

The total investment necessary to begin operations of SARPINO'S PIZZERIA restaurant franchise ranges from \$395,500 to \$582,000 if you lease space of approximately 1,200 to 1,400 square feet. The investment may be substantially more if real estate is acquired and/or constructed. This includes \$30,000 to \$55,000 you pay to us for the initial franchise fee and on-site launch support deposit or the transfer fee.

The total investment necessary to begin operations as a Developer is the total investment to begin operations of a single SARPINO'S PIZZERIA restaurant franchise (described above) plus the Development Fee in the amount of \$10,000 times the number of restaurants to be developed.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact David Chatkin, at 200 Tri-State International, Suite 550, Lincolnshire, IL 60069, 847-374-6300.

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

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

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

Issuance date: ~~April 28, 2023~~ May 10, 2024

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

## **What You Need to Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 mediation, arbitration and/or litigation only in Illinois. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Illinois than in your own state.

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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## **Exhibits**

- A State Addendum to Franchise Disclosure Document (if applicable)
- B Restaurant Franchise Agreement
- C Multi-Unit Development Agreement
- D Financial Statements
- E List of State Administrators/Agents for Service of Process
- F Table of Contents to Operating Manuals
- G Lists of Franchisees and Former Franchisees
- H Area Franchisor Rider (if applicable)
- I Transfer Addendum
- J Renewal Addendum

## Item 1

### **THE FRANCHISOR ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, the following definitions apply:

"**Franchisee**" refers to a person or entity that has been granted the rights to own and operate a Franchise.

"**Franchise**" refers to the grant of a right to own and operate an independent business operating a SARPINO'S PIZZERIA restaurant under the terms of a Restaurant Franchise Agreement.

"**Franchisor**" or "**Sarpino's USA**" or "**we**" refers to Sarpino's USA, Inc. an Illinois corporation, having its principal business address at 200 Tri-State International, Suite 550, Lincolnshire, IL 60069 formerly known as KDD Sarpino's of Illinois, Inc.

"**Multi-Unit Development Agreement**" or "**MUDA**" refers to the Multi-Unit Development Agreement attached as Exhibit C to this Franchise Disclosure Document. The parties to the agreement are Franchisor and a Developer who agrees to develop multiple SARPINO'S PIZZERIA Restaurants.

"**Restaurant Franchise Agreement**" or "**RFA**" refers to the Restaurant Franchise Agreement attached as Exhibit B to this Franchise Disclosure Document. The parties to the RFA are Sarpino's USA (Franchisor) and the Franchisee. If the Franchise is in the territory of an Area Franchisor, the Area Franchisor will also be a party to the RFA.

"**You**" refers to the prospective Franchisee, or Developer to whom this Franchise Disclosure Document has been provided.

### **Background on the Franchisor/The Franchise Business**

Sarpino's USA, Inc. was incorporated in the State of Illinois on October 25, 2002 under the name KDD Sarpino's of Illinois, Inc., and was formed by shareholders to serve as an Area Franchisor for Sarpino's franchises in the State of Illinois. On March 21, 2005 Sarpino's USA, Inc. purchased certain assets of Sarpino's International Inc., a Washington corporation ("Sarpino's International Inc. USA"), the Franchisor of SARPINO'S PIZZERIA franchises in the United States at that time, and became the Franchisor for SARPINO'S PIZZERIA Restaurant Franchises and Area Franchises in the United States. The purchased assets included all existing Restaurant Franchise Agreements and all existing Area Franchise Agreements for the United States as well as all U.S. trademark registrations and all business systems and materials related to operating a SARPINO'S PIZZERIA business. On May 20, 2005, the name of the corporation was changed from KDD Sarpino's of Illinois, Inc. to Sarpino's USA, Inc.

On March 6, 2024, all of the owners of Sarpino's USA, Inc. (Sellers) entered into a Stock Purchase Agreement with an unrelated third party (Purchaser) to sell all of the outstanding shares in Sarpino's USA, Inc. to Purchaser. No closing date has been set. The Stock Purchase Agreement is subject to termination by Purchaser based on its due diligence, by either party if the closing does not take place within 150 days of the date of execution of the Stock Purchase Agreement, or by agreement of the parties. The date for closing may also be extended by the parties beyond the 150 day period.

The principal place of business of Sarpino's USA, Inc. is 200 Tri-State International, Suite 550, Lincolnshire, IL 60069, 847-374-6300. We do business under our corporate name and the name of "Sarpino's."

You become a franchisee entitled to own and operate a SARPINO'S PIZZERIA restaurant at a specific location by entering into a Restaurant Franchise Agreement with us. The Restaurant Franchise Agreement grants you the right to use our uniform and proprietary operating system ("System") and identified by SARPINO'S®, SARPINO'S PIZZERIA® and other trade names, trademarks, service marks, logos and commercial symbols that we may designate from time to time ("Marks"). The standard form of the Restaurant Franchise Agreement is attached at Exhibit B.

Our focus for expansion is for individuals or entities to become part of the SARPINO'S PIZZERIA franchise system by entering into individual Restaurant Franchise Agreements or by entering into a Multi-Unit Development Agreement which is attached to this Franchise Disclosure Document as Exhibit C. Under the Multi-Unit Development Agreement, you agree to establish and operate a minimum of 3 SARPINO'S PIZZERIA Restaurants in a specified Development Territory. As a Developer, you will develop and operate multiple SARPINO'S PIZZERIA Restaurants using the Marks and following the System, including our secret recipes, ingredients and methods of preparation, methods of serving and merchandising, advertising, training, uniform interior and exterior design, decor and layout, methods of delivery, dispatch and order processing, cost control methods, and its accounting and reporting forms and procedures. For each SARPINO'S PIZZERIA Restaurant to be developed, you enter into a Restaurant Franchise Agreement with us.

Sarpino's USA is not involved in any other business activities.

### **Agents for Service of Process**

Our agents for service of process in different states are listed in Exhibit F attached to this Franchise Disclosure Document.

### **Description of Franchise/Industry-Specific Regulations**

A SARPINO'S PIZZERIA Restaurant offers authentic Italian dishes in an authentic Italian experience with beautifully designed décor with special Italian touches, giving the consumer the feeling that he is in for something genuine. The menu includes gourmet pizza and authentic Italian pastas along with a variety of other items such as salads, wings, appetizers, breadsticks, calzone wraps and sandwich dishes. We also offer vegan menu options. The SARPINO'S PIZZERIA Restaurant distinguishes itself from competitors by the fresh ingredients, a combination of cheeses, home-made sauces, a proprietary mix of Italian spices, and high-quality meats, fresh baked bread hand-kneaded each day in Italian tradition. The SARPINO'S PIZZERIA Restaurant emphasizes the customer experience and offering excellent products and exceptional service every time. Services offered to customers include delivery, including contactless options, and curbside pickup.

Your Franchise is subject to laws and regulations affecting businesses generally. As a food service business, you will be subject to local, state and federal health and sanitation laws, laws forbidding false or misleading nutritional claims and other types of false advertising, and federal laws and regulations regarding menu labeling. In some states the restaurant must obtain a food sanitation certification before opening and or certain employees must have food handling certificates. You

must operate your SARPINO'S PIZZERIA Restaurant in compliance with applicable data security and privacy laws and regulations.

For franchisees in Illinois, new laws that became effective January 1, 2020 require businesses to meet specific sexual harassment prevention and training requirements, and require restaurant businesses specifically to implement and provide to employees a written sexual harassment policy.

You must comply with any federal, state and/or local regulations or orders relating to health and safety, including the pandemic that is ongoing as of the date of this Disclosure Document, or any other future health emergency that impacts the restaurant industry.

Except as we describe, we are not aware of any industry specific regulations applicable to the sale of pizzas, pastas and products similar to those that SARPINO'S PIZZERIA restaurants sell. You should investigate all laws applicable to your establishment and operation of a SARPINO'S PIZZERIA restaurant in evaluating the Franchise. It is your sole responsibility to comply with applicable laws and obtain and keep in force all necessary permits, licenses and certifications required by public authorities.

### **Market and Competition**

The fast-food industry is highly competitive. Our closest competitors are international pizza chains which include *Papa John's*, *Pizza Hut*, and *Dominos*, as well as restaurants using third party delivery services such as GrubHub and Doordash. You will also compete against independent restaurants and regional chains offering pizza and other products similar to those offered by SARPINO'S PIZZERIA Restaurants.

As of the date of this Disclosure Document the novel coronavirus pandemic is ongoing. While it is anticipated to have a limited life, its duration is uncertain, as are the economic consequences that may result from the event. A SARPINO'S PIZZERIA franchised business may be positively or negatively impacted by these circumstances through decreased revenues from mandated closures, an increase in demand for delivery services, a limited labor pool, an inability to provide all products and services, a downturn in the economy which may extend beyond the pandemic, and a variety of other factors. These kinds of uncertainties exist across the globe and across industries.

### **Predecessors and affiliates**

We have had no predecessors in the 10 years prior to the date of this Disclosure Document. Unrelated companies own the rights to offer and sell Sarpino's franchises outside of the U.S.

We do not have a parent or any affiliates which provide products or services to our franchisees or which offers franchises in any lines of business.

### **Prior Business Experience of Franchisor, Predecessors and Affiliates**

We sold subfranchises for SARPINO'S PIZZERIA Restaurants in Illinois as an Area Franchisor of Sarpino's International Inc. USA from June 2002 to June 2005. We have offered SARPINO'S PIZZERIA Restaurant franchises throughout the United States since June 2005, and have offered the Multi-Unit Development Agreement since March 2007. We offered Area Franchises from June 2005 to March 2015 and ~~are offering them again beginning in from 2022 to 2023~~. We have not offered and sold franchises in any other line of business. We currently have a policy of paying our

franchisees a referral fee if they refer their Designated Manager or Certified Manager to us and it results in a franchise sale. We have not conducted a business of the types to be operated by you. Our affiliate U.S. Franchise Restaurant, Inc. operated a SARPINO'S PIZZERIA Restaurant from March 2003 to May 2005, from October 2006 to 2009, and from October 2015 to 2017. Our former subsidiary, Sarpino's USA FL, Inc., owned and operated SARPINO'S PIZZERIA Restaurants in Florida from 2016 to 2019 when the subsidiary was sold. Neither we nor any affiliates own any SARPINO'S PIZZERIA Restaurants as of the date of this disclosure document. Some of our shareholders have had ownership in entities that own and operate a SARPINO'S PIZZERIA Restaurant since 2005.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **President: David Gordon Chatkin**

In October 2002, Mr. Chatkin was one of the persons responsible for the formation of Sarpino's USA, Inc. Mr. Chatkin served as President of Sarpino's USA, Inc. from April 2016 to the present and from March 2004 until January 2008. He served as Vice President of Sarpino's USA, Inc. from January 2008 to April 2016. He has also held the following positions in the last 5 years: President of US Franchise Restaurant, Inc. in Lincolnshire, Illinois from October 2003 to the present; and member of the Board of Directors of ICD, Inc. in Northbrook, Illinois from January 2004 to the present. Mr. Chatkin holds a MBA degree with Distinction from De Paul University in Chicago, Illinois. Mr. Chatkin has studied at Chef's School and holds a BS Degree in Economics of Restaurant Business.

#### **Chief Executive Officer: Alexander Abramovitz**

Mr. Abramovitz became our Chief Executive Officer in April 2019. From August 2014 to the present, he has performed services for us as an independent contractor consultant through his company Sanworks Inc. in areas of franchisee support, procurement and contract review.

#### **Secretary: Martin Statsaitis**

Mr. Statsaitis has been our Secretary since October 2016. From January 2022 to the present, he has been Head of Go to Market at Sofvision/Cognizant in Chicago, Illinois. From July 2008 to the present, he has been Chief Executive Officer of Devbridge Group LLC in Chicago, Illinois.

**Area Franchisor:** If there is an Area Franchisor for your area, information on the Area Franchisor will be found at Exhibit I Area Franchisor Rider.

## **Item 3**

### **LITIGATION**

No litigation is required to be disclosed in this Item.

## Item 4

### **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

## Item 5

### **INITIAL FEES**

**Initial Fee for Franchises.** When you sign the Restaurant Franchise Agreement you must pay us the initial franchise fee of \$30,000. If you are an existing franchisee purchasing an additional franchise, you will pay an initial franchise fee of \$25,000. Once the Restaurant Franchise Agreement is signed, no portion of the initial franchise fee is refundable.

We currently offer a discounted initial franchise fee of \$24,000 to qualifying U.S. veterans. You must have been honorably discharged and provide us with a copy of your DD214.

In the fiscal year ended December 31, 2022, we charged 2 franchisees an Initial Franchise Fee different than the published fee based on the particular circumstances.

**On-Site Launch Support Fee/Deposit.** You must pay us for the cost of the on-site launch support we provide at your SARPINO'S PIZZERIA Restaurant which takes place for approximately 30 days beginning just prior to opening. Costs include compensation for our representatives traveling to your site and their travel, lodging and living expenses. You will be required to pay on On-site Launch Support Fee of up to \$25,000. ~~When you sign the Restaurant Franchise Agreement, you~~ You must pay a deposit of \$12,500 for on the On-site Launch Support Fee by electronic transfer of funds when the on-site launch support costs by check is scheduled. If you are a current franchisee purchasing an additional Restaurant, we may, in our sole discretion, reduce the amount of the on-site launch support deposit based on our evaluation of the operations of Restaurant(s) you currently own and operate. ~~Our current policy is to not cash the check until the onsite launch support is scheduled, but no later than 35 days before store opening.~~ The deposit is non-refundable once the training is scheduled. ~~If the onsite launch support is never scheduled, the fee paid by you will be refunded by return of the check you delivered to us.~~ Once the on-site launch support has been completed, we will determine the total cost we incurred. If the total cost is less than the amount of the deposit you paid, we will reimburse you the difference. If the total cost is more than the amount of the deposit you paid, we will issue you an invoice for the balance due to us for on-site launch support, but by no means shall the On-Site Launch Support Fee cost more than \$25,000.

If you are purchasing franchise rights and assets of an existing Restaurant from an existing SARPINO'S franchisee, you will be required to pay an On-site Launch Support Fee of up to \$25,000. ~~When you sign the Restaurant Franchise Agreement, you~~ You must pay a deposit of \$20,000 for on the On-site Launch Support Fee by electronic transfer of funds when the on-site launch support costs by check is scheduled. If you are a current franchisee of ours and you are purchasing an additional existing Restaurant, we may, in our sole discretion and based on our evaluation of the operations of the existing Restaurant being purchased and the operations of SARPINO'S PIZZERIA Restaurant(s) you currently own and operate, reduce the deposit for on-site launch support due upon signing the Restaurant Franchise Agreement and Transfer Addendum. ~~Our current policy is to not cash the check until the onsite launch support is scheduled, but no later than 35 days before store opening.~~ The deposit is non-refundable once the training is scheduled.

Once the on-site launch support has been completed, we will determine the total cost we incurred. If the total cost is less than the amount of the deposit you paid, we will reimburse you the difference. If the total cost is more than the amount of the deposit you paid, we will issue you an invoice for the balance due to us for on-site launch support, but by no means shall the On-Site Launch Support Fee cost more than \$25,000.

In the fiscal year ended December 31, ~~2022~~2023, we ~~charged 3 franchisees an~~ did not charge one franchisee the On-Site Launch Support Deposit different than the published fee based on since the particular circumstances franchisee was an affiliate of one or our Area Franchisors and did not need any on-site support.

**Transfer Fee.** If you are purchasing franchise rights and assets of an existing Restaurant from an existing SARPINO'S franchisee, you must sign a Restaurant Franchise Agreement and Transfer Addendum and pay us a Transfer Fee of \$30,000 before you start the initial training program. You should address in your contract between you and the selling franchisee any adjustments to purchase price necessary based on your payment of the Transfer Fee prior to Closing. You will not pay an initial franchise fee when you sign the Franchise Agreement. The Transfer Fee is non-refundable. You will not be entitled to any refund, even if the purchase of assets from the selling franchisee does not take place.

**Multi-Unit Development Agreement.** As a Multi-Unit Developer, you must sign the Franchise Agreement for your first SARPINO'S PIZZERIA Restaurant Franchise and pay the \$30,000 initial franchise fee at the same time as you sign the Multi-Unit Development Agreement. In addition, you must pay a non-refundable Development Fee when you sign the Multi-Unit Development Agreement. The Development Fee is \$10,000 ~~(half of the initial franchise fee for subsequent franchises)~~ times the number of additional restaurants to be developed.

\$10,000 of the Development Fee will be applied toward each of the initial franchise fees to be paid for the additional restaurant franchises to be developed as follows. When you sign the Restaurant Franchise Agreement for the additional franchises, you will pay the \$15,000 balance of the initial franchise fee for that franchise. The Development Fee should not be construed as the price to "buy" the area. The fee is in consideration for the license granted to you under the Multi-Unit Development Agreement during the term of the agreement.

The Development Fee is uniform for all Developers. The Development Fee is not refundable under any circumstances, but it is credited against additional the franchise fees as described above.

*The remainder of this page has been left blank intentionally.*

**Item 6**

**OTHER FEES**

**Restaurant Franchise Fees.** The Restaurant Franchise Agreement ("RFA") spells out the royalties and other fees which the Franchisee is obligated to pay to us. The following is a summary of these fees:

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty (1)	6% of monthly Net Sales	Payable monthly by 10 <sup>th</sup> of the next month	"Net Sales" include all revenue from the franchised location, including proceeds from insurance, but not sales or other taxes. <u>Net Sales for calculation of royalties, advertising fees and other amounts that are a percentage of Net Sales shall be determined by POS reports designated by us.</u>
Advertising Fee (2)	Up to 3% of monthly Net Sales; currently 2% of Net Sales	Payable monthly by 10 <sup>th</sup> of the next month	Funds will be held in a special account administered and used by us for marketing, advertising and promotion.
Regional Cooperative Advertising	Split between the Franchisees in a region based upon Net Sales figures. Monies spent on cooperative advertising will be a credit against the local advertising requirement	As agreed upon by 75% vote of the Franchisees in the region.	Potential future marketing and advertising program, which would include radio, TV and yellow pages ads.
Local Advertising	During the first year of operation, 10% of Net Sales per calendar month; 7% of Net Sales per calendar month thereafter	As incurred	Paid to third parties. Amounts paid to third party internet vendors cannot be included in calculating the amount of the local advertising expenditure.
Site Evaluation Fee	Fee to cover costs plus expenses, including travel, room and board	On demand	First site evaluation is at no additional charge. Fee is due for additional <del>on</del> -site evaluations-

Type of Fee (3)(4)(5)	Amount	Due Date	Remarks
On-site Launch Support Fee – New Franchisee	Up to \$25,000	<p>\$12,500 deposit paid <u>by electronic funds transfer</u> when <del>you sign the Franchise Agreement</del> <u>on-site launch support is scheduled</u>; adjustments made once actual expenses are determined</p>	<p>Covers the compensation, travel, lodging and living expenses of our representatives while conducting the on-site launch support.</p> <p>If you are a current franchisee purchasing an additional Restaurant, we may, in our sole discretion, reduce the amount of the on-site launch support deposit based on our evaluation of the operations of Restaurant(s) you currently own and operate.</p>
On-site Launch Support Fee – Transfer	Up to \$25,000	<p>\$20,000 deposit paid <u>by electronic funds transfer</u> when <del>you sign the Franchise Agreement and Transfer Addendum upon Closing</del> <u>on-site launch support is scheduled</u>; adjustments made once actual expenses are determined</p>	<p>Covers the compensation, travel, lodging and living expenses of our representatives while conducting the on-site launch support.</p> <p>Adjustments made once actual expenses are determined.</p> <p>If you are a current franchisee purchasing an additional existing Restaurant, we may, in our sole discretion, reduce the amount of the on-site launch support deposit based on our evaluation of the Restaurant being purchased and the operations of Restaurant(s) you currently own and operate.</p>

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
<u>Additional Owner Initial Training Fee</u>	<u>Currently \$10,000 per trainee</u>	<u>Before training</u>	<u>We provide initial training for your owners and your Designated Manager. The initial franchise fee covers initial training for up to 3 individuals. If you want to send additional individuals to the initial training, we will charge you an additional fee per trainee.</u>
<u>Additional Training for Designated Managers</u>	Estimated at \$3,000 to \$5,000	Before training	Additional training is provided for new Designated Managers, and for all Certified Managers for a fee. No fee is paid for training the first Designated Manager who attends with you. In addition, you are responsible for the cost of travel, room and board incurred by your employees in attending training.
Registration fee for Supplemental Seminars, Programs and Training	We determine the fee in advance. If you, your Designated Manager or employee fail to attend a required seminar, program or training, we may charge you the registration fee plus an additional fee of up to \$500.	Before seminar	This is for supplemental seminars, programs or training we may provide to you, your managers and/or employees. We may require the attendance of you, your Designated Manager or other employee. You must pay for the travel and living expenses of you and your employees attending such programs. We may reimburse you some of these costs.

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Re-training Fee	Hourly fee of our representative plus travel expenses incurred by our representatives in conducting training at your site. Current hourly fee is \$150 per hours. Length of re-training depends on the nature and extent of the non-compliance.	Deposit due when re-training is scheduled with any adjustments made once re-training is completed.	This fee is payable if you fail an inspection and we determine that re-training is required to address the non-compliance.
Annual Convention Registration Fee	We determine the fee in advance. If you fail to attend, we may charge you the registration fee plus an additional fee of up to \$1,000.	Before the Convention	Payable if we hold the Convention. If we do, attendance is mandatory. You must pay for your travel and living expenses in attending the Convention. We may reimburse you some of these costs.
<u>Technology Fee</u>	<u>Will be determined once we begin charging the fee.</u>	<u>Will be determined by us once we begin charging the fee. We will give you at least 60 days' notice before we begin charging the fee.</u>	<u>Fee will cover our costs for technology development, maintenance, and usage of technology for franchisees, subscription and license fees paid by us to give you access to technology tools, and related research and development conducted by us.</u>
Renewal	\$10,000, plus our out-of-pocket costs	When you sign renewal agreements	Payable if you renew at the end of the initial franchise term.

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer Fee	\$30,000 for the transfer of all of the assets of the Franchise. For a transfer of ownership in the franchisee that does not result in a change of control, the transfer fee will be the amount of the costs we incur in connection with the transfer.	Paid by your buyer when signing the Restaurant Franchise Agreement if you are selling all of your interest in the franchise and the Restaurant to a new franchisee buyer. For transfer of partial ownership, paid on demand.	Payable if you sell all or a portion of your interest in the Franchise Agreement, Franchisee or the assets of the Restaurant. Fee is not payable for an assignment to a new entity that is owned 100% by you.
Late Fees and Interest	Greater of \$100 or 1% of amount due; plus interest of 12% per annum or highest rate permitted by law	On demand	Payable on all amounts not paid by the due date.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us for our costs, liabilities and expenses if we are held liable for claims arising from your operation of your SARPINO'S PIZZERIA Restaurant.
Costs and Attorney's Fees	Will vary under circumstances	As incurred	You must reimburse us for costs and attorney's fees if we are successful in an action to enforce the Restaurant Franchise Agreement.
Correction of deficiencies	Fee to cover our expenses	On demand	If we correct deficiencies in your restaurant or your operation, if you are in material default or if you fail to correct them after our inspection.

Type of Fee (3)(4)(5)	Amount	Due Date	Remarks
Insurance Costs or Insurance Non-Compliance Fee	Premium and fee to cover our costs in obtaining insurance for you. In the alternative, we may charge you \$300 per month for each month you do not have all of the insurance coverage we require.	As incurred by us for reimbursement of costs. Non-compliance fee is payable on the 10 <sup>th</sup> day of each month if you were not in compliance with insurance requirements for all or a portion of the previous calendar month.	If you fail to purchase the required insurance and we purchase it for you.
Underreporting fee	3 times the amount underreported sales plus \$200 for each month in which you underreported sales	On demand	If an inspection discloses underreporting of Net Sales for any month.
Audit Expenses	Our expenses in conducting audit of books, including travel, room and board and accounting and legal costs	On demand	If an inspection discloses underreporting of Net Sales by 2% or more. In addition to the audit expenses, you must pay all additional royalties and advertising and marketing fees determined to be due.
Customer Complaint Resolution Fee	Fee to cover our expenses	On demand	Payable if we receive within a 90 day period 2 or more complaints from your customers that you have failed to resolve yourself, or we must resolve negative reviews of you or your Restaurant on Social media or otherwise in the internet that may cause damage to the System and Marks, and we incur expenses in resolving the complaints on your behalf. Fee can be imposed an unlimited number of times for unresolved customer complaints.

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Hours of Operation Non-Compliance Fee	\$500 per occurrence	On demand	Payable if your Restaurant is closed on any given day or if your Restaurant is open for business for fewer than standard operating hours on any given day. Fee is imposed for the second and subsequent occurrences. Fee can be imposed an unlimited number of times for hours of operation non-compliance.
Late Reporting Fee	.1% monthly Net Sales	Payable monthly by 10 <sup>th</sup> of next month along with royalty payment for a period of 6 months	Payable if 3 or more times you fail to submit required reports or submit them more than 20 days after due date. Fee can be imposed an unlimited number of times for late reporting.
Additional Royalty for Non-Compliance	.5% of monthly Net Sales for failing first re-inspection, 1% of monthly Net Sales for failing second and any additional re-inspections. 1% of monthly Net Sales for failing to notify us of termination of employment of existing Designated Manager or failing to train replacement Designated Manager.	Payable monthly by 10 <sup>th</sup> of the next month for the period we determine	.5% payable if you remain in non-compliance at first re-inspection after an initial failed inspection, for either 60 days, or until you are in compliance, at our discretion. 1% payable if you remain in non-compliance at subsequent re-inspections for either 120 days or until you are in compliance, at our discretion. 1% payable until you have provided notice and trained a replacement Designated Manager.
Purchasing Non-Compliance Fee	\$300 per occurrence plus the cost of testing	On demand	Payable if we inspect your restaurant and determine that you are using food or non-food products not in compliance with our purchasing requirements.

Type of Fee (3)(4)(5)	Amount	Due Date	Remarks
<u>Manual Replacement Fee-Inspection and re-inspection fees and expenses</u>	\$1,000 per <del>volume</del> Then currently hourly fee for our representative; currently \$150 per hour. <u>In addition, you must pay our representative's hourly fee plus travel expenses if you refuse to allow our representative full access to your restaurant.</u>	Upon delivery of replacement <del>manual</del> <u>On demand</u>	Payable if your printed manual is lost, stolen or damaged. <u>On the first inspection, if you refuse to allow our representative full access to the restaurant for evaluation, you must compensate our representative for their time and pay their travel expenses.</u> <u>At a re-inspection, if you did not correct the deficiencies found during the previous inspection or new deficiencies are found during the re-inspection, you must compensate our representative for their time.</u>
<del>ReInspection and re-inspection fees</del> <u>fees for inspections requested by franchisee</u>	Then currently hourly fee for our representative <u>plus travel expenses</u> ; currently \$150 per hour.	On demand	<del>If we are required to re-inspect the premises after you failed to cure deficiencies we reported to you within a reasonable time.</del> <u>If the inspection is conducted at your request.</u>
Relocation Fee	\$20,000	On demand	Payable if you relocate and we incur expenses in approving the location, approving the lease, providing assistance with construction, promoting the new location and re-opening.

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Fee for temporary operation after expiration of the franchise agreement	\$1,000 per month	On demand	Payable if you do not renew your franchise agreement in a timely manner and you request and we grant you the right to temporarily operate the franchise before signing a renewal Franchise Agreement. Monies will be paid into the National Advertising Fund.
Insufficient funds fee	\$75 plus additional service charges incurred by us	On demand	If an electronic transfer is initiated by us for amounts due to us and is rejected by your bank for insufficient funds.
<del>Inspection</del> <u>6 month consecutive non-compliance fee</u>	\$500 for each subsequent monthly inspection in which you continue to not meet or exceed the then-required scores for passing	On demand	Payable if we determine you have not met or exceeded then-current score for passing during inspections of your SARPINO'S PIZZERIA Restaurant for 6 consecutive months. The monies paid will be deposited into the National Advertising Fund.
Non-compliance fee for failing to devote best efforts	\$100 per day until deficiency is corrected	On demand	Payable if we give you notice of your failure to use best efforts <u>in managing, operating and promoting the Restaurant</u> and you fail to cure in the time provided in the notice.
<u>Non-compliance fee for failure to correct deficiencies or breaches</u>	<u>\$100 per day each day after reasonable time for correction or after cure period</u>	<u>On demand</u>	<u>Payable if you fail to correct within a reasonable period deficiencies cited during an inspection; or if you fail to cure breaches identified in a notice of default.</u>
Non-compliance fee for unauthorized transfer	\$100 per day until the unauthorized transfer is rescinded.	On demand	Payable if you make an unauthorized transfer.

<b>Type of Fee (3)(4)(5)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
POS System Non-Compliance Fee	\$300 per module per month that you do not comply	On demand	Payable if you do not comply with our required use of the Food Cost Module or Labor Cost Module of the POS System as described in our Operations Manual.
<u>Accounting Non-Compliance Fee</u>	<u>\$300 per month</u>	<u>Payable monthly on the 10<sup>th</sup> of each month if you were not in compliance with accounting requirements for all or a portion of the previous calendar month.</u>	<u>Payable for each month or portion thereof that you are not in using the required accounting software and in full compliance with accounting requirements.</u>
Manager-to-Owner Training	For first time attendance, only travel costs; if Manager fails the training program and you wish the Manager to re-take the training program at your cost, estimated at \$3,000 to \$5,000	As incurred	Payable if you refer your Designated Manager or Certified Manager to us for Manager-to-Owner Training and you choose to cover the Designated Manager's travel costs for in-person subjects.

(1) The royalties you remit to us represent our share of the revenues generated from patrons of the SARPINO'S PIZZERIA ® brand and your use of the System. We reserve the right to require payment of royalties and Advertising Fees more frequently than monthly.

(2) The Advertising Fee is contributed to the National Advertising Fund that is used to maximize general public recognition and acceptance of the Marks for the benefit of the System.

(3) All fees are imposed uniformly, except that in our discretion, we may waive or discount fees from time to time based on a franchisee's particular circumstances. All fees are collected by us or an Area Franchisor (if an Area Franchise has been granted for your territory) as we direct. All fees are non-refundable.

(4) Late payments are subject to a late fee of 1% of the payment due (but not less than \$100), plus interest charges.

(5) You must authorize your bank to permit electronic transfers of any and all amounts due to us from your bank account into the bank account of us and/or the Area Franchisor, on a monthly basis. When you sign the Franchise Agreement, you must sign an Electronic Transfer of Funds Authorization form. If you fail to submit Net Sales reports for any month, we can transfer from your bank account 120% of the ~~amount~~ monthly payments transferred in the previous month.

(6) All non-compliance fees are in addition to any and all other remedies available to us under the Franchise Agreement for non-compliance and/or breach of the Franchise Agreement.

**Multi-Unit Development Agreement.** The Multi-Unit Development Agreement (“MUDA”) spells out the fees which the Developer is obligated to pay to us. The following is a summary of these fees.

Type of Fee (1)	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	As incurred	You must reimburse us for our costs, liabilities and expenses if we are held liable for claims arising from your operation of the development business, your offer or sale of securities, or your failure to comply with law in transferring your franchise.
Transfer Fee	\$30,000	Before transfer	Payable if you sell or transfer all or any portion of your Multi-Unit Development Agreement or interest in the Multi-Unit Development rights.
Liquidated damages	\$15,000 times the number of restaurants not yet developed on the date of termination.	Upon demand	Payable if you fail to open any restaurants under the Multi-Unit Development Agreement by the due date and we terminate your agreement.
Costs and Attorney’s Fees	Will vary under circumstances.	As incurred	You must reimburse us for costs and attorneys’ fees if we are successful in an action to enforce the Multi-Unit Development Agreement.

(1) Unless otherwise noted, all fees are imposed by and payable to us. All fees are non-refundable.

### Item 7

#### **ESTIMATED INITIAL INVESTMENT**

**Franchised Restaurant.** The following is an estimate of the funds you will need to start a franchised restaurant, including the initial franchise fee, lease or acquisition of property, construction and improvements, purchase of equipment, supplies and inventory, training of employees and promotion of the new restaurant:

## YOUR ESTIMATED INITIAL INVESTMENT

<b>Type of Expenditure</b>	<b>Estimated Amounts or Range</b>	<b>When Due</b>	<b>Method Of Payment</b>	<b>Refundable</b>	<b>Make Payment To</b>
Initial Franchise Fee	\$30,000	Due on signing	Cash	No	Us or Area Franchisor, if applicable, as we direct
Real Estate Lease (Note 1)	\$2,000 to \$15,000	Per lease provisions	Per lease provisions	Per lease provisions	Landlord
Improvements on Real Estate to Meet SARPINO'S Standards (Note 2)	\$130,000 to \$255,000	As applicable	As applicable	As applicable	Third party contractors and/or vendors
Your Travel Expenses during Initial Training (Note 3)	\$4,000 to \$6,000	As incurred	As you arrange	Not applicable	Airlines, Hotels & Restaurants
On-Site Launch Support (Note 4)	\$12,500 to \$25,000	Deposit due on signing	Cash	No	Us
Purchase of Initial Supplies and Inventory (Note 5)	\$3,000 to \$5,000	Prior to opening store	Lump sum	No	Suppliers
Signs	\$7,000 to \$10,000	As arranged	As arranged	As arranged	Vendor
Miscellaneous Opening Costs (Note 6)	\$8,000 to \$10,000	As applicable	As applicable	Varies	As applicable
Delivery Vehicles (Note 7)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equipment, Furniture and Fixtures (Note 8)	\$159,000 to \$169,000	As agreed	As agreed	As agreed	Suppliers
Opening Promotion (Note 9)	\$10,000 to \$12,000	Before opening	Cash	As agreed	Area Franchisor or Us to administer
Additional Funds (Note 10)	\$30,000 to \$45,000	As incurred	As arranged	As arranged	
Total (Note 11)	\$395,500 to \$582,000				

## Notes:

- (1) This estimate is for the lease security deposit and the first 3 months' rent. The low estimate assumes that the landlord is giving rent concessions for the initial few months of rent. Typical locations are in strip shopping centers, malls or other commercial areas. If you do not own satisfactory store space, you will need to lease space that is satisfactory to us. The amount of your rent depends on factors such as size, condition and location of the leased premises, but may fall outside of the estimated range. If you choose to purchase real estate and/or build a new structure, the costs will be substantially higher.
- (2) This estimate includes the cost of leasehold improvements, such as costs and fees for construction, architectural services, building permits, utility fees, engineering services, and licenses, less an amount for tenant improvement allowances. Tenant improvement allowances negotiated with the landlord may vary from \$0 to \$100,000. The low estimate provided assumes you will receive a tenant improvement allowance.
- (3) This estimate covers the travel, lodging and living expenses of you and your Designated Manager while attending 15 days of hands-on training and 5 days of business classroom training at our headquarters and of your Certified Managers while attending 3 days of training at our headquarters. The costs will vary depending on the distance you must travel and your choice of lodging and meals. Prior to attending the initial training, we will determine if you must work in a Sarpino's Restaurant approved by us for up to 4 weeks. If you do not have a Sarpino's Restaurant in your area, you may incur additional travel expenses to work in the Sarpino's Restaurant.
- (4) This estimate includes the cost of the on-site trainer(s) that will train you for approximately 30 days at your SARPINO'S PIZZERIA Restaurant around the time of opening. Costs include the trainer's compensation, travel and lodging. You must pay for the on-site launch support deposit when you sign the Franchise Agreement. ~~Currently, our policy is to accept a check for this deposit which is not cashed until the on-site launch support is scheduled, but no later than 35 days before store opening.~~
- (5) Includes initial food inventory and miscellaneous tools and supplies.
- (6) Includes permits, license fees, utility security deposits, insurance, accountant or legal fees and incorporation fees. Required insurance coverage includes commercial property insurance, including business interruption, commercial general liability, commercial umbrella coverage, commercial automobile liability insurance, worker's compensation, employment practice liability, including coverage for biometric privacy claims, and cyber liability coverage.
- (7) A vehicle is not necessary for the operation of the SARPINO'S PIZZERIA Restaurant. Delivery drivers use their own vehicles.
- (8) Includes purchase of commercial grade kitchen equipment and mandatory electronic point of sale system and cameras (described in Item 11).
- (9) You must spend a minimum of \$10,000 on initial advertising and promotion of your SARPINO'S PIZZERIA Restaurant within the first 90 days of operation.

- (10) Includes payroll costs, supplies, utilities, mobile and web-based ordering services, and local marketing and advertising and cash reserves for the first 3 months of operation. We cannot guarantee that you will not have additional initial expenses.
- (11) These figures are estimates only and you should weigh these figures carefully before making any decision to purchase a franchise. We also urge you to consult with a business advisor or other person experienced in restaurant franchises. You should not plan to draw income from the operation during the start-up phase, the duration of which varies from store to store. You must have additional capital available to meet all operating expenses and cover other normal expenses you may have. The amounts necessary to keep in reserve will vary from store to store.

**Multi-Unit Development Agreement.** If you sign a Multi-Unit Development Agreement, you should anticipate the initial costs listed in the chart above for the opening of the first Restaurant plus the Development Fee of \$10,000 times the number of restaurants to be developed after the first one.

## Item 8

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

The restrictions below apply in general to any Franchisee establishing and operating a SARPINO'S PIZZERIA restaurant. An Area Franchisor is responsible for ensuring that all Franchisees within his territory comply with these restrictions.

Although you are responsible for locating your store's site, the location is subject to our written acceptance. To meet our Franchise design and standards, your leased or purchased space will need to be constructed and equipped in compliance with our specifications. You may not relocate your restaurant without our prior written consent; however, our approval will not be unreasonably withheld.

You must submit your proposed lease to us for approval before you execute it, and provide a fully executed copy within 15 days after the execution of the lease. Your lease must allow:

- (1) That the premises shall be used only for the operation of the franchised SARPINO'S PIZZERIA restaurant.
- (2) That the landlord consents to your use of SARPINO'S trademark and signage as we may prescribe for the Restaurant.
- (3) That the landlord agrees to furnish us with copies of any and all letters and notices sent to you pertaining to the lease and the premises, at the same time that such letters and notices are sent to you.
- (4) That you may not sublease or assign all or any part of your occupancy rights, or extend the term of or renew the lease, without our prior written consent.
- (5) That we shall have the right to enter the premises to make any modification necessary to protect our trademarks or to cure any default under the lease or the Restaurant Franchise Agreement.

- (6) That we shall have the option, but not the obligation, to assume your occupancy rights, and the right to sublease, for the remainder of the lease terms upon your default or termination under the lease or upon your default or termination under the Franchise Agreement.

You must use and serve all - and only - the products we authorize, including: specific beverages, menu items, equipment, food packaging items, hats, tee-shirts and novelty items. They must be used, prepared and served in strict accordance with our recipes, quality standards and specifications.

You must purchase and use credit and gift card processing services, the point of sale system, online ordering services, accounting software, various types of business management software and applications, and ventilation system from suppliers that we designate. All food products; kitchen equipment; restaurant supplies; POS system support services; uniforms, packaging, promotional materials and other items containing the Marks; computer systems must be purchased from an approved supplier. These items must be purchased from either a supplier that we have approved or a supplier that you identify in your area and that we approve in writing following the approval process described below. We reserve the right to approve only one food and beverage supplier for your area.

A supplier desiring our approval must submit a written request to us describing the company's background, the products or services they would like to provide to Franchisees, pricing and delivery terms, information on their company's insurance coverage, its quality assurance programs, safety and sanitation program and service standards (as applicable to the type of supplier). Approved suppliers must comply with our requirements regarding insurance, indemnification, and non-disclosure if applicable. They must satisfy us that they will supply products meeting our specifications and reliably deliver consistent quality products and services. We may require a site visit to supplier's facility. Factors used in evaluating prospective suppliers will vary depending on the type of product or service being offered. We may require in particular cases that they provide particular brand names. We will respond to companies applying for approval and the affected Franchisee within 60 days of receiving their application. Our exact criteria for evaluating potential suppliers are not currently available. The proposed supplier must pay a fee to us to cover our costs of evaluation and testing. We may immediately revoke a supplier's approval if the supplier fails to meet our quality, sanitation, delivery standards or other requirements that were specifically identified in our initial approval.

We will from time to time modify specifications and standards imposed on Franchisees based upon our own field experience and information coming from Franchisees and Area Franchisors. We will evaluate all input carefully. If we determine that a proposed procedural change or change of standards will benefit all franchise outlets, we will provide amendment to the Manual and/or a supplemental bulletin containing new specifications, standards on you purchases of products and operational procedures. We will also furnish you an approved list of suppliers that we may update periodically. All food items, drinks and products sold by you must conform strictly to the instructions and recipes specified in the Manual. In certain circumstances, we will provide suppliers with our standards and specifications.

Currently, we are not an approved supplier, but we may be an approved supplier of products or services in the future. In ~~2022~~2024, we received no revenue from purchases by franchisees.

Other than their ownership interest in us, none of our officers owns an interest in any approved supplier.

We may from time to time modify specifications of products on a regional or national basis by sending you amendments to the Manual or by other written notice to you. Modifications to the manuals are effective immediately upon your receipt.

Currently, no approved suppliers pay rebates to us based on purchases by franchisees. We may receive rebates from suppliers in the future. We negotiate purchase arrangements (including price terms) with some suppliers for the benefit of the franchisees.

Required purchases from us, designated suppliers, approved suppliers or following Franchisor’s specifications will constitute approximately 75% of all your purchases of goods and services in establishing and 30% to 45% of all your purchases of goods and services in operating your business.

Currently, there are no purchasing or distribution cooperatives.

### Item 9

### FRANCHISEE’S OBLIGATIONS

**This table lists your principal obligations under the Restaurant Franchise Agreement (RFA) and the Multi-Unit Development Agreement (MUDA). It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.**

Obligation	Section in RFA	Section in MUDA	Disclosure Document Item
(a) Site selection and acquisition/lease	1	Not applicable	6 and 11
(b) Pre-opening Purchases/leases	1,2	Not applicable	8
(c) Site development and other pre-opening requirements	1,2	Not applicable	6, 7 and 11
(d) Initial and ongoing training	5,6	Not applicable	11
(e) Opening	6	4	11
(f) Fees	4	3, 9.E, 14.C.	5 and 6
(g) Compliance with standards and policies/Operating Manual	6	Not applicable	11
(h) Trademarks and proprietary information	8	7	13 and 14
(i) Restrictions on products/services offered	6	Not applicable	16

Obligation	Section in RFA	Section in MUDA	Disclosure Document Item
(j) Warranty and customer service requirements	6	Not applicable	11
(k) Territorial development and sales quotas	1.4	4	
(l) Ongoing product/service purchases	6	Not applicable	8
(m) Maintenance, appearance and remodeling requirements	2	Not applicable	11
(n) Insurance	11	Not applicable	6 and 8
(o) Advertising	10	Not applicable	6 and 11
(p) Indemnification	9.5	12.C	6
(q) Owner's Participation/management/staffing	6, 7	10.A	11 and 15
(r) Records/reports	12	4.B	6
(s) Inspections and audits	5,6,12		6 and 11
(t) Transfer	13	9	17
(u) Renewal	3	Not applicable	17
(v) Post-termination Obligations	15	8.D	17
(w) Non-competition Covenants	7	10	17
(x) Dispute Resolution	16	14.G	17
(y) Guaranty	13.6, 18.17	17	15

### **Item 10**

#### **FINANCING**

We do not offer any direct or indirect financing, nor guarantee any financing, lease or obligations of Franchisees.

We provide you with a list of recommended lenders which you may choose to use for third-party financing at your option. We do not receive a material benefit as a result of your use of any recommended lenders.

### **Item 11**

#### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

## **Restaurant Franchise:**

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

Before you open the SARPINO'S PIZZERIA Restaurant, either we or Area Franchisor, if an Area Franchise has been granted for your area, will do the following:

1. Furnish to you site selection guidelines and criteria and site selection counseling and assistance as we deem advisable. (Franchise Agreement, Section 1, Attachment B). Review and either approve or disapprove the site for the SARPINO'S PIZZERIA Restaurant. In approving or disapproving a proposed site, we will consider factors such as demographics (including number of households, household income and other potential customer segments), vehicular traffic, other businesses and hotels in the surrounding area, and the number of restaurants selling similar products, including other existing or proposed Sarpino's Restaurants, near the proposed new location. We have 30 days from receipt of all information and materials regarding the site to approve or disapprove the site. If you have not acquired an approved site within 90 days of signing the Franchise Agreement, you will be in default under the Franchise Agreement and your franchise can be terminated. (Restaurant Franchise Agreement, Section 1, Attachment B)

For Multi-Unit Developers, as you establish each location under the Multi-Unit Development Agreement, we will determine whether a site you propose is approved based on the then-current factors we are considering for approving a site.

2. Furnish to you prototypical standard plans and specifications for the interior and exterior design and layout of the Restaurant and its fixtures, furnishings, equipment and signs (Restaurant Franchise Agreement, Section 5.1)

3. Train you (or Designated Manager if you are an entity). (Restaurant Franchise Agreement, Section 5.2) This training will be described in detail later in this Item.

4. Provide on-site opening supervision and assistance as we determine is reasonably necessary. (Restaurant Franchise Agreement, Section 5.3)

5. Provide written certification authorizing the opening of the SARPINO'S PIZZERIA Restaurant when you have met all pre-opening requirements. (Restaurant Franchise Agreement, Section 6.2)

During your operation of the SARPINO'S PIZZERIA Restaurant, either we or Area Franchisor, if an Area Franchise has been granted for your area, will do the following:

1. Provide to you, during the term of the Franchise Agreement, online access to each of the operating manuals for a SARPINO'S PIZZERIA Restaurant and additional resources and procedures provided through various digital formats or platforms, (collectively the "Operating Manual"), containing standard operational procedures, policies, rules and regulations. (Restaurant Franchise Agreement, Section 5.5) The table of contents of the Operating Manual for the SARPINO'S PIZZERIA Restaurant as of the date of this Franchise Disclosure Document is attached to this Franchise Disclosure Document as Exhibit F. The total number of pages in the Operating Manual as of the date of this Franchise Disclosure Document is approximately 2,222.

2. Provide ongoing performance improvement consulting on the operation of a SARPINO'S PIZZERIA Restaurant and advice and written and/or electronic (digital) materials concerning management techniques and new developments. (Restaurant Franchise Agreement, Section 5.4)

3. Conduct inspections of the operation of your SARPINO'S PIZZERIA Restaurant and evaluations of your products and services as we determine is necessary in our discretion, and provide you with reports or evaluations as we deem advisable. (Restaurant Franchise Agreement, Section 5.6).

4. We will administer a national advertising fund (the "Advertising Fund"). You must contribute to the Advertising Fund as described in Item 6. All franchisees must contribute at a uniform rate. SARPINO'S PIZZERIA Restaurants owned by us or our affiliate may but are not obligated to contribute to the Advertising Fund.

We direct all advertising and promotional programs financed by the Advertising Fund, with sole discretion over the creative concepts, materials, and media used in them, and the placement and allocation of the programs. The Advertising Fund may be used to pay the cost of conducting television, radio, magazine, newspaper and internet and social media advertising campaigns, direct mail and outdoor billboard advertising, marketing surveys and other public relations activities, employing advertising agencies, and providing promotional brochures and other marketing materials to franchisees, website development and maintenance, and other activities for promotion of the Marks and SARPINO'S PIZZERIA Restaurants. The Advertising Fund monies may be used to solicit the sale of franchises.

The Advertising Fund will be a separate and distinct account and 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 administrative costs and overhead we may incur in activities reasonably related to the administration of the Advertising Fund. We will have an annual statement of the operations of the Fund prepared annually and will make it available to franchisees. We may have the Fund audited but have no obligation to do so.

You understand and acknowledge that the Advertising Fund is intended to maximize recognition of the Marks and patronage of SARPINO'S PIZZERIA Restaurants. We have no obligation to ensure that expenditures by the Advertising Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Advertising Fund by each SARPINO'S PIZZERIA Restaurant franchisee or that any SARPINO'S PIZZERIA Restaurant franchisee will benefit directly or in proportion to its contribution to the Advertising Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Franchisor has the right to discontinue or reestablish the Advertising Fund. However, before termination of the Advertising Fund, all monies in the Fund shall be expended for advertising and/or promotional purposes.

The media currently being used by the Advertising Fund includes printed materials, billboards, signs in and on commuter trains and buses, radio advertising, email marketing, social media and other internet and digital marketing, and television advertising. The advertising is local, regional and national in scope. The advertising and marketing programs are currently being developed by both in-house staff and outside marketing agencies.

For the year ending December 31, ~~2022~~2023, the fees collected by the Advertising Fund were spent as follows: ~~56~~% on production, ~~88.2~~% on media placement, ~~49~~% on design, 3% on public relations, and ~~0.50~~% on administrative expenses. In ~~2023~~2022, we did not receive any payments from the Advertising Fund for services rendered or products sold to the Fund. In 2023, ~~21~~~~2022~~, ~~15.4~~% of the expenditures of the Advertising Fund were used by us principally for solicitation of new franchisees.

We may designate a regional advertising cooperative consisting of franchisees in a certain area designated by us for purposes of developing cooperative regional advertising programs and promotional materials, subject to our approval. See Item 6 regarding the required contribution to the cooperative. The members of the cooperative are responsible for the administration of the cooperative. The cooperative does not have to operate from written governing documents. We have the power to form, change, dissolve or merge cooperatives. Currently, there are no regional advertising cooperatives.

You can use ~~your own~~ local advertising and promotional materials created by you or another source, including AI generated, as long as you obtain our written consent before using them. You must obtain our written consent before using any digital or electronic marketing, advertising or promotion.

### Computer System

You must purchase an electronic point of sale system for use in operating your SARPINO'S PIZZERIA Restaurant from a supplier we designate. You must accept cash, credit cards and debit cards and use the electronic POS system to transact all customer purchases and must offer online and mobile ordering options to customers (Restaurant Franchise Agreement, Sections 6.9 and 6.18).

Currently the point of sale system we require is from FoodTec Solutions, Inc. The system includes computer hardware, printers, software for POS, and store management. The FoodTec system collects order, customer, inventory, labor scheduling and cost, and marketing information, and generates sales, inventory, labor and marketing reports; and provides a proprietary map module for driver dispatch, driver IQ module, food cost management module, scheduling module, marketing module, sales forecast module, multi-unit enterprise reporting module, credit card and gift processing software, anti-Virus software and networking equipment. Maintenance and upgrades for the first year are included in the initial purchase of the system. The estimated initial cost to purchase the FoodTec POS system is \$17,845, a discounted cost provided to our franchisees by FoodTec. You also may purchase surveillance cameras for use with the FoodTec POS system, at an estimated initial cost of \$2,110. The current charge for ongoing support is \$900 for 12 months of basic support, \$1,740 for 12 months of standard support, or \$2,760 for 12 months of enterprise support.

You must purchase mobile and web-based ordering services from FoodTec Solutions, Inc. FoodTec currently charges a fee of \$431 per month for these services. This fee covers access to the Target Marketing, Online Ordering, Mobile Application, Gift card, Loyalty and Enterprise Data Base Modules. ~~You must purchase the FoodTec YourFare extension, which provides integration with third-party online ordering services.~~ You must also purchase the remote access module from FoodTec for a current annual fee of \$120. ~~FoodTec currently charges a one-time mapping fee of \$300~~ You must purchase from FoodTec the ItsaCheckmate extension which provides integration with third party online services. The current fees for the ItsaCheckmate extension are \$95 for set up and a monthly fee of \$120 for the YourFare extension<sup>139</sup>. The FoodTec POS provides access to the Centralized Menu Management system for a monthly fee which is currently \$21. Any improvements or additions to the POS System developed by FoodTec Solutions, Inc. in the future may be at an additional charge.

We currently require the use of the following software applications in the operation of the SARPINO'S PIZZERIA Restaurant:

~~Fountain, an HR solution with a boost feature~~ Paradox Applicant Tracking Software for employee sourcing. ~~There~~ Currently the set up fee is currently a \$60\$250 and the monthly fee is \$55.

Talent LMS which is learning management software designed to assist you in training your staff on our standards and processes. Currently, we cover the initial and monthly fees for you to use this software.

Smartsheets project management software. We currently cover the initial and monthly fees for you to use the collaboration mode of this software.

Workplace which is an internal social network. We currently cover the initial and monthly fees for you to use this software.

MeasureUp which is an application that supports monthly restaurant evaluations performed by performance improvement consultants. We currently cover the initial and monthly fees for you to use this software.

Review Trackers is an application that tracks and puts in a centralized place reviews on various internet sites. We currently cover the initial and monthly fees for you to use this application.

We require you to use accounting software QuickBooks Online with an approved chart of accounts. We provide integration between Foodtec POS and Quickbooks online for sales, food cost, royalties and ad fund transactions at no additional costs. You can expect to incur expenses to purchase and use the accounting software. Current costs for QuickBooks Online start at ~~\$38.50~~\$51 per month ~~for the first 12 months and \$55 per month thereafter.~~

We have no obligation to provide ongoing maintenance, repairs, upgrades and updates to the required computer system.

During the term of the franchise, you must have high-speed internet access following the specifications of the current POS provider.

We may require you to upgrade your electronic POS system and any other required computer system during the term of the Restaurant Franchise Agreement, including the purchase of additional software and/or web-based services. There are no limits on the frequency or cost of upgrades we can require. We have the right to access all of your data and information related to your SARPINO'S PIZZERIA Restaurant.

### Time to Open

You must acquire or lease a location for your SARPINO'S PIZZERIA Restaurant, on lease terms acceptable to us, within 90 days of signing the Restaurant Franchise Agreement. We estimate that it will take 5 to 11 months after you obtain possession of the site for your SARPINO'S PIZZERIA Restaurant before you open for business. You must be open within 1 year of signing the Restaurant Franchise Agreement. The factors that affect how much time it takes you to open the restaurant include the time it takes to locate a site and secure a lease, to obtain financing, to obtain building permits, to comply with local zoning and ordinances, to complete construction and to obtain delivery of and install equipment, fixtures and signs. We may grant you a 2-month extension on the deadline to open upon your written request and our determination, in our sole discretion, that you have worked diligently and in good faith to open. (Restaurant Franchise Agreement, Section 6.2 and Attachment B)

### Training

Before the SARPINO'S PIZZERIA Restaurant opens, we will furnish to you and your Designated Manager an initial training program on the operation of a SARPINO'S PIZZERIA Restaurant.

The initial training program is in 3 parts. The first part is 15 business days of hands-on operational training at the training center located in our corporate headquarters. The operational training at our training center is conducted by Rebecca Kroupa. She has been a Performance Improvement Consultant for us, with specific responsibilities relating to training, since December 2017. She has 13 years of prior restaurant management and development experience with several franchised brands. If you are an existing franchisee opening an additional restaurant, we will determine whether you must attend all or a portion of the 15 business days of hands-on operational training at the training center, which determination may be based in whole or in part on your previous training and an assessment of the operations of your existing SARPINO'S PIZZERIA Restaurant.

The second part is 5 business days of classroom business training conducted at our option either at our corporate headquarters or remotely. The business training is currently conducted by one or more of the following individuals who have the experience described.

Ruth Soskin of Trainology, Inc. – She has 17 years of experience as a professional trainer and has been conducting our classroom training since 2017.

Igor Dymo has been our one of our Performance Improvement Consultants since May 2014, and provides training in the areas of process development and IT applications for restaurant operations and reporting. He has over 4 years of previous experience as a general manager of a Sarpino's Restaurant.

Rebecca Kroup, whose experience is described above.

~~James Bychowski has been our POS and food cost specialist since May 2017. He has 14 years of experience in restaurant operations and POS systems.~~

Tetyana Yermolayeva of MNC Consulting Company has been one of our Performance Improvement Consultants since October 2014, and provides training on the POS system and various IT systems for restaurant operations and reporting. She has over 4 years of previous experience as a general manager of a Sarpino's Restaurant.

Vladimir Shmytov has been one of our Performance Improvement Consultants since June 2023, and provides training on the POS and food cost. He has previous experience as a manager of Sarpino's Pizzeria restaurant from January 2022 to June 2023.

After completion of the business training, you and your Designated Manager must pass an on-line test.

A new Developer must attend an additional one day of business training at our corporate headquarters relating to multi-unit development.

The third part of the initial training program is approximately 30 days of on-site launch support conducted at your SARPINO'S PIZZERIA Restaurant beginning approximately 3 days prior to the opening of your SARPINO'S PIZZERIA Restaurant. However, we are not required to conduct on-site launch support if you have not completed all opening requirements. The launch support is currently provided by one or more of the following individuals who have the experience described:

~~James Bychowski has been our POS and food cost specialist since May 2017. He has 14 years of experience in restaurant operations and POS systems.~~

Rebecca Kroupa, whose experience is described above.

Tetyana Yermolayeva of MNC Consulting Company has been one of our Performance Improvement Consultants since October 2014, and provides training on the POS system and various IT systems for restaurant operations and reporting. She has over 4 years of previous experience as a general manager of a SARPINO'S PIZZERIA Restaurant.

Igor Dymo has been one of our Performance Improvement Consultants since May 2014, and provides training in the areas of process development and IT applications for restaurant operations and reporting. He has over 4 years of previous experience as a general manager of a SARPINO'S PIZZERIA Restaurant.

Daniel Alfaro has been one of our Performance Improvement Consultants since May 2022, and provides on-site training and on demand kitchen training. Prior to working for us, he previously had 18 years of experience consulting restaurant teams in sales and coaching, and worked as a franchise business consultant for a large restaurant franchise system, conducted franchisee training, assisted with store openings, and conducted on-site evaluation visits.

Cassandra Alvarez has been one of our Performance Improvement Consultants since September 2022, and provides on-site training and on-demand kitchen training. Prior to working for us, she previously had 7 years of experience managing pizza restaurants for another pizza restaurant franchise system, and also assisted with store openings, technical support training, and initial and ongoing training in all aspects of restaurant operations.

Vladimir Shmytov has been one of our Performance Improvement Consultants since June 2023 and provides on-site training on the POS and food cost. He has previous experience as a manager of Sarpino's Pizzeria restaurant from January 2022 to June 2023.

You and any Designated Manager must attend and complete all 3 parts of training to our satisfaction. You will be responsible for all compensation, travel, lodging and living expenses incurred by you, your managers and employee attending training. In addition, you must reimburse us for compensation for the in-store training and the trainer's travel, lodging and living expenses while conducting training at your SARPINO'S PIZZERIA Restaurant.

If you are purchasing the franchise rights and assets of a Restaurant of an existing SARPINO'S franchisee, concurrent with the on-site launch support we will provide, you may want to arrange with the selling franchisee that they will provide 2 weeks of consultation and assistance about the operations of the existing Restaurant.

There are currently no "fixed" training schedules. As of the date of this Franchise Disclosure Document, the following is the schedule for our business training and in-store training:

**RESTAURANT FRANCHISE TRAINING PROGRAM**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
<b>Training at our Training Center</b>			
Operations (including Prep Work, Cooking Procedures, Food Cost Management, Placing Purchase Orders, Receiving Deliveries, Physical Inventory, Cleaning, Managing Equipment, Safety)	0	105	Lincolnshire, IL
Intranet and POS usage	0	15	Lincolnshire, IL
<b>Business Training at our offices or remotely, at our option</b>			
Introduction	2	0	Lincolnshire, IL
Personnel	8	0	Lincolnshire, IL
Customer Relations	6	0	Lincolnshire, IL
Management	6	0	Lincolnshire, IL
Daily Operations Procedures	2	0	Lincolnshire, IL
Marketing	8	0	Lincolnshire, IL
Financial Reporting	8	0	Lincolnshire, IL
<b>In-Store Launch Support at your Restaurant</b>			
Foodtec POS	0	20	Your restaurant
Inventory	0	18	Your restaurant
Food Preparation – 30	0	20	Your restaurant

Ordering & Receiving	0	5	Your restaurant
Operations	0	30	Your restaurant
Labor	0	20	Your restaurant
Staff Development	0	10	Your restaurant
Cost controls	0	1	Your restaurant
Equipment	0	10	Your restaurant
Food Safety	0	20	Your restaurant
Store Evaluation & Compliance Report C.A.R.E.	0	5	Your restaurant
Marketing	0	10	Your restaurant
Communication Vehicles	0	1	Your restaurant

The instructional materials used during the initial training program include the on-line Operating Manual, on-line multimedia presentations, project management software, Learning Management System, and supplementary materials.

We reserve the right to make changes in training staff at any time.

In addition to the training requirements for the Designated Manager, you must at all times have 2 additional managers who have attended and completed to our satisfaction the 3-day Certified Manager Training at our headquarters.

After the opening of the SARPINO'S PIZZERIA Restaurant, we may offer and we may require you or your Designated Manager and key employees to attend courses, seminars and other training programs during the term of the franchise, to be furnished at times and places we designate. We have the right to charge you a fee for these programs. You will be responsible for travel, lodging, meals and wages of you and your employees attending these courses, seminars and training programs. (Restaurant Franchise Agreement, Section 6.5)

We currently have a policy of paying our franchisees a referral fee if they refer their Designated Manager or Certified Manager to us and it results in a franchise sale. If you choose to participate in this referral program and we provide preliminary approval of the Designated Manager or Certified Manager as a prospective franchisee, in our sole discretion, we will provide the Designated Manager or Certified Manager with our Manager-to-Owner Training at no cost. The Manager-to-Owner Training is a 4-month program including both online and in-person training in

Lincolnshire, Illinois for up to 5 days per month. Either you or your Designated Manager or Certified Manager will be responsible for travel, lodging, and meals the Designated Manager or Certified Manager incurs while attending the in-person subjects of the Manager-to-Owner Training. We will provide the Manager-to-Owner Training at no cost only once for each Designated Manager or Certified Manager for whom we grant our preliminary approval. If a Designated Manager or Certified Manager fails the Manager-to-Owner Training, we are not obligated to offer the Designated Manager or Certified Manager the opportunity to re-take the training. If the referring franchisee wishes that the Designated Manager or Certified Manager re-take the Manager-to-Owner and we approve, we may require the referring franchisee to pay for the Manager-to-Owner Training, estimated at \$3,000 to \$5,000.

## **Item 12**

### **TERRITORY**

#### **RESTAURANT FRANCHISES**

You are granted the right to operate your restaurant at the location specified in Attachment A to your Restaurant Franchise Agreement (the "Approved Location"). Our approval of a proposed location will be based upon the business viability of the location. We will consider: the demographics (including number of households, household income and other potential customer segments); vehicular traffic; other businesses and hotels in the surrounding area, and the number of restaurants selling similar products, including other existing and proposed Sarpino's Restaurants, near the proposed new location. A typical Approved Location might be in a shopping center or concentrated commercial area. In most cases, the Approved Location will be identified by a street address. —The approval is also conditioned upon the landlord agreeing to execute the Lease Addendum attached to the Restaurant Franchise Agreement or agreeing to similar lease terms and conditions acceptable to us.

We will grant you a protected area, the configuration of which will vary from franchise to franchise but its exact configuration will be specified in Attachment A to the Restaurant Franchise Agreement before you sign it ("Protected Area"). The significance of the Protected Area is that we and our affiliates will not allow another SARPINO'S PIZZERIA restaurant to be located within its geographic boundaries, except that we may establish a SARPINO'S PIZZERIA Restaurant in a limited use facility within your Protected Area. A limited use facility includes enclosed malls, institutions (such as hospitals), highway toll plazas, transportation facilities, amusement parks and other isolated entertainment facilities, sports arenas, convention centers and other facilities or venues where events are scheduled. Based on our right to establish restaurants in limited use facilities in your Protected Area, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Protected Areas will typically be described in terms of a boundary surrounding the Approved Location. The geographic size of the Protected Area will be determined by us based on density of population, customer segments and a drive time analysis for delivery services. We currently obtain information on customer segments, including residential customers, businesses, hotels, schools, co-branding partners, community organizations and churches, from various sources. The boundary of the Protected Area may be a measured distance from the restaurant site, such as a one-mile radius from the Approved Location. In many cases, the outer boundary may be described in terms of designated streets. If you are granted a franchise for a limited use facility, the Protected Area will

be the limited use facility and you will not be permitted to offer delivery services outside of the limited use facility.

We and our affiliates have not established and will not establish a company-owned or franchised outlet using our marks in your Protected Area. We and our affiliates may establish a SARPINO'S PIZZERIA Restaurant anywhere outside of your Protected Area. We and our affiliates may establish businesses that offer products and services similar to those offered by SARPINO'S PIZZERIA Restaurants under different marks both within and outside of the Protected Area. We and our affiliates may establish other channels of distribution for similar products and services using the marks or other trademarks or service marks within or outside of the Protected Area. However, we currently have no plans to sell products or services through other channels of distribution. If we do so, we have no obligation to compensate you when we make sales in your Protected Area.

You will operate from the one "Approved Location" specified in Attachment A to the Restaurant Franchise Agreement and you must receive our written permission before relocating. You do not have the right to acquire additional franchises within your area. You have no "right of first refusal" or special rights to acquire additional franchises within any other geographic area or in contiguous area.

You may not relocate your SARPINO'S PIZZERIA Restaurant without our prior written consent. Such a relocation will be at your sole expense and you must pay us a relocation fee. We will not consent if you have not complied with all the terms and conditions of the Restaurant Franchise Agreement as well as all applicable laws. Our consent will not be unreasonably withheld.

During the term of the Restaurant Franchise Agreement, you may serve customers only from your restaurant. You may not operate any other permanent or temporary mobile vending vehicle, "grab'n go case", kiosk or any other form of distribution without our prior written consent. You may not sell to anyone any materials, supplies or inventory used in the preparation of any of our products, except as permitted in the manuals. You may sell only products that have been approved for sale and only to retail customers. You may not sell any products to any person or entity purchasing products for resale.

You must not conduct any targeted marketing in the Protected Area of another SARPINO'S franchisee. If you do so, we have the right to restrict or prohibit you from conducting any targeted marketing. However, existing franchisees may not have such a restriction in their franchise agreement. If any portion of your Protected Area overlaps the Protected Area of another SARPINO'S PIZZERIA franchisee, both you and the other franchisee will be permitted to direct market in the area where the Protected Areas overlap.

You are required to achieve certain Net Sales volumes above the break-even point each calendar year to maintain rights to your Protected Area. If you do not for any calendar year, we have the right to reduce the size of your Protected Area.

You do not receive the right to acquire additional franchises under the Restaurant Franchise Agreement. You must meet our then-current qualifications for opening another franchise and purchase another franchise to establish another SARPINO'S PIZZERIA Restaurant with additional territory.

**Multi-Unit Development Agreement.** Under the Multi-Unit Development Agreement, you are granted a territory in which you have the right to develop multiple SARPINO'S PIZZERIA

Restaurant franchises during the term of the Multi-Unit Development Agreement (“Development Territory”). The Development Territory will be negotiated by you and us and will be described in Exhibit A to the Multi-Unit Development Agreement. The size of the Development Territory will vary and will depend on the number of restaurants you intend to open, our analysis of the market potential and your financial and operational abilities. During the term of the Multi-Unit Development Agreement, we will not grant any franchise or ourselves establish any SARPINO’S PIZZERIA Restaurants within the Development Territory. We can establish within and outside of the Development Territory businesses offering similar services and products using different marks. We may establish other channels of distribution for similar services and products using the Marks within or outside of your Development Territory.

As you develop each SARPINO’S PIZZERIA Restaurant under the Multi-Unit Development Agreement, the protected area granted under each Franchise Agreement will be based on our then-current standards for granting territories, which may differ from the territorial protection granted to franchisees under this Disclosure Document.

### Item 13

### TRADEMARKS

We grant you the right to operate a restaurant under the name of SARPINO’S PIZZERIA. You may also use our other current or future trademarks at your restaurant. “Marks” as used in the Franchise Disclosure Document includes the trade names, trademarks, service marks and logos used to identify our restaurants.

We own the rights to the registrations listed below. On March 10, 2005, Sarpino’s International Inc. assigned to us all rights to the registrations with the U.S. Patent and Trademark Office (“PTO”) for the Marks “SARPINO’S” and “SARPINO’S PIZZERIA” and designs, and the perpetual right to exclusively use those Marks in the USA. We obtained registrations with the PTO for the other Marks listed in the table below.

<b>Principal Trademark/ Service Mark</b>	<b>Principal/ Supplemental Register</b>	<b>Reg. No.</b>	<b>Reg. Date</b>
SARPINO’S	Principal	2828230	03/30/04; renewed 01/23/14
SARPINO’S PIZZERIA & design	Principal	2821275	03/09/04; renewed 10/04/13
SARPINO’S PIZZERIA & design	Principal	2861689	07/06/04; renewed 01/28/14
OPEN LATE & Design	Principal	4450221	12/17/13
OPEN 365 DAYS & Design	Principal	4473792	01/28/14
NO MINIMUM ORDER	Principal	4457799	12/31/13

FREE DELIVERY & Design	Principal	4450222	12/17/13
100 PERCENT CUSTOMER SATISFACTION GUARANTEED! & Design	Principal	4453665	12/24/13
CONVENIENTLY GOURMET	Principal	5370702	01/02/18
GOURMET EXPERIENCE GUARANTEED!	Principal	6664415	03/08/22
REAL ITALIAN FLAVOR MADE WITH LOVE AND CARE	Principal	6664417	03/08/22
	<u>Principal</u>	<u>7060876</u>	<u>05/23/23</u>

We intend to file all required affidavits with the PTO when due.

~~In addition, on April 12, 2022, we filed for registration on the principal register of the PTO for the following design mark, which registration application was assigned serial number 97359367 and was published for opposition on March 7, 2023:~~



There are no currently effective material determinations of the PTO, Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There are no pending infringements, opposition, cancellation or pending material litigation involving the trademarks.

You must follow our rules when you use the above Marks. You shall not use the Marks as part of a corporate name or use it with modifying words, designs or symbols except for those which we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

No agreements limit our right to use or license the use of the Marks in the United States. Other unrelated companies will continue to use the Marks, but only outside of the United States. We do not know of any infringing uses that could materially affect your use of the Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of any of the Marks. In such cases we will take the action we think appropriate. You may participate at your own expense in defense or settlement, but our decisions about the matter will be final.

You may not use any of the Marks as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any of the Marks in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by us. Also, you may not perform or allow any business or marketing practice, which may be injurious to our business and the goodwill associated with the Marks.

We also have certain common law rights in the Marks by virtue of using them.

You must modify or discontinue the use of any Mark if we direct you to do so. You must adopt any new mark we direct you to adopt. If this happens, we will reimburse you for your tangible costs of compliance (for example, changing signs). We will not be obligated to reimburse you for any loss of goodwill associated with any modified or discontinued mark or for funds you expend to promote a modified or substitute trademark or service mark.

You must not develop, own, use or license any Internet home page, e-mail, website, bulletin board, news group, Web log, or any other related medium that displays or uses the Marks in any manner, except with our prior written consent and following our procedures, policies, standards and specifications. You must not enter into any agreements with third parties for the use of any of our domain names or website addresses, except with our prior written consent.

**Multi-Unit Development Agreement.** Under the Multi-Unit Development Agreement, you are not granted the right to use the Marks. All of the rights to use the Marks are derived solely by entering into a Restaurant Franchise Agreement with us. You will have no right to license others to operate a business using our System or Marks.

## **Item 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or copyright materials related to the Franchise.

The Operating Manual, recipes and all other information and materials necessary for the operation of SARPINO'S PIZZERIA Restaurants are considered proprietary and confidential and are to be used by you only as described in the Restaurant Franchise Agreement. In May 2005 Sarpino's International Inc. assigned to us all rights for the United States to its proprietary and confidential information and materials relating to the operation of SARPINO'S PIZZERIA Restaurant. Sarpino's International Inc. will continue to use the proprietary and confidential information and materials, but only outside of the United States.

We claim copyrights in the proprietary and confidential materials in the United States. We have not registered these copyrights with the United States Copyright Office. You may use these items only as specifically authorized in the Restaurant Franchise Agreement, the Manual and directives. You must stop using them if we so direct as specified in the Restaurant Franchise Agreement.

We claim certain copyright protection to software and applications developed or modified for Sarpino's by third party suppliers.

You must treat the information contained in the Manual and any other manuals or supplemental material supplied by us as confidential. The Manual is our property and you may not duplicate,

copy, disclose, summarize or disseminate the contents of the Manual at any time, without our prior written consent; provided however, that you may disclose the contents to your employees as part of your normal business operations. We may modify or supplement the Manual from time to time. You must keep the Manual current at all times. You must return the Manual to us upon the termination of your franchise.

You may not communicate, divulge or use, or allow third parties to communicate, divulge or use, any confidential information concerning our methods or procedures during or after the term of the Restaurant Franchise Agreement except that you may use confidential information during the term of your Franchise as part of your normal business operations. Information we make available to you may not be divulged to any person other than your employees or financial advisors who reasonably require access to such information. You must inform those employees to whom any of the contents of the Manual have been made known, of their obligation of confidence. You must obtain a written confidentiality agreement (using our standard form) from each person having access to the Manual or other confidential information.

**Multi-Unit Development Agreement.** The Multi-Unit Development Agreement does not grant you any right to use any of our confidential information and copyrighted materials. All of the rights to use the confidential information and copyrighted materials are derived solely by entering into a Restaurant Franchise Agreement with us.

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### **Item 15**

## **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Each SARPINO'S PIZZERIA Restaurant must have a designated manager. If you are an individual owner (not a corporation, limited liability company or other type of business entity), we require that you personally supervise the franchised business on the premises and act as the designated manager. If you are a corporation, limited liability company or other type of business entity and own one SARPINO'S PIZZERIA franchise, one of the owners of the franchisee must be the designated manager. If you own more than one SARPINO'S PIZZERIA franchise, you must have a different designated manager for each restaurant. If you own more than one SARPINO'S PIZZERIA, we do not require that the additional designated managers own an equity interest in the franchisee entity. However, your designated manager must sign the non-competition and confidentiality agreements described in the Restaurant Franchise Agreement.

If you are an entity, all of your owners and spouses of your owners must personally guarantee your obligations under the Restaurant Franchise Agreement, and must agree to be bound by, and personally liable for the breach of, every provision in the agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the preservation of the confidentiality of our confidential information and compliance with the covenants not to compete. The "Guaranty and Assumption of Obligations" is attached to the Franchise Agreement.

## **Item 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We require that you offer and sell only those goods and services that we have approved. You must offer all the goods and services that we have designated as mandatory items, including the uniform menu offerings and delivery service. We may from time to time require that you offer and sell a minimum number of specialty pizzas, as published in the Operations Manual. The current minimum number of specialty pizzas you must offer and sell is 28, but is subject to change in our sole discretion upon notice to you. We may from time to time designate certain goods or services as optional in which case you may choose to offer them at your restaurant or not at your discretion. We may from time to time permit or require regional variations of the required menu items. We may require you to participate in local, regional and national limited time offer programs.

To be consistent with our advertising and promotion and our Marks, you must be open 365 days each year and for the minimum hours that we designate. We currently require you to be open at least from 10 am to 2 am every day.

Authorized products may vary depending on the geographic location of your restaurant and other factors. We may add, delete, and change mandatory menu items at our discretion, which may require you to purchase additional equipment.

We may, on occasion, require you to test market products and/or services at your store and you must cooperate with us in conducting test marketing programs.

No vending, gaming or coin-operated machines are permitted in your restaurant without our prior written consent.

## **Item 17**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

**These tables list certain important provisions of the Restaurant Franchise Agreement and Multi-Unit Development Agreement. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

#### **Restaurant Franchise:**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	3	Term is 10 years from the date of signing the Restaurant Franchise Agreement.
b. Renewal or extension of the term	3	Term can be extended for an additional 10 years by meeting requirements in c. below.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
c. Requirements for you to renew or extend	3	Give notice; must be in compliance with the Franchise Agreement and other agreements with us and Manual, must have paid all amounts owed to us; have right to remain in current premises; renovate the Restaurant; release signed by you and your owners; comply with training requirements; successfully passed most recent inspection' no unresolved customer complaints and have satisfactory customer ratings; and sign the then current Restaurant Franchise Agreement. You pay a renewal fee not to exceed 50% of the then current Initial Franchise Fee to cover actual expenses incurred. The new Restaurant Franchise Agreement may have materially different terms and conditions from your original Restaurant Franchise Agreement.
d. Termination by you	Not applicable	Under general principles of contract law, a material breach by us would be grounds for termination.
e. Termination by Franchisor without cause	14	Franchisor may terminate the agreement, prior to its expiration, only upon the occurrence of a material breach.
f. Termination by Franchisor with cause	14	"Cause" is a material breach of the agreement with the Franchisor.
g. "Cause" defined - defaults which can be cured	14	Failure to pay us or an affiliate, the landlord, lender, or any supplier of the Restaurant sums due after 10 days' notice, failure to correct health or safety issue within 48 hours, or failure to comply with any other obligation under the Franchise Agreement after 30 days' notice.
h. "Cause" defined - defaults which cannot be cured	14	Includes failure to acquire approved site with lease approved by us, failure to open business or opening business without our authorization, failure to complete initial training, abandonment of business, default on real property interest instrument, insolvency, assignment without permission, violation of confidentiality, false statements, dishonesty or other unlawful conduct; 2 or more defaults in 12 months; conviction of a felony, violation of non-competition or non-solicitation covenants.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
i. Your obligations on termination / non-renewal	15	Discontinue use of Marks, copyrights, manuals, trade secrets, System; de-identify premises as a Sarpino's restaurant; pay amounts due; return manuals, training materials, POS hardware and software, signs and materials containing the Marks; cancel dba or assumed name; assignment of telephone number; assignment of, or at our direction close, internet, social media and third party vendor online accounts; and pay our costs in enforcing these obligations.
j. Assignment of contract by Franchisor	13.1	We have unrestricted right to assign your agreement.
k. "Transfer" by you – definition	13	Includes assignment of interest in Franchise Agreement, the Franchisee or the Restaurant assets resulting in change of ownership or change in management control.
l. Franchisor's approval of transfer by Franchisee	13	Must obtain prior written consent from us.
m. Conditions for our approval of transfer	13	Provide written notice; be in compliance with Franchise Agreement and other agreements and Manual; paid all amounts due under the Franchise Agreement and other agreements; you passed most recent inspection of Restaurant; you have not unresolved customer complaints and have satisfactory customer ratings; assignee meets our qualifications; submit copy of proposed contract between you and assignee; assignee must pay Transfer Fee; assignee must pay On-Site Launch Support Deposit, assignee must sign new Franchise Agreement with Transfer Addendum; assignee and managers complete training; you agree to subordinate assignee's debt obligations to you to assignee's obligations to us; lessor consents to assignment of lease; you or assignee agree to complete required remodeling; parties sign assignment and assumption agreement; you pay applicable broker fees; and you and your owners sign release.
n. Franchisor's right of first refusal to acquire your business	13.4	We can match any offer for your business.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
o. Franchisor's option to purchase your business	15.3	Franchisor has right to purchase all tangible and intangible assets of your business, including real property, upon termination or expiration. If we do not purchase the assets, you cannot sell to a competing business.
p. Your death or disability	13.7	Franchise must be assigned by estate to approved buyer within 30 days.
q. Non-competition covenants during the term of the Franchise	7.4(a)	No involvement in competing business anywhere in U.S., no diversion of customers and no hiring of employees or us or other franchisees.
r. Non-competition covenants after the Franchise is terminated or expires	7.4(b)	No involvement in competitive business for 3 years within 5 miles of any SARPINO'S PIZZERIA Restaurant, no diversion of customers, and no hiring of employees of us or other franchisees.
s. Modification of the Agreement	18.2	Any modification to the agreement must be in writing signed by both parties.
t. Integration/Merger Clause	18.2	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	16	In certain cases, mediation is required prior to arbitration. Disputes shall be submitted to arbitration in Lake County, Illinois or the then current county of our principal place of business.
v. Choice of forum	18	Lake County, Illinois or the then current county of our principal place of business, but subject to the laws of the State in which Franchise is registered.
w. Choice of Law	18	State of Illinois, but subject to the laws of the State in which franchise is registered

**Multi-Unit Development Agreement:**

<b>Provision</b>	<b>Section in MUDA</b>	<b>Summary</b>
a. Length of term of the agreement	Section 5	Agreement expires on our acceptance and execution of the Franchise Agreement for the last franchise to be developed.
b. Renewal or extension of the term	Not applicable	Not applicable

<b>Provision</b>	<b>Section in MUDA</b>	<b>Summary</b>
c. Requirements for you to renew or extend	Not applicable	Not applicable
d. Termination by you	Not applicable	Not applicable
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Section 8	We can terminate if you commit a listed violation.
g. "Cause" defined - defaults which can be cured	Section 8	Not applicable
h. "Cause" defined - defaults which cannot be cured	Sections 8	Bankruptcy or similar proceeding, failure to comply with development schedule, unauthorized transfer, breach of any Franchise Agreement.
i. Your obligations on termination/non-renewal	Section 8	No further right to develop; however, termination does not affect existing franchise agreements.
j. Assignment of contract by us.	Section 9.A	We have an unrestricted right to assign.
k. "Transfer" by you – definition	Section 9	Include transfer of any interest in the MUDA, the development rights granted by the MUDA or in the Developer.
l. Our approval of transfer by you	Section 9	Only if consented to by us in writing in advance.
m. Conditions for our approval of transfer	Section 9	You must be in compliance with MUDA and Franchise Agreements, transferee must meet our qualifications, must sign new MUDA or written assignment and assumption of your MUDA, you and your owners sign release, and pay transfer fee.
n. Our right of first refusal to acquire your business	Section 9.G	We have the right of first refusal on any good faith offer to purchase, exercised within 30 days of receiving notice from you and copy of offer to purchase.
o. Our option to purchase your business	Not applicable	Not applicable
p. Your death or disability	Not applicable	Not applicable
q. Non-competition covenants during the term of the agreement	Section 10.B	You must not divert or attempt to divert any business or customers to a competitor or employ or seek to employ anyone employed by us or our franchisees, or be involved in a competing business.

<b>Provision</b>	<b>Section in MUDA</b>	<b>Summary</b>
r. Non-competition covenants after the agreement is terminated or expires	Section 10.C	For 2 years after termination or expiration of the MUDA you will not have any interest in a business selling beverages and food products and services the same as or similar to the System.
s. Modification of the Agreement	Section 14.I.	No modifications unless in writing and signed.
t. Integration/merger clause	Section 14.I.	Only the terms of the MUDA are binding (subject to state law). Any representations or promises outside of the disclosure document and MUDA may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not applicable	Not applicable
v. Choice of forum	Section 14.G.	Lake County, Illinois, or the then current county of our principal place of business, but subject to the laws of the State in which Franchise is registered.
w. Choice of law	Section 14.G.	Law of the state of Illinois (subject to state law), except that the Illinois Franchise Disclosure Act will not apply unless jurisdictional requirements are met.

See Exhibits to the Restaurant Franchise Agreement and the Multi-Unit Development Agreement for any State Addendum required by your state with changes to the information in the above charts.

### **Item 18**

#### **PUBLIC FIGURES**

We do not currently use any public figure to promote our Franchises.

You are not prohibited from using the name of a public figure or celebrity in your promotional efforts. However, all such advertising requires our prior approval, and you are solely responsible for all expenses.

### **Item 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a

franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at particular location or under particular circumstances.

**HISTORICAL AVERAGE NET SALES OF 4340 FRANCHISED UNITS**

The following is a statement of historical average Net Sales and ranges of Net Sales reached by ~~4240~~ franchised SARPINO’S PIZZERIA Restaurants for the calendar year ~~2022~~ 2023. ~~3 franchised restaurant~~ 3 franchised restaurants that ~~was open as of December 31, 2022~~ was excluded in this statement since it was not open and operating in operation for the a full 12 months in the calendar year 2023 were excluded from this statement. This information was compiled from financial reports submitted to us by the franchisees. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information submitted by the franchisees.

For the calendar year ~~2023~~ 2022, the time period the ~~4240~~ franchised restaurants included in the statement had been in operation as of December 31, ~~2023~~ 2022 ranged from ~~2740~~ to ~~237~~ 251 months.

We included restaurants where there was a transfer of ownership in ~~2023~~ 2022 as long as there was no interruption in operations.

**Some outlets have sold this much. Your individual results may differ. There is no assurance that you will sell as much.**

*Net Sales* as used in this Disclosure Document means all revenue from the sale of all services and products and all other receipts of every kind and nature related to, or derived by the franchisee from operation of, the SARPINO’S PIZZERIA Restaurant, whether for cash or credit and regardless of collection in the case of credits, not including any sales taxes or other taxes collected from customers by the franchisee for transmittal to the appropriate taxing authority.

**AVERAGE NET SALES BY GEOGRAPHIC LOCATION**

Location of Franchised Unit Included	# of Units Open Full Year	Average Net Sales of Franchise Units for 12 Months Ending 12/31/ <del>22</del> <u>23</u>	# of Units Above State Average	# of Units Below State Average	Median Net Sales of Franchise Units for 12 Months ending 12/31/ <del>22</del> <u>23</u>	Range of Net Sales of Franchise Units for 12 Months ending 12/31/ <del>22</del> <u>23</u>
ALL STATES	<del>424</del> <u>430</u>	<del>\$1,078,568</del> <u>\$1,049,590.45</u>	22	<del>20</del> <u>18</u>	<del>\$1,066,858</del> <u>\$872.18</u>	<del>\$353,200 - \$458,142.13 - \$1,817,189</del> <u>\$504.74 - 8.00</u>
FLORIDA	3	<del>\$1,403,802</del> <u>\$388.02</u>	1	2	<del>\$1,238,606</del> <u>\$200.36</u>	<del>\$1,155,611 - \$112,971.14 - \$1,187,189</del> <u>\$504.74 - 8.00</u>
GEORGIA	1	<del>\$1,051,855</del> <u>\$004.80</u>	N/A	N/A	<del>\$1,051,855</del> <u>\$004.80</u>	N/A

ILLINOIS	171 6	\$1,021,674,972.77 0.37	87	9	\$979,884,923,286. 96	\$467,123– \$588,804.06 - \$1,628,257,453.36 5.95
IOWA	1	\$826,800,779,082. 41	N/A	N/A	\$826,800,779,082. 41	N/A
KANSAS/ MISSOURI	109	\$1,304,598,234,93 4.28	53	56	\$1,300,434,212,48 3.71	\$842,107– \$916,538.79 - \$1,787,160,492,79 9.99
MINNESO TA	9	\$894,660,931,561. 33	54	45	\$1,019,430,926,99 2.37	\$353,200– \$458,142.13 - \$1,249,719,396.64 6.20
TEXAS	1	\$743,417,972,858. 71	N/A	N/A	\$743,417,972,858. 71	N/A

**AVERAGE NET SALES BY HIGHEST AND LOWEST PERFORMERS**

Franchised Units Included	# of Units in category	Average Net Sales of Franchise Units for 12 Months Ending 12/31/2223	# of Units Above Stated Average	# of Units Below Stated Average	Median Net Sales of Franchise Units for 12 Months ending 12/31/2223	Range of Net Sales of Franchise Units for 12 Months ending 12/31/2223
ALL UNITS	4240	\$1,078,568,049 .590.45	2122	2118	\$1,066,858,872 .18	\$353,200– \$458,142.13 - \$1,817,189,850 .748.00
HIGHEST PERFORMERS	2122	\$1,355,234,258 .461.29	98	1214	\$1,285,924,202 .975.53	\$1,081,860– \$056,976.99 - \$1,817,189,850 .748.00
LOWEST PERFORMERS	2118	\$801,902,6379 4.303.85	118	10	\$808,218,1179 2.428.08	\$353,200– \$458,142.13 - \$1,051,855,004 .805.92

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**HISTORICAL LABOR COSTS OF 4139 FRANCHISED UNITS**

The following is a statement of historical average labor costs as a percentage of Net Sales (as defined above) experienced by 4139 franchised SARPINO’S PIZZERIA Restaurants during the calendar year ~~2022-2023~~. 3 franchised restaurants ~~that were open as of December 31, were 2022~~ were excluded in this statement. ~~One was excluded since it was they were not open and operating in operation~~ for the full 12 months ~~and one of the calendar year 2023~~. In addition, data from one restaurant was excluded in our discretion since it reported labor costs much lower than is feasible. – This information was compiled from data on the point of sale system of each of the franchisees with settings established by the individual franchisees. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information submitted by the franchisees.

Labor costs include wages paid to all employees registered in the POS system, but excludes payroll taxes. Any bonuses, reimbursements or salaries not registered in the POS system by a franchisee would not be included.

For the calendar year ~~2023~~2022, the time period the 4139 franchised restaurants included in the statement had been in operation as of December 31, ~~2022~~2023 ranged from ~~2740~~ to ~~230~~243 months. We included restaurants where there was a transfer of ownership in ~~2023~~2022 as long as there was no interruption in operations.

**Some outlets have expended this much for labor. Your individual results may differ. There is no assurance that your costs will be the same.**

**AVERAGE LABOR COST (AS PERCENTAGE OF NET SALES) BY GEOGRAPHIC LOCATION**

Location of Franchised Unit Included	# of Units Open Full Year	Average Labor Cost of Franchise Units for 12 Months Ending 12/31/2223	# of Units Above State Average	# of Units Below State Average	Median Labor Cost of Franchise Units for 12 Months ending 12/31/2223	Range of Labor Cost of Franchise Units for 12 Months ending 12/31/2223
ALL STATES	4139	<del>28.67</del> 29.26%	<del>2017</del>	<del>2122</del>	<del>28.91</del> 27.65%	<del>20.85% – 39.2%</del> 21.18% - 42.93%
FLORIDA	3	<del>29.34</del> 28.17%	<del>12</del>	<del>21</del>	<del>29.17</del> 28.25%	<del>28.96% – 30.12%</del> 22.92% - 31.29%
GEORGIA	1	<del>32.64</del> 30.63%	N/A	N/A	<del>32.64</del> 30.63%	N/A
ILLINOIS	<del>17</del> 16	<del>30.83</del> 32.25%	<del>109</del>	7	<del>31.98</del> 34%	<del>20.85</del> 21.68% - 38.3754%
IOWA	1	<del>39.22</del> 42.93%	N/A	N/A	<del>39.22</del> 42.93%	N/A
KANSAS/	<del>109</del>	<del>25.14</del> 26.15%	<del>54</del>	<del>54</del>	<del>25.65</del> 26.74%	

MISSOURI						20.97%— 28.4%21.95% - 27.65%
MINNESOTA	8	27.9473%	4	4	28.27.56%	22.38%— 32.54%23.63% - 31.91%
TEXAS	1	27.0721.18%	N/A	N/A	27.0721.18%	N/A

**AVERAGE LABOR COST (AS PERCENTAGE OF NET SALES)  
BY HIGHEST AND LOWEST PERFORMERS**

Franchised Units Included	# of Units in category	Average Labor Cost of Franchise Units for 12 Months Ending 12/31/2023	# of Units Above Stated Average	# of Units Below Stated Average	Median Labor Cost of Franchise Units for 12 Months ending 12/31/2023	Range of Labor Cost of Franchise Units for 12 Months ending 12/31/2023
ALL UNITS	4139	28.6729.26%	2017	2122	28.9127.56%	20.85%— 39.2%21.18% - 42.93%
HIGHEST PERFORMERS	2019	25.062%	1011	108	25.0866%	20.85%— 28.41%21.18% % - 27.51%
LOWEST PERFORMERS	2120	32.3533.12%	10	1110	32.0633.46%	28.91%— 39.22%27.65% % - 42.93%

**HISTORICAL AVERAGE TICKET SALES OF 4240 FRANCHISED UNITS**

The following is a statement of historical average Ticket Sales and ranges of Ticket Sales reached by 4240 franchised SARPINO'S PIZZERIA Restaurants for the calendar year 2022-2023. 3 franchised restaurant restaurants that was open as of December 31, 2022 was excluded in this statement since it was were not open and operating in operation for the full 12 months; in the calendar year 2023 were excluded from this statement. This information was compiled from the point of sale system used by each of the franchisees. This information has not been audited and we have not taken any steps to independently verify the accuracy of the information submitted by the franchisees.

For the calendar year 20222023, the time period the 4240 franchised restaurants included in the statement had been in operation as of December 31, 20222023 ranged from 2740 to 237251 months. We included restaurants where there was a transfer of ownership in 20222023 as long as there was no interruption in operations.

**Some outlets have sold this much. Your individual results may differ. There is no assurance that you will sell as much.**

***Ticket Sales*** as used in this Disclosure Document means all revenue from one sale to one customer as recorded on the point of sale system, and does not include any applicable sales or other taxes collected from customers by the franchisee for transmittal to the appropriate taxing authority.

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**NET AVERAGE TICKET BY GEOGRAPHIC LOCATION**

Location of Franchised Unit Included	# of Units Open Full Year	Net Average Ticket of Franchise Units for 12 Months Ending 12/31/2223	# of Units Above State Average	# of Units Below State Average	Media Net Average Ticket of Franchise Units for 12 Months ending 12/31/2223	Range of Net Average Ticket of Franchise Units for 12 Months ending 12/31/2223
ALL STATES	4240	\$29.8230.56	2225	2015	\$29.9230.91	\$20.85—\$41.1328 - \$44.22
FLORIDA	3	\$28.6730.20	2	1	\$28.7330.75	\$28.24—\$29.0370 - \$30.81
GEORGIA	1	\$20.8528	N/A	N/A	\$20.8528	N/A
ILLINOIS	4716	\$29.3530.06	4210	56	\$29.9330.67	\$25.17—\$31.85\$26.71 - \$33.44
IOWA	1	\$28.7829.90	N/A	N/A	\$29.3590	N/A
KANSAS/ MISSOURI	409	\$29.6331.21	54	5	\$29.5831.01	\$25.98—\$32.65\$29.28 - \$33.30
MINNESOTA	9	\$33.32.79	54	45	\$32.9057	\$28.85—\$41.13\$30.09 - \$44.22
TEXAS	1	\$26.7628.17	N/A	N/A	\$26.7628.17	N/A

**NET AVERAGE TICKET BY HIGHEST AND LOWEST PERFORMERS**

Franchised Units Included	# of Units in category	Net Average Ticket of Franchise Units for 12 Months ending 12/31/2223	# of Units Above Stated Average	# of Units Below Stated Average	Median Net Average Ticket of Franchise Units for 12 Months ending 12/31/2223	Range of Net Average Ticket of Franchise Units for 12 Months ending 12/31/2223
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ALL UNITS	4240	\$29.8230.56	2225	2015	\$29.9230.91	\$20.85– \$41.1328 - \$44.22
HIGHEST PERFORMERS	2120	\$31.9432.84	6	1514	\$31.1732.24	\$29.92– \$41.1330.95 - \$44.22
LOWEST PERFORMERS	2120	\$27.7128.84	1312	8	\$28.7429.84	\$20.85– \$29.9128 - \$30.87

**EXPLANATORY NOTES**

The following should be considered in reviewing and determining whether to rely on these figures.

1) This financial performance representation does not include information concerning profits that may be realized in the operation of a SARPINO’S PIZZERIA restaurant. Profits in the operation of a SARPINO’S PIZZERIA restaurant will vary from franchisee to franchisee and from location to location and are dependent upon numerous factors beyond our control.

2) This financial performance representation does not include any information on expenses or costs that you are likely to incur in operating a SARPINO’S PIZZERIA restaurant, other than the above data on labor costs. In connection with the operation of SARPINO’S PIZZERIA restaurant, you will also incur food and beverage costs, occupancy costs (such as rent or mortgage payments), utilities, royalty and advertising payments to us, advertising and promotional expenses, office and administrative expenses, legal and accounting expenses, insurance expenses, computer system operation and maintenance expenses, equipment and premises maintenance expenses, taxes, reimbursement to employees for auto expense, various other general and miscellaneous expenses, debt service and owner’s draw. This is not an all-inclusive list of expenses. Expenses in the operation of a SARPINO’S PIZZERIA restaurant will vary from franchisee to franchisee and from location to location and are dependent upon numerous factors beyond our control.

3) The franchised units included in the above statement of ranges of Net Sales offered substantially the same products and services that will be offered by new franchise units.

4) Factors which may cause material differences in the annual net sales of franchise units include but are not necessarily limited to the following:

- Leadership that is provided by the franchisee and store management
  - Knowledge of the customer needs
  - Ability to provide excellent customer experience
  - How customers are valued by the store management
  - Ability to create result oriented culture
  - Being passionate about the business
  - Being proud of every meal delivered to the customers
  - Ability to create and maintain well-motivated team
  - Having high integrity in all circumstances
  - Being enthusiastic about the business

- Do what is right, not what is expedient
- Manner in which the franchise restaurant is operated
  - Customer experience delivered by the operation
  - Marketing efforts
  - Team selection, training and motivation
  - Level of compliance with Sarpino's standards in store operations
  - Financial management
  - Hours of operations
  - Business and Marketing Planning
  - Action Planning

- Customer segments mix

5) Factors which may cause material differences in the average labor cost of franchise units include but are not necessarily limited to the following:

- Hourly rates established by the franchisee
- The amount of overtime worked by employees in a franchise unit
- Compensation established by the franchisee for salaried employees
- Employee reimbursement policies
- Discretionary bonuses given by the franchisee to its employees
- Whether all labor related costs are registered in the POS system by the franchisee

6) In addition to providing data for all franchised units, we have presented subsets of data by state. The reason for presenting the data in subsets by state is that there can be variation in results based on the location of the franchised unit. Factors relating to location which may cause material differences in the annual net sales of franchise units include but are not necessarily limited to the following:

- Length of time the brand has been in existence in the market
- The number of SARPINO'S Restaurants in the market
- Local demographics, including population density and income
- Competition in the market
- Extent of presence and tactics of local Food Delivery Consolidators

7) Factors relating to location which may cause material differences in labor cost incurred by franchise units include but are not necessarily limited to the following:

- Prevailing wage rates in the market
- Unemployment rate and competition for workers in the market

8) Factors which may cause material differences in average ticket sales include but are not necessarily limited to the following:

- Menu prices
- Discounts
- Product mix
- Participation in Limited Time Offer programs
- Upselling and combination of offers used.

We recommend that you conduct your own independent investigation and consult with appropriate financial, business and legal advisors in connection with the use of the financial performance

representations contained in this Item 19 and in estimating the potential sales for a SARPINO'S PIZZERIA franchised restaurant.

Written substantiation of the data used in preparing this statement will be made available to prospective franchisees on reasonable request.

Except for the financial performance representations above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any financial performance information or projections of your future income, you should report it to the franchisor's management by contacting David Chatkin, at 200 Tri-State International., Suite 550, Lincolnshire, IL 60069, 847-374-6300, us@sarpinos-usa.com or the Federal Trade Commission, and the appropriate state regulatory agencies.

You may obtain some general information regarding the pizza industry, including sales information, on the Internet from the ~~2022~~2024 Pizza Power report, PMQ's Annual Pizza Industry Analysis by going to <http://www.pmq.com/pizza-power-report-20222024-introduction/>. This annual pizza industry analysis has been compiled by PMQ Pizza Magazine. PMQ can be reached at its website at [www.pmq.com](http://www.pmq.com) or at 605 Edison Street, Oxford, MS 38655 (662)234-5481.

This is general information on the pizza industry as a whole and it not based on the actual experience of SARPINO'S PIZZERIA restaurants. We do not represent or guarantee that your restaurant's results will be within the ranges or figures reported in the ~~2022~~2024 Pizza Power report. The earnings you derive from a SARPINO'S PIZZERIA Restaurant are your responsibility.

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**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
**Systemwide Restaurant Franchise Outlet Summary**  
**For years ended December 31, ~~2020~~, ~~2021~~, ~~2022~~ and ~~2022~~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	<del>2021</del> 2020	<u>4947</u>	<u>4745</u>	-2
	<del>2022</del> <del>2021</del>	<u>4745</u>	<u>4543</u>	-2
	<del>2022</del> 2023	<u>4543</u>	<u>4443</u>	<u>-10</u>
Affiliate-Owned	<del>2021</del> 2020	0	0	0
	<del>2022</del> <del>2021</del>	0	0	0
	<del>2022</del> 2023	0	0	0
Total Outlets	<del>2021</del> 2020	<u>4947</u>	<u>4745</u>	-2
	<del>2022</del> <del>2021</del>	<u>4745</u>	<u>4543</u>	-2
	<del>2022</del> 2023	<u>4543</u>	<u>4443</u>	<u>-10</u>

Table No. 2  
**Transfers of Restaurant Franchises from Franchisees to New Owners**  
**(other than the Franchisor)**  
**For years ending December 31, ~~2020~~, ~~2021~~, ~~2022~~ and ~~2022~~2023**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
<b>IL</b>	<del>2021</del> 2020	<u>12</u>
	<del>2022</del> <del>2021</del>	<u>20</u>
	<del>2022</del> 2023	0
<b>MN</b>	<del>2021</del> 2020	<u>13</u>
	<del>2022</del> <del>2021</del>	<u>31</u>
	<del>2022</del> 2023	1
<b>FL</b>	<del>2021</del> 2020	0
	<del>2022</del> <del>2021</del>	<u>03</u>
	<del>2022</del> 2023	30
Totals	<del>2021</del> 2020	<u>25</u>
	<del>2022</del> <del>2021</del>	<u>54</u>
	<del>2022</del> 2023	<u>41</u>

Table No. 3  
**Status of Restaurant Franchised Outlets**  
**For years ending December 31, 2020, 2021, 2022 and 20222023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
FLCO	<del>2021</del> 2020	<u>30</u>	0	0	0	0	0	<u>30</u>
	<del>2022</del> 2021	<u>30</u>	0	0	0	0	0	<u>30</u>
	<del>2022</del> 2023	<u>30</u>	<u>0</u> <sub>1</sub>	0	0	0	0	<u>31</u>
GAFL	<del>2021</del> 2020	<u>23</u>	0	0	0	0	0	<u>23</u>
	<del>2022</del>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<del>2023</del>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
GA	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	<del>2020</del> 2023	<u>24</u> <sub>1</sub>	0	<u>4</u> <sub>0</sub>	0	0	0	<u>20</u> <sub>1</sub>
	2021	20	0	0	0	0	0	20
IA	2022	20	<u>2</u> <sub>1</sub>	2	0	0	1	<u>19</u> <sub>18</sub>
	<del>2020</del> 2023	<u>41</u> <sub>8</sub>	0	0	0	0	0	<u>41</u> <sub>8</sub>
IA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KS	<del>2020</del> 2023	<u>51</u>	0	0	0	0	0	<u>51</u>
	2021	5	1	0	0	0	0	6
MN	2022	6	0	0	0	0	0	6
	<del>2020</del> 2023	<u>10</u> <sub>6</sub>	0	0	0	0	1	<u>9</u> <sub>5</sub>
MN	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
MO	<del>2020</del> 2023	<u>49</u>	0	0	0	0	0	<u>49</u>
	2021	4	0	0	0	0	0	4
TX	2022	4	0	0	0	0	0	4
	<del>2020</del> 2023	<u>34</u>	0	0	0	0	0	<u>34</u>
TX	2021	3	0	0	0	0	2	1
	2022	1	0	0	0	0	0	1
<del>Totals</del>	<del>2020</del> 2023	<u>49</u> <sub>1</sub>	0	<u>4</u> <sub>0</sub>	0	0	<u>4</u> <sub>0</sub>	<u>47</u> <sub>1</sub>
Totals	2021	47	1	1	0	0	2	45
	2022	45	<u>2</u> <sub>1</sub>	2	0	0	1	<u>44</u> <sub>43</sub>
	<del>2023</del>	<u>43</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>43</u>

Notes:

(1) Some of the units included in this chart are owned in part or wholly by shareholders of usours. (See Exhibit G to this Disclosure Document).

Table No. 4  
**Status of Affiliate-Owned Restaurant Outlets**  
**For years ending December 31, ~~2020~~, ~~2021~~, ~~2022~~ and ~~2022~~2023**

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Totals	<del>2020</del> <u>2021</u>	0	0	0	0	0	0
	<del>2022</del> <u>2021</u>	0	0	0	0	0	0
	<del>2022</del> <u>2023</u>	0	0	0	0	0	0

Table No. 5

<b>RESTAURANT FRANCHISE PROJECTED OUTLET OPENINGS as of January 1, <del>2023</del><u>2024</u></b>			
STATE	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED FRANCHISED NEW UNITS IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT FISCAL YEAR
CO	<del>10</del>	<del>31</del>	0
FL	<del>34</del>	<del>113</del>	0
<del>GA</del>	0	1	0
IL	0	<del>10</del>	0
<del>MN</del>	0	1	0
MO	0	2	0
<b>Total</b>	<del>40</del>	<del>196</del>	0

As of the date of this Disclosure Document we have two Developers under Multi-Unit Development Agreements.

A list of our current SARPINO'S PIZZERIA restaurants franchisees and Area Franchisors as of December 31, ~~2022~~2023 is at Exhibit G to this Disclosure Document. Also at Exhibit G you will find the name, city and state, and telephone number of the restaurant franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the fiscal year ending December 31, ~~2022~~2023 or who have not communicated with us within 10 weeks of the date of this Franchise Disclosure Document.

If you buy one of our franchises, your contact information may be disclosed to other buyers when you leave the system.

During the last 3 fiscal years, we have entered into confidentiality agreements with one former franchisee that would restrict their ability to discuss their experience with the Sarpino's franchise system.

## **Item 21**

### **FINANCIAL STATEMENTS**

The audited financial statements for the period ending December 31, 2023 and 2022 and 2021 and for the period ending December 31, 2022 and 2021 and 2020 of Sarpino's USA are attached at Exhibit ~~E~~D. Also attached at Exhibit D are the unaudited interim balance sheet as of March 31, 2024 and income statement for the quarter ending March 31, 2024.

## **Item 22**

### **CONTRACTS**

The following contracts are attached to this Franchise Disclosure Document

#### **Exhibits**

- B Restaurant Franchise Agreement (including Guaranty and Assumption of Obligations)
- C Multi-Unit Development Agreement

If a state has required a state specific addendum to any of the above agreements, it will appear as an exhibit to the agreement.

Also attached at Exhibit I is the Transfer Addendum that you will sign with the Franchise Agreement if you are purchasing the franchise rights and assets of an existing SARPINO'S PIZZERIA Restaurant from an existing franchisee.

Attached at Exhibit J is the current standard form of Renewal Addendum to Franchise Agreement which you will sign with the Restaurant Franchise Agreement if you are an existing franchisee renewing your Franchise Agreement.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**Item 23**

**RECEIPT**

The last 2 pages of the Franchise Disclosure Document are receipts for you to acknowledge your receipt of this Franchise Disclosure Document (one copy for you and one copy for us).

## **EXHIBIT A**

### **STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

Some administrators of franchise registration states may require us to enter into an addendum to the Franchise Disclosure Document describing certain state laws or regulations which may supersede the Franchise Disclosure Document. If you are in a registration state which requires an addendum, it will follow this page.

**SARPINO'S USA, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF ILLINOIS**

The Sarpino's USA, Inc. Franchise Disclosure Document for use in the State of Illinois is modified in accordance with the following:

Illinois law shall apply to and govern the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**SARPINO'S USA, INC.**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF MINNESOTA**

The Sarpino's USA, Inc. Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

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

"Franchisor shall protect the franchisee's use of the trademarks, service marks, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.:

2. Item 17 of the Franchise Disclosure Document is 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 Minn. Statutes Sec. 80C.14, Subd. 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 Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"The execution of a general release as a condition for renewal or for assignment of the franchise shall be inapplicable to franchises operating in Minnesota."

4. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language to the original language that appears therein:

"Minn. Statutes Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damage, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document can abrogate or reduce any of franchisee's rights 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."

5. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**EXHIBIT B**  
**RESTAURANT FRANCHISE AGREEMENT**

**SARPINO'S PIZZERIA®**

**RESTAURANT FRANCHISE AGREEMENT**

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

**SARPINO'S PIZZERIA®**  
**RESTAURANT FRANCHISE AGREEMENT**  
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## SARPINO'S PIZZERIA®

### RESTAURANT FRANCHISE AGREEMENT

THIS RESTAURANT FRANCHISE AGREEMENT ("Agreement") is by and between SARPINO'S USA, INC. an Illinois corporation ("Franchisor"), and \_\_\_\_\_ ("Franchisee" or "you").

#### RECITALS:

A. Franchisor and its predecessors in interest have created and developed a unique format, system and plan for the establishment, development and operation of restaurants specializing in the sale and service of a selection of foods, beverages and related products and services under the name and style of SARPINO'S® and SARPINO'S PIZZERIA® and is in the business of owning, operating and franchising such restaurants.

B. Prior to Franchisee executing this or any other binding agreement, or paying any non-refundable consideration, Franchisee received, where required pursuant to applicable law, Franchisor's current Franchise Disclosure Document which it has read and understands, and Franchisee acknowledges that it has had adequate opportunity to review this Agreement, complete with all terms and conditions inserted, with legal counsel of its own choosing prior to its execution, and that it is aware of the business risks involved in entering into this Agreement and the business contemplated hereby.

C. Franchisee understands that the systems, specifications, policies and controls established and insisted upon by Franchisor are for the purposes of maintaining uniformity and quality among all SARPINO'S PIZZERIA restaurants belonging to Franchisor's system; maintaining and furthering the goodwill associated with Franchisor's products and services; discharging Franchisor's obligation to all of its franchisees to maintain the quality of the products and services marketed under its SARPINO'S and SARPINO'S PIZZERIA trademark and service mark; and protecting the proprietary rights to the trademark and goodwill.

D. Franchisee wishes to become an independent owner and operator of a SARPINO'S PIZZERIA franchised restaurant and Franchisor has agreed to grant a SARPINO'S PIZZERIA franchise to Franchisee on the terms and conditions set forth herein.

#### AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

#### Article 1.

##### GRANT OF FRANCHISE, LOCATION AND PROTECTED AREA

**1.1 Grant of Franchise.** Subject to the terms and conditions contained herein, Franchisor hereby grants to Franchisee the right, and Franchisee undertakes the obligation, to establish and operate a SARPINO'S PIZZERIA Restaurant ("Restaurant") at the Approved Location specified in Section 1.2 and, in connection therewith, to sell and serve the food and beverage products and services offered at SARPINO'S PIZZERIA Restaurants utilizing Franchisor's unique system consisting of its SARPINO'S trademark, service marks and the copyrighted materials, products and operating procedures embodied in its Manual (hereinafter defined), secret recipes, ingredients and

methods of preparation, methods of serving and merchandising, advertising, training, uniform interior and exterior design, decor and layout, methods of delivery, dispatch and order processing, cost control methods, and its accounting and reporting forms and procedures (collectively, the "System").

**1.2 Approved Location.** The street address of the approved location of the Restaurant shall be set forth in **Attachment A** hereto, to be executed concurrently herewith if such location is presently known or, if not, to be executed as soon hereafter as a location for the Restaurant has been identified by Franchisee and approved by Franchisor. Franchisor and Franchisee shall concurrently herewith execute the Site Selection and Construction Addendum attached hereto as **Attachment B**. As provided therein, Franchisee shall have the obligation to lease or otherwise acquire the location for the Restaurant which, when approved by Franchisor in its sole discretion, shall constitute the approved location ("**Approved Location**").

**1.3 Protected Area.** Except as set forth in Paragraph 1.4 and Paragraph 1.6, or if you are not in default under this Agreement, Franchisor will not, during the term of this Agreement or any extension or renewal hereof, allow another SARPINO'S PIZZERIA Restaurant to be located within the geographic area surrounding the Approved Location (described as the "**Protected Area**" in **Attachment A**). Notwithstanding the above provisions, Franchisor retains the right to open or to grant licenses to others to open a SARPINO'S PIZZERIA Restaurant at any Limited Use Facility wherever located, within or outside of the Protected Area, in order to service the facility or venue. A "Limited Use Facility" includes enclosed malls, institutions (such as hospitals), highway toll plazas, transportation facilities, amusement parks and other isolated entertainment facilities, sports arenas, convention centers and other facilities or venues where events are scheduled. In the event Franchisor establishes a SARPINO'S PIZZERIA Restaurant at any Limited Use Facility, or grants a license for others to do so, the delivery and service area of Franchisee's SARPINO'S PIZZERIA Restaurant shall be automatically adjusted to exclude such Limited Use Facility. In the event the Approved Location under this Agreement is for a Limited Use Facility, Franchisee's Protected Area shall be limited to the Limited Use Facility in which the SARPINO'S PIZZERIA Restaurant is located.

**1.4 Franchisor's Reservation of Rights.** Franchisor reserves the right to itself or through an affiliate to

**1.4.1** sell products and services the same as or similar to those sold by SARPINO'S PIZZERIA Restaurants under the Marks or different trademarks or service marks through retail or through alternate channels of distribution both within and outside of the Protected Area;

**1.4.2** merge with, acquire or become associated with ("Merger/Acquisition Activity") any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the Franchisor's Marks or other trademarks and may offer or sell products and services that are the same as the products and services offered at or from your Sarpino's, and which may be located anywhere within or outside of the Protected Territory;

**1.4.3** establish businesses which are franchised, licensed or owned by Franchisor or any affiliate at any locations Franchisor deems appropriate or distribute products or services which are similar to the products and services offered under the System under trade names, trademarks, service marks, trade dress or other commercial symbols other than the Marks both within and outside of the Protected Area;

**1.4.4** establish a SARPINO'S PIZZERIA Restaurant, whether franchised or owned by Franchisor or any affiliate, at any location outside of the Protected Area; and

**1.4.5** engage in any other activities that are not expressly prohibited by this Agreement.

**1.5 Marketing Restrictions.** Throughout the term of the franchise, Franchisee is prohibited from conducting any targeted marketing in the Protected Area of another SARPINO'S PIZZERIA franchisee; except that where the Protected Area of two franchisees overlap, both franchisees can conduct targeted marketing in the area where the Protected Areas granted to each franchisee overlap. "Targeted Marketing" shall include all forms of advertising and promotion for customers which can reasonably be restricted to an address, including, but not limited to, direct mailings, door leaflets, telephone solicitation, localized signs, and digital advertising. The purpose of this restriction includes, but is not limited to, preventing confusion in the marketplace among SARPINO'S PIZZERIA Restaurant franchisees soliciting the same customers. If you breach this Paragraph 1.5, in addition to any other remedies Franchisor may have, Franchisor, in its sole discretion, may restrict or prohibit you from engaging in any Target Marketing in any geographic area.

**1.6 Net Sales to Maintain the Rights to Protected Area.** During the term of this Agreement, each calendar year Franchisee's SARPINO'S PIZZERIA Restaurant must achieve a Net Sales volume above the break-even point as shown by Franchisee's annual financial statements. If during any calendar year Franchisee's SARPINO'S PIZZERIA Restaurant has failed to achieve Net Sales volume above the break-even point, Franchisor shall have the right to reduce the size of the Protected Area granted to Franchisee upon delivery of written notice to Franchisee. Thereafter, the reduced Protected Area identified in the written notice shall be the Protected Area for purposes of this Agreement.

## **Article 2.**

### **CONSTRUCTING, MAINTAINING AND REMODELING THE RESTAURANT**

**2.1 Construction of the Restaurant.** The Restaurant shall be constructed, furnished, equipped and set up according to Franchisor's standard plans, specifications, layouts and design for SARPINO'S PIZZERIA Restaurants and in compliance with the terms, conditions and procedures set forth in **Attachment B**. No material deviations from the plans, specifications, layouts and designs shall be made without Franchisor's prior written approval, which will not be unreasonably withheld.

#### **2.2 Maintaining and Remodeling the Restaurant.**

**2.2.1 Maintenance.** Franchisee agrees to maintain the condition, appearance and cleanliness of the Restaurant consistent with the image of a SARPINO'S PIZZERIA Restaurant as an attractive, clean and efficiently operated business, offering high quality food products and beverages, efficient and courteous service, and pleasant ambiance. Franchisee agrees to maintain the Restaurant, and to make such modifications and additions to its layout, decor and general theme, as is required from time to time to maintain such condition, appearance, efficient operation, ambiance and overall image, including without limitation, replacement of worn out or obsolete fixtures, equipment, furniture, signs and kitchen cookware and supplies, repair of the interior and exterior of the Restaurant and appurtenant parking areas (if any), and regular cleaning and periodic redecorating. Such maintenance shall not be deemed to constitute remodeling as set forth below.

All maintenance issues must be addressed in a timely manner as specified in the Manual. If at any time, in Franchisor's reasonable judgment, the general state of repair, appearance or cleanliness of the premises of the Restaurant (including parking areas) or its fixtures, equipment, furniture, signs or kitchen cookware and supplies does not meet Franchisor's standards therefor, Franchisor shall so notify Franchisee, specifying the required action to be taken by Franchisee to correct such deficiency and the required timeframe for completion. Such required action may include Franchisee promptly hiring a third party cleaning service at Franchisee's expense.

**2.2.2 Damage or Destruction of the Restaurant.** In the event the Restaurant is damaged or destroyed by fire or any other casualty, Franchisee, within thirty (30) days thereof, shall initiate all necessary repairs and reconstruction, and thereafter diligently continue such work until completion, in order to restore the premises to their condition prior to such casualty and in conformance with the then standard SARPINO'S PIZZERIA decor and related specifications. If restoration of the premises of the Restaurant within a reasonable time is not feasible, Franchisee may seek Franchisor's approval to relocate the Restaurant pursuant to Section 2.3 of this Agreement.

**2.2.3 Periodic Remodeling of the Restaurant.** Every five (5) years (or sooner as reasonably requested by Franchisor), Franchisee shall at its sole cost and expense refurbish, remodel, modernize and improve the Restaurant, including its furniture, fixtures, supplies and equipment to maintain their quality and appearance and to conform to Franchisor's then-current building design, décor, color schemes, trademark presentation and public image. All replacements for the furniture, fixtures, supplies and equipment shall conform to Franchisor's then-current quality standards and shall be approved by Franchisor in writing. Franchisee will begin the refurbishing, remodeling, modernization and/or improvement of the Restaurant within three (3) months from the date that Franchisee receives written notice from Franchisor specifying the required refurbishing, remodeling, modernization and/or improvement, and will diligently complete the required work within a reasonable time, as determined by Franchisor, after its commencement. Franchisor may waive or defer such obligation to refurbish, remodel, modernize and improve all or any portion of the Restaurant if Franchisor determines, in its sole discretion, that the Restaurant is in substantial conformity with Franchisor's then-current standards and specifications.

**2.3 Relocation.** Franchisee may operate the SARPINO'S PIZZERIA Restaurant only at the Approved Location and may not relocate the SARPINO'S PIZZERIA Restaurant without Franchisor's prior written approval. Franchisor will grant permission for relocation of Franchisee's SARPINO'S PIZZERIA Restaurant to a location approved by Franchisor if: (1) the lease for the Approved Location terminates through no fault of Franchisee, (2) the Approved Location is damaged, condemned or otherwise rendered unusable, (3) in the judgment of both Franchisor and Franchisee, there is either a change in the character of the location of the SARPINO'S PIZZERIA Restaurant sufficiently detrimental to its business potential to warrant its relocation, or the Approved Location is no longer suitable to meet the full business potential of Franchisee's SARPINO'S PIZZERIA Restaurant. Any such relocation will be at Franchisee's sole expense and Franchisee must pay Franchisor a Relocation Fee in the amount of Twenty Thousand Dollars (\$20,000.00) to cover Franchisor's expenses in connection with approving the new location, review and approval of lease documents, assistance with construction and development of the new SARPINO'S PIZZERIA Restaurant, marketing planning assistance, and other pre-opening and opening assistance Franchisor may provide in its sole discretion. The Relocation Fee is due upon Franchisor granting permission to relocate.

**Article 3.**  
**TERM AND RENEWAL**

**3.1 Initial Term.** Except as otherwise provided herein, the term of this Agreement shall expire ten (10) years from the date of execution of this Agreement.

**3.2 Renewal Terms.** Franchisee shall have the option to extend the term of this Agreement for additional successive terms of ten (10) years (or such other length of term then being offered by Franchisor) each, provided all of the following conditions set forth in Section 3.3 are met prior to expiration of the original term. Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term. Following receipt of Franchisee's election to renew, Franchisor shall provide written notice of its decision: (1) to grant Franchisee a renewal franchise (as long as Franchisee remains in compliance with the renewal conditions up to the date of renewal of the franchise; (2) to grant Franchisee a renewal franchise on the condition that Franchisee correct existing deficiencies in the SARPINO'S PIZZERIA Restaurant prior to the renewal of the franchise; or (3) not to grant Franchisee a renewal franchise based on Franchisor's determination that Franchisee has not substantially complied with this Agreement during its term or is not in full compliance with this Agreement on the date you gave us notice of your election to acquire a renewal franchise. Franchisor's notice may also include a description of any refurbishing, remodeling, modernizing or improvements to the Restaurant that must be completed as a condition of renewal.

**3.3 Conditions for Renewal.** In order to have the right to renew for a successive term of ten (10) years, Franchisee shall have met each of the following conditions:

(a) Franchisee shall, to Franchisor's reasonable satisfaction, refurbish, remodel, modernize and/or improve the Restaurant premises to reflect the then current standards and image of the System, including, without limitation, renovation of signs, furnishings, fixtures, and decor;

(b) Franchisee shall have passed its most recent inspection of the Restaurant premises and Restaurant operations with scores meeting or exceeding the then-current stores required by Franchisor as a condition of renewal;

(c) Franchisee shall be in full compliance with all provisions of this Agreement, as amended, and any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates, and Franchisee shall have substantially complied with all provisions of such agreements during the terms thereof;

(d) Franchisee shall be in full compliance with the mandatory standards, specifications, and procedures set forth in the Manual;

(e) Franchisee shall not have any unresolved customer complaints and shall meet Franchisor's then-current requirements for satisfactory customers ratings and reviews on social media;

(f) Franchisee shall have satisfied all monetary obligations owed to Franchisor and its subsidiaries and affiliates and shall have timely met those obligations throughout the term of this Agreement;

(g) Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Approved Location for the duration of the renewal term of this Agreement;

(h) Franchisee shall execute and deliver to Franchisor, Franchisor's then standard Restaurant Franchise Agreement which shall supersede this Agreement in all respects, and the terms of which may differ materially from the terms of this Agreement, including, without limitation, a higher percentage royalty fee and advertising contribution and different Protected Area; provided, however, that in lieu of payment of an initial franchise fee, Franchisee shall pay a renewal fee of Ten Thousand Dollars (\$10,000.00) plus any out-of-pocket costs, including but not limited to reasonable attorneys' fees and costs, incurred by Franchisor in connection with the renewal of this Agreement;

(i) Franchisee and all of Franchisee's owners shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its officers, directors, agents, employees and affiliates; and

(j) Franchisee and Franchisee's managers shall comply with Franchisor's then current qualification and training requirements.

**3.4 Continued Operation Following Expiration.** Franchisee has no right to continue to operate the Restaurant after the expiration of the initial term of this Agreement unless Franchisee is granted a renewal Franchise in accordance with Article 3. If Franchisor permits Franchisee to continue to operate the Restaurant after the expiration of the initial term of this Agreement but before the execution of a renewal Franchise Agreement as required by Section 3.2, then the temporary continuation of the Restaurant will be on a month-to-month basis, and will be terminable at the will of Franchisor by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. Such approval to temporarily operate on a month-to-month basis as provided herein after the expiration date of this Agreement is conditioned upon Franchisee paying One Thousand Dollars (\$1,000.00) per month into the National Advertising Fund in addition to all other amounts due hereunder. If the laws of the jurisdiction in which the Franchisee or the Restaurant are located require a longer notice period, the thirty-day period will be deemed modified to be the shortest notice period required by the laws of such jurisdiction.

#### **Article 4. PAYMENTS BY FRANCHISEE**

**4.1 Initial Franchise Fee.** Franchisee shall pay to Franchisor a fee in consideration of the grant of this franchise an initial franchise fee ("**Initial Franchise Fee**") of Thirty Thousand Dollars (\$30,000), payable upon the execution of this Agreement. Such fee shall be deemed fully earned and non-refundable in consideration for administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others. Initial below if either of the following discounted Initial Franchise Fees apply:

\_\_\_\_\_ If Franchisee is an existing franchisee of Franchisor in good standing prior to and on the date of the execution of this Agreement, Franchisee shall pay an Initial Franchise Fee in the amount of Twenty-Five Thousand Dollars (\$25,000.00).

\_\_\_\_\_ If Franchisee is a Veteran qualifying for Franchisor's current Veteran's discount program, Franchisee shall pay an Initial Franchise Fee in the amount of Twenty-Four Thousand Dollars (\$24,000.00).

**4.2 Royalty.** Franchisee shall remit to Franchisor a continuing royalty ("**Royalty**") equal to six percent (6%) of the Restaurant's Net Sales (as defined in Section 4.5) on the tenth (10<sup>th</sup>) day of each month for the preceding month in which payment is due under Section 4.6 hereof.

**4.3 Advertising Fee.** Franchisee shall pay to Franchisor, concurrently with the submission of Franchisee's Royalty, a continuing monthly fee ("**Advertising Fee**") of up to three percent (3%) of the Restaurant's Net Sales, to be deposited in a National Advertising Fund administered by Franchisor as provided in Article 10 hereof.

**4.4 Collection of Fee.** As Franchisor directs in writing, any fees due from Franchisee under this Agreement may be paid to and collected by Area Franchisor on behalf of Franchisor or may be paid to Franchisor as provided. All payments must be made in compliance with Section 4.6 hereof.

**4.5 Net Sales.** As used in this Agreement, "**Net Sales**" shall mean all revenue from the sale of all services and products and all other receipts of every kind and nature related to, or derived by Franchisee from operation of, the Restaurant, whether for cash or credit and regardless of collection in the case of credits, not including, however, any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority. Net Sales shall also include all insurance proceeds received by Franchisee for lost revenue. Net Sales shall not be offset by any commissions or fees paid in connection with the revenue received. Net Sales for purposes of calculating the Royalty, Advertising Fee and other fees charged as a percentage of Net Sales shall be based on the report of sales as designated by Franchisor for this purpose from time to time.

**4.6 Payments.** Franchisee shall pay the Royalty, Advertising Fee, and other fees and sums due and payable to Franchisor pursuant to this Agreement or any other agreement between Franchisor and Franchisee on or before the tenth (10<sup>th</sup>) day of each month for the preceding month by pre-authorized electronic bank transfer from the Franchisee's account to the account of Franchisor as required under Article 12 of this Agreement or in any other manner as directed by Franchisor. Franchisee shall execute such authorization forms as are necessary to electronic transfer of funds upon Franchisee's establishment of a bank account for the Restaurant, and shall execute such other documents as may be required from time to time to permit us to electronically transfer funds for payments due to Franchisor. Franchisee shall not make any change in banking relationship, including any change in the bank account number or change in banks without Franchisor's prior written approval and Franchisee's execution of replacement authorization forms. Franchisor reserves the right to require that Royalty and Advertising Fees be paid more frequently than monthly. Any Royalty or Advertising Fee not received by Franchisor on or before the due date will be deemed delinquent.

**4.7 Late Fees; Interest; Insufficient Funds .** If Franchisee shall be delinquent in making all or any portion of the Royalty, Advertising Fee, or any other amount due Franchisor, Franchisee shall pay immediately to Franchisor, without the need for demand and in addition to any other amounts which may be delinquent or then unpaid, a late fee equal to one percent (1%) of the amount due (but not less than US \$100) per month, plus interest on the unpaid amount, from the due date thereof until paid, at the rate of twelve percent (12%) per annum or the maximum rate permitted under applicable law, whichever is less. Franchisee shall pay to Franchisor the amount of Seventy-Five Dollars (\$75.00) plus any additional service charges that Franchisor incurs for each rejected electronic transfer due to insufficient funds. Franchisor shall have the right to transfer from

Franchisee's bank account any and all late fees, interest for late payments, insufficient funds fees and bank services charges incurred by Franchisor.

**4.8 Technology Fee.** Franchisee shall pay to Franchisor a technology fee in an amount determined by Franchisor. Franchisor has the right to determine how and for what purposes the technology fees will be used, which may include covering Franchisor's costs or paying fees to third party providers for technology development, maintenance, and usage for the franchise system, for subscription and license fees paid by Franchisor in order for franchisees to have access to and use certain technology tools, and for related research and development conducted by Franchisor. The technology fee shall be paid at times, in the manner, and in amounts as designated by the Franchisor. Franchisor will give Franchisee at least sixty (60) days' prior notice before implementing or changing the amount of the technology fee.

**4.8.9 Fees and Additional Royalty for Non-Compliance.**

(a) If Franchisor conducts an inspection of Franchisee's SARPINO'S PIZZERIA Restaurant and determines that the Restaurant or business operations are not in full compliance with this Agreement, and/or any mandatory standards, procedures or specifications in the Manual or otherwise provided to Franchisee in writing, ~~Franchisee shall pay Franchisor its then current fee for conducting~~ may conduct a re-inspection after Franchisee has been provided a reasonable opportunity to correct all deficiencies, which need not be more than 30 days, to ensure that Franchisee has addressed all of the deficiencies. In the event that Franchisor determines on the re-inspection that the Restaurant or business operations are still not in full compliance, Franchisee shall be in default and shall be obligated to pay a non-compliance royalty in the amount of one-half percent (.5%) of Net Sales from the date of the re-inspection until Franchisor re-inspects and determines that Franchisee's Restaurant and business operations are in full compliance or for a period of up to sixty (60) days from the re-inspection, as determined by Franchisor in its sole discretion. In addition, if the Restaurant or business operations are still not in full compliance as of the date of the re-inspection or new deficiencies are found, Franchisee shall pay Franchisor its then current fee for ~~conducting its representative to conduct~~ the second re-inspection. In the event that Franchisor determines on the second re-inspection that the Restaurant or business operations are still not in full compliance, Franchisee shall be in default and shall be obligated to pay a non-compliance royalty in the amount of one percent (1%) of Net Sales from the date of the second re-inspection until Franchisor re-inspects and determines that Franchisee's Restaurant and business operations are in full compliance, or for a period of up to one hundred (120) days from the re-inspection, as determined by Franchisor in its sole discretion. In addition, Franchisee shall pay Franchisor its then current fee for conducting the third and any additional re-inspection. Franchisee shall pay all non-compliance royalties along with payment of the Royalty and Advertising Fee. Franchisee's payment of re-inspection fees and non-compliance royalties shall not be considered a cure of the non-compliance default, and Franchisor's acceptance of such fees and royalties shall be without prejudice to taking any other action based on the defaults, including but not limited to, termination of this Agreement.

(b) Notwithstanding the foregoing, Franchisee shall pay to Franchisor a fee determined by Franchisor to cover compensation, travel, lodging and living expenses of our representatives when conducting each re-inspection or inspections requested by Franchisee. Either one of Franchisee's owners or a Designated Manager of Franchisee must be present during each inspection or re-inspection. If neither one of Franchisee's owners nor a Designated Manager is present for the inspection or re-inspection, you shall pay to Franchisor a fee for initial or additional re-inspections or inspections requested by Franchisee determined by Franchisor to cover compensation, travel, lodging and living expenses of our representatives when conducting the re-inspection.

(bc) If Franchisor conducts monthly inspections of Franchisee's SARPINO'S PIZZERIA Restaurant and determines that Franchisee has not met or exceeded the then-current scores required by Franchisor for passing for a six (6) consecutive month period, Franchisee shall pay to Franchisor an ~~inspection~~ 6 month consecutive non-compliance fee in the amount of Five Hundred Dollars (\$500.00) for each subsequent monthly inspection in which Franchisee continues to not meet or exceed the then-required scores for passing. ~~Inspection~~ The 6 month consecutive non-compliance fees will be paid into the National Advertising Fund. This provision in no way obligates Franchisor to conduct monthly inspections.

**4.910 Hours of Operation Non-Compliance Fee.** If on more than one occasion Franchisee either closes its Restaurant on any day or if the Restaurant is not open and operating all of the hours set forth in Section 6.9 of this Agreement on any given day, thereafter Franchisee shall pay to Franchisor a non-compliance fee in the amount of Five Hundred Dollars (\$500.00) for each occurrence of closure or failure to be open and operational during all of the required hours. The non-compliance fee shall be due to Franchisor on demand and there is no limitation on the number of times the fee can be imposed for non-compliance. The fee shall not be imposed if Franchisee's Restaurant is closed for a reason set forth in Section 17.4 of this Agreement.

**4.1011 POS System Non-Compliance Fee.** If in any reporting month Franchisee does not comply with our required use of the Food Cost or Labor Cost modules of the required point of sale system as described in our Operations Manual, Franchisee shall pay to Franchisor a non-compliance fee in the amount of Three Hundred Dollars (\$300.00) per module per month. The non-compliance fee shall be due to Franchisor on demand and there is no limitation on the number of times the fee can be imposed for non-compliance.

## **Article 5. DUTIES OF FRANCHISOR**

**5.1 Plans and Specifications.** Franchisor shall make available, at no additional charge to Franchisee, its standard plans and specifications for the interior and exterior design and layout of the Restaurant and its fixtures, furnishings, equipment and signs.

**5.2 Training.** Franchisor shall make available to Franchisee at times determined by Franchisor and Franchisee and its Designated Manager shall complete an initial training program as further described in Section 6.4 herein. Franchisor shall make available such other training programs as Franchisor deems appropriate as further described in Section 6.5 herein. Up to three (3) individuals (owners and Designated Manager), will be provided initial training for the Initial Franchise Fee paid to Franchisor. If Franchisee desires to send additional individuals to attend the initial training, Franchisee must pay the current tuition fee for such initial training and scheduling will be based on available space.

**5.3 Performance Improvement Consulting.** Franchisor shall render ongoing performance improvement consulting to Franchisee in the operation of the Restaurant as it deems necessary, and shall provide advice and written and/or electronic (digital) materials and/or applications concerning techniques of managing the Restaurant, which may include new developments and improvements in restaurant equipment and in food products, packaging and preparation.

**5.4 Operating Manual.** Franchisor shall provide to Franchisee, on a confidential basis, its SARPINO'S PIZZERIA Confidential Operating Manual which may be made up of one or more manuals and access to additional resources and procedures provided through various digital formats

and through various digital platforms (the "**Manual**"). The Manual will be delivered to you by providing online access to the Manual. In the event that Franchisee's printed copy of the Manual is lost, stolen or damaged, Franchisee shall pay to Franchisor a Manual Replacement Fee in the amount of One Thousand Dollars (\$1,000.00). Franchisee acknowledges that the Manual and the assistance provided by Franchisor under this Article 15 is intended to protect Franchisor's System and Mark and is not intended to control the day-to-day operations of Franchisee's business.

**5.5 Inspections.** Franchisor seeks to maintain high standards of quality, appearance and service, and to protect the validity and integrity of the Marks. To that end, Franchisor may conduct, and Franchisee shall permit Franchisor to conduct, as Franchisor deems advisable, inspections of the Restaurant and its operations and evaluations of the products sold and services rendered therein. Franchisor may provide Franchisee with reports, evaluations and scores concerning such inspections.

## **Article 6. DUTIES OF FRANCHISEE**

**6.1 Acknowledgement.** Franchisee acknowledges that operating its Restaurant in accordance with System standards is important to the success of Franchisee's business, as well as enhancing the image of SARPINO'S PIZZERIA Restaurants and the value of all franchises in the franchise system. Material consideration and inducement to Franchisor in granting this franchise is Franchisee's covenants and assurances that it will use its best efforts to comply with the terms of this Agreement and the standards set forth in the Manual to maintain the System and enhance the SARPINO'S PIZZERIA reputation and good will.

**6.2 Opening; Written Authorization Required.** Franchisee shall construct, furnish and open the Restaurant according to the provisions and schedule set forth in Attachment B hereto. Franchisee shall not open for business and operate the SARPINO'S PIZZERIA Restaurant until Franchisor has issued a written certification authorizing the opening of the Restaurant. Franchisor shall not issue such written certification until: (1) all of Franchisee's obligations under Attachment B have been fulfilled; (2) Franchisor has completed an opening inspection of the Restaurant and determined that the SARPINO'S PIZZERIA Restaurant has been constructed, decorated, furnished, equipped, and stocked, with furniture, fixtures, equipment, inventory, materials and supplies in accordance with plans and specifications Franchisor has approved; (3) Franchisee, the Designated Manager, and Certified Managers have completed all phases of Franchisor's initial training requirements and have passed all tests and examinations to Franchisor's satisfaction; (4) Franchisee has hired a sufficient staff of employees, and Franchisee has satisfactorily trained such employees; (5) all required licenses, permits and certificates of occupancy have been issued to Franchisee; (6) Franchisee has furnished Franchisor with copies of all required insurance policies; (7) Franchisee has provided proof of available cash reserves for initial marketing expenses and initial operations; (8) Franchisee has prepared and submitted to Franchisor a business plan; (9) Franchisee has acquired access to all required software for business operations; (10) Franchisee has established all required accounting procedures; and (11) Franchisee has complied with any other pre-opening requirements as set forth in the Manual. Franchisee must have met the foregoing requirements, obtained the Franchisor's written certification authorizing opening, and opened its SARPINO'S PIZZERIA Restaurant within one (1) year of the Agreement Date. Franchisor may grant Franchisee an extension of up to two (2) additional months to open its SARPINO'S PIZZERIA, if Franchisor determines, in its sole discretion, that Franchisee acted diligently and in good faith to open the SARPINO'S PIZZERIA Restaurant, and Franchisor has received a written request from Franchisee for an extension of time prior to the expiration of the one (1) year period. Franchisor shall have the right to deny Franchisee's access to the point of sale system and/or any

software or applications until Franchisor has signed the written certification authorizing Franchisee to open and begin operating the Restaurant.

**6.3 Designated Manager.** The SARPINO'S PIZZERIA Restaurant must at all times have a "**Designated Manager.**" If Franchisee is an individual, Franchisee must serve as Designated Manager. If Franchisee is an entity that owns and operates one SARPINO'S PIZZERIA franchise, one of the individual owners of Franchisee must serve as Designated Manager. If Franchisee owns and operates more than one SARPINO'S PIZZERIA Restaurant, an individual owner must serve as Designated Manager of one SARPINO'S PIZZERIA Restaurant, and Franchisee must appoint a different Designated Manager for each additional restaurant. The Designated Manager of any additional restaurants does not have to be an owner of Franchisee. The Franchisee's appointment of any Designated Manager shall be approved in writing by Franchisor. The Designated Manager must complete the initial training program to Franchisor's satisfaction. The Designated Manager shall devote his or her full time and best efforts to the personal supervision and conduct of the Restaurant business.

(a) If the Designated Manager originally appointed is no longer serving as Designated Manager, Franchisee shall provide written notice of same to Franchisor within seven (7) days of the last day of service of the Designated Manager. Within three (3) months of the last day of service of the former Designated Manager, Franchisee shall have appointed another person who has been approved in writing by Franchisor as Designated Manager and such Designated Manager shall have completed Franchisor's training program. In the event that Franchisee fails to notify Franchisor of the termination of employment of the Designated Manager and/or does not have an approved, trained Designated Manager in place within the required three (3) month period, Franchisee shall be in default of this provision and shall be obligated to pay a non-compliance royalty in the amount of one percent (1%) of Net Sales from the date of the default until Franchisee has fully complied with the requirements herein relating to the Designated Manager. Franchisee's payment of non-compliance royalties shall not be considered a cure of the non-compliance default, and Franchisor's acceptance of such royalties shall be without prejudice to taking any other action based on the defaults, including but not limited to, termination of this Agreement.

(b) Each Designated Manager shall join in the execution of this Agreement for the purpose of evidencing his or her acceptance of, and agreement to be personally bound by covenants contained in this Agreement pertaining to the Designated Manager; provided that Designated Manager shall not thereby become personally bound to the other provisions of this Agreement. Further, the Designated Manager shall execute the Non-Competition and Non-Disclosure Agreement ~~set forth in Attachment F~~ in a form acceptable to us and subject to applicable law. Franchisee shall deliver a copy of the executed Non-Competition and Non-Disclosure Agreement to Franchisor within five (5) business days of execution of said agreement. The requirement that the Designated Manager execute a form of non-competition and non-disclosure agreement approved by it and that the Franchisee deliver a copy to Franchisor are to provide for the adequate protection of the Trade Secrets and Confidential Information.

**6.4 Initial Training.** Franchisee acknowledges that it is important to the operation of the System and the Restaurant franchised hereunder that Franchisee and Franchisee's managers complete such training as Franchisor deems necessary, and Franchisee agrees as follows:

(a) Prior to the opening of the Restaurant, Franchisee and Franchisee's Designated Manager shall attend and complete, to Franchisor's satisfaction, an initial training program conducted by Franchisor. Franchisee and Franchisee's Designated Manager shall attend and complete to Franchisor's satisfaction all phases of the initial training program. The initial training program shall

consist of (i) approximately fifteen (15) business days of hands-on operational training at Franchisor's Training Center; (ii) five (5) business days of classroom business training at Franchisor's headquarters, or other location designated by Franchisor, and (iii) the on-site launch support described in Paragraph 6.4(b) below. Upon completion of the classroom business training and kitchen operational training, Franchisee and Franchisee's Designated Manager shall pass an exam to Franchisor's satisfaction. Franchisor shall provide, without additional charge, instructors and training materials for the initial training program. Any person subsequently employed by Franchisee as a Designated Manager at the Restaurant shall attend and complete, to Franchisor's satisfaction, such initial training program as Franchisor may require; and Franchisee shall pay to Franchisor a reasonable fee for such additional training as determined by Franchisor. If Franchisee already owns a franchise at the time of execution of this Agreement, Franchisor will determine in its sole discretion whether Franchisee will be required to attend and successfully complete all or a portion of the hands-on operational training at Franchisor's headquarters. The existing franchisee shall attend the current five (5) day classroom business training plus one (1) additional day of training on ownership of multiple units.

(b) Beginning approximately three (3) to five (5) days prior to opening the Restaurant, one or more of the Franchisor's representatives will spend up to thirty (30) days at Franchisee's SARPINO'S PIZZERIA Restaurant to provide the on-site portion of the initial training program (on-site launch support) to Franchisee and the Designated Manager, to assist Franchisee in training Franchisee's employees, and to assist in the opening of the SARPINO'S PIZZERIA Restaurant. Franchisor shall have no obligation to begin on-site launch support until Franchisee has completed all opening requirements as described in Paragraph 6.2 above and in the Manual. The actual length of the on-site launch support may be less than thirty (30) days if Franchisor, in its discretion, determines that adequate support has been provided to Franchisee. Franchisee shall pay to Franchisor an on-site launch support fee of up to Twenty Five Thousand Dollars (\$25,000.00). ~~You must pay to Franchisor an on-site launch support deposit in the amount of Twelve Thousand Five Hundred Dollars (\$12,500.00) upon the execution of this Agreement.~~ You must pay to Franchisor an on-site launch support deposit in the amount of Twelve Thousand Five Hundred Dollars (\$12,500.00) by pre-authorized electronic bank transfer from the Franchisee's account to the account of Franchisor once the on-site launch support is scheduled. You must maintain sufficient funds in such bank account to cover the amount of the deposit when due. If the on-site launch support is never scheduled, the on-site launch support fee will ~~not be refunded~~ be due. Once the on-site launch support has been completed, we will determine the total cost we incurred. If the total cost is less than the amount of the deposit you paid, we will reimburse you the difference. If the total cost is more than the amount of the deposit you paid, we will issue you an invoice for the balance due to us for on-site launch support, but by no means shall the on-site launch support fee be greater than Twenty-Five Thousand Dollars (\$25,000.00). If you are a current franchisee of Franchisor, Franchisor may, in its sole discretion, based on its evaluation of operations of the Restaurants you currently own and operate, reduce the amount of the on-site launch support deposit due upon the execution of this Agreement.

### **6.5 Ongoing Training and Consultation**

(a) Franchisor may, during the term of this Agreement, conduct annual conventions for all franchisees at such times and at such locations as Franchisor deems appropriate. Franchisee will attend the annual convention conducted by Franchisor during each year of this Agreement. All expenses incurred by Franchisee or any employees of Franchisee in traveling to and attending the annual convention will be paid for by Franchisee. Franchisee shall pay the registration fee charged by Franchisor. An additional registration fee may be charged for each person in addition to the first

person attending the annual convention on behalf of the Franchisee. If Franchisee does not attend the annual convention, Franchisor may charge Franchisee a registration fee of up to One Thousand Dollars (\$1,000.00) more than the registration fee charged to franchisees that attend the annual convention. Attendance by Franchisee is mandatory and it shall be a breach of this Agreement for Franchisee not to attend an annual convention, even if the registration fee is paid.

(b) In addition to the annual conventions, Franchisee, its Designated Manager and other managers shall attend and complete, to Franchisor's satisfaction, such courses, seminars and other training programs as Franchisor may require from time to time. Franchisee shall pay to Franchisor a reasonable training fee determined by Franchisor for such additional required training. If Franchisee, its Designated Manager and other managers do not attend a required course, seminar or training program, Franchisor may charge Franchisee a training fee, for each such required course, seminar and training program not attended by such individuals, of up to Five Hundred Dollars (\$500.00) more than the training fee charged to franchisees for similar required courses, seminars and training programs. Attendance by Franchisee, its Designated Managers and other managers at such required courses, seminars and training programs is mandatory and it shall be a breach of this Agreement for Franchisee, its Designated Managers and other managers not to attend, even if a training fee is paid.

(c) Franchisee and the Designated Manager may also attend such optional courses, seminars and training programs as Franchisor may offer from time to time. Franchisee shall pay to Franchisor a reasonable training fee determined by Franchisor for such additional optional training.

(d) Franchisee or its employees shall be responsible for any and all expenses incurred by them in connection with attending any training programs hereunder, including, without limitation, the costs of transportation, lodging, meals and wages.

(e) During the term of the franchise, Franchisor may require that Franchisee participate in and/or use other programs, software or applications designed to assist franchisees with improving operational performance of the Restaurant.

(f) During the term of the franchise, if Franchisor determines in its sole discretion based on an inspection of the Restaurant and its operations that there is sufficient non-compliance that re-training is required in order to bring the Restaurant and its operations into compliance with this Agreement, Franchisor may require that re-training be conducted for Franchisee at the Restaurant location by Franchisor's representatives at Franchisee's expense. Franchisor will determine the topics covered and the length of the training depending on the nature and the extent of the non-compliance. Franchisee shall be responsible for the compensation and travel expenses incurred by Franchisor's representative while conducting the re-training at Franchisee's Restaurant. Upon the scheduling of the re-training, Franchisee shall pay a re-training deposit to Franchisor in an amount determined by Franchisor. Upon completion of the training, Franchisee shall pay any additional amount due to cover Franchisor's actual expenses in re-training. If the re-training deposit exceeded Franchisor's actual expenses, a credit will be given to Franchisee against amounts owed to Franchisor.

**6.6 Exclusive Use.** Franchisee shall use the Restaurant premises solely for the operation of the Restaurant franchised hereunder; shall keep the Restaurant open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manual or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the premises for any other purpose or activity at any time without obtaining the prior written consent of Franchisor. Franchisor reserves the right to subsequently revoke such consent if Franchisor

determines in its sole discretion that the additional use of the premises is detrimental to or detracts from the SARPINO'S PIZZERIA Restaurant or its operations.

**6.7 Staff.** Franchisee shall maintain a competent, motivated and trained staff of managers and employees in sufficient numbers to operate the Restaurant in compliance with this Agreement and the standards and specifications in Manual and to provide proper customer service during all hours of operation. In addition to the Designated Manager, Franchisee shall at all times have two (2) additional managers who have satisfactorily completed Franchisor's Certified Manager training (Certified Managers). Franchisee shall pay to Franchisor the then current fee for the Certified Manager training. In addition, Franchisee shall be responsible for the manager's compensation and travel and living expenses incurred while attending the training. In addition to the Designated Manager and Certified Managers, Franchisee shall at all times have in-house delivery drivers at minimum numbers as set forth in the Operations Manual from time to time. Franchisee shall be exclusively responsible for hiring, retaining, disciplining and firing of all employees of the Restaurant; and for their compensation, benefits, vacations, scheduling, performance evaluations, promotions, work assignments, time off, hours of work, and other terms of their employment; and for the proper training of the employees in the operation of the Restaurant that meets Franchisor's standards. Franchisee agrees to require all employees to maintain a neat and clean appearance and to wear uniforms or follow a dress code as Franchisor prescribes for the protection of the Marks and brand. Franchisee shall comply with all applicable employment laws and regulations, maintain all employment records in a secured environment; and follow all applicable laws protecting employee private and biometrical information. Other than the right to delivery of non-disclosure or non-competition agreements required under this Agreement, Franchisor shall not access any private information or data regarding Franchisee's employee, including but not limited to social security number and biometric data.

**6.8 Health Standards.** Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant and shall, at all times, comply with all applicable health and safety laws and regulations. In addition,

(a) Franchisee shall furnish to Franchisor, within twenty-four (24) hours after Franchisee's receipt thereof, a copy of any inspection report, warning, citation, certificate, and/or rating from a third party which indicates Franchisee's failure to meet or maintain the highest applicable health and safety standards in the operation of the Restaurant and to immediately take all necessary steps to correct such deficiencies;

(b) Franchisee shall immediately notify Franchisor of any emergency closing of the Restaurant; and

(c) Franchisee shall comply with additional temporary health and safety standards and procedures as Franchisor deems necessary during a pandemic or other local, regional or national health emergency. Further:

(d) At the written direction of Franchisor, Franchisee shall close the Restaurant if Franchisor determines that the Restaurant has deficiencies relating to food safety and/or cleanliness. Franchisor may not reopen the Restaurant until Franchisor has re-inspected the Restaurant and determined that Franchisor's related standards have been met; and

(e) Franchisee is strictly prohibited from speaking or communicating with the media in the event of an outbreak of a food borne illness or other health or safety issue, whether at Franchisee's

SARPINO'S PIZZERIA Restaurant or at any other SARPINO'S PIZZERIA Restaurant, Franchisor has the sole spokesperson on health or safety issues within the franchise system.

**6.9 Compliance with Standards.** Franchisee shall operate the Restaurant in strict conformity with such methods, standards and specifications as Franchisor may from time to time prescribe in its Manual or otherwise in writing to protect Franchisor's System and Marks. Without limiting the foregoing, Franchisee shall:

(a) Maintain in sufficient supply, and use and/or sell at all times, only such menu items, ingredients, products, materials, supplies or and paper goods as conform to Franchisor's standards and specifications, and shall not deviate therefrom by the use or offer of nonconforming items, unless approved by Franchisor in writing;

(b) Sell or offer for sale only such menu items, products, and services as have been expressly approved for sale in writing by Franchisor; shall sell or offer for sale all types of menu items, products, and services specified by Franchisor; shall refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and shall discontinue selling and offering for sale any menu items, products or services which Franchisor may, in its discretion, disapprove in writing at any time. The parties acknowledge that Franchisor may permit or require regional variations to the prescribed menu items for a particular market or markets. Franchisee shall participate in any and all local, regional and national limited time offer programs established by Franchisor;

(c) With respect to the offer and sale of all menu items, products, and services, give due consideration to any price suggested or proposed by Franchisor, but retain and at all times have sole discretion as to the prices to be charged to customers; except that Franchisor reserves the right, to the fullest extent allowed by applicable law, to require Franchisee to charge maximum or minimum prices or to comply with other pricing requirements in connection with a system-wide, regional or local marketing campaign or promotion;

(d) Permit Franchisor or its agents, at any reasonable time, to remove samples of food or nonfood items from Franchisee's inventory, or from the Restaurant, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then current standards and specifications; and if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications, in addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to (1) bear the cost of such testing and (2) pay to Franchisor a non-compliance fee of \$300 per occurrence per food or non-food items not in compliance with purchasing requirements;

(e) Purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, and signs as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing, including the requiring commercial grade kitchen equipment; and shall refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, games, vending machines, or other items not previously approved as meeting Franchisor's standards and specifications;

(f) Sell or offer for sale products and services only at the Restaurant and shall refrain from off-premises sales or catering unless expressly authorized by Franchisor in writing; and if such sales are authorized by Franchisor, comply with the standards, procedures and specifications set forth in the Manual pertaining to off-premises sales or catering;

(g) Maintain the ability to accept credit and debit cards and other forms of payment as may be required by Franchisor in the Manual for customer payment in addition to cash;

(h) Have the Restaurant open for business all 365 days of the calendar year and, at a minimum, open between the hours of 10 am and 2 am, or other minimum hours as prescribed from Franchisor from time to time;

(i) Follow any customer service guarantees as may be set forth in the Manual from time to time, including but not limited to delivery times and services;

(j) Use best efforts to comply with the Mission Statement and the Core Values and Beliefs of the Franchisor for the System as may be set forth in the Manual from time to time;

(k) Provide to customers all options for placing orders as Franchisor may require from time to time in the Manual or otherwise in writing;

(l) Pass inspections of the Restaurant premises and Restaurant operations with scores meeting or exceeding the then-current scores require by Franchisor;

(m) Prepare financial statements using designated accounting software and a standard Chart of Accounts for tracking income and expenses of the Restaurant and comply with other reporting and recordkeeping requirements as set forth in Article 12 and the Manual;

(n) Implement operational standards and procedures relating to costs incurred in the operation of the business, including but not limited to purchasing and labor costs, as outlined in the Manual or otherwise in writing; and

(o) Maintain out the door time of eighteen (18) minutes.

**6.10 Suppliers.** Franchisee is required to purchase all restaurant supplies, food, products, services, uniforms, equipment, computers, electronic point of sale systems, including web ordering and other data services, credit card and gift card processing services, copyrighted materials, brochures and literature relating to the establishment and operation of the Restaurant only from vendors and suppliers approved by Franchisor. Franchisor or its affiliate may be an approved supplier, and if so, have the right to make a profit on the sale of products or services to franchisees. Franchisor may approve a single distributor or a single approved supplier for any products or services, and in such case shall have no obligation to approve any other supplier submitted by Franchisee if it is in the best interests of the System to have a single supplier.

If Franchisee desires to purchase any products or services from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase such items from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the approved supplier's facilities, and that samples from the supplier be delivered either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier.

**6.11 Secret Recipes.** Franchisee acknowledges and agrees that Franchisor may develop for use in the System certain products which are highly confidential secret recipes and which are trade secrets of Franchisor. Due to the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely control the production and distribution of such products. Accordingly, Franchisee agrees that in the event such products become a part of the System, Franchisee shall use only Franchisor's secret recipe products and, if required by Franchisor, shall purchase from Franchisor or from a source designated by Franchisor all of Franchisee's requirements for creating such products.

**6.12 Advertising Materials.** Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including disposable food containers, napkins, menus, and all forms and stationery used in the Restaurant), and other items which may be designated by Franchisor, to bear the Marks in the form, color, location and manner prescribed by Franchisor.

**6.13 Right of Access for Inspection; Correcting Non-compliance.** Franchisee grants Franchisor and its agents (including third party secret shoppers) the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections and observing the operation of the Restaurant, the right to interview and survey employees, the right to interview or survey customers, and the right to review books and records. For purposes of this inspection, books and records exclude Franchisee's employment records for its employees. Franchisee shall cooperate with Franchisor's representatives in such inspections, interviews, surveys and/or document review, by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection, interviews, surveys and/or document review. If Franchisee refuses to permit Franchisor's representatives full access to the Restaurant, employees, customers and/or books and records as required herein so that a complete inspection cannot be conducted, Franchisee shall pay to Franchisor an amount to cover compensation for Franchisor's representative's time and the travel expenses incurred by the representative. If Franchisor conducts a follow up to a previous inspection after a reasonable time to cure and with reasonable notice to Franchisee prior to the re-inspection and Franchisor determines at such re-inspection that Franchisee has failed to correct all deficiencies or new deficiencies have been discovered during the re-inspection, Franchisee shall pay to Franchisor the then current hourly fee for Franchisor's representatives conducting the inspection. If Franchisee fails for any reason to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies in order to protect the Marks and brand, and to charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable by Franchisee immediately upon demand. Further, Franchisee shall pay a non-compliance fee in the amount of One Hundred Dollars (\$100.00) per day for each day that Franchisee has failed to correct such deficiencies after reasonable time to cure. ————— Franchisee's payment of the re-inspection fee and/or a reasonable fee for Franchisor's expenses in correcting deficiencies or payment of the non-compliance fee shall not be considered a cure of the non-compliance default, and Franchisor's acceptance of such fees and royalties shall be without prejudice to taking any other action based on the defaults, including but not limited to, termination of this Agreement.

**6.14 Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, payroll, unemployment and sales taxes, and all accounts and other indebtedness of every kind, incurred by Franchisee in the conduct of the Restaurant business. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall

Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Restaurant or any assets owned or leased by Franchisee.

**6.15 Compliance with Law.** Franchisee shall comply with all Federal, state, and local laws, rules and regulations, including without limitation those relating to the preparation and sale of food, serving of alcohol, employees, workers' compensation insurance, unemployment insurance, and withholding and payment of federal and state income, social security and sales taxes, and privacy of employee and customer information. Franchisee shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Restaurant, including, without limitation, licenses to do business, food handling certifications, fictitious name registrations and sales tax permits.

**6.16 Required Notice to Franchisor.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Restaurant.

**6.17 Security Interest.** In order to secure the prompt performance by Franchisee of the obligations of this Agreement, Franchisee hereby grants Franchisor security interest in all rights, entitlements, licenses and interests granted under this Agreement or otherwise inuring to Franchisee by reason hereof, and all goods, wares, products, inventory, accounts, proceeds, furniture, equipment, fixtures, commercial tort claims, general intangibles and all other personal property interests of Franchisee arising or used in connection with the Restaurant, whether at the SARPINO'S PIZZERIA Restaurant or elsewhere, and whether now owned or hereafter acquired by Franchisee. This Agreement shall, in and of itself, constitute a Security Agreement within the meaning of the Uniform Commercial Code. In order to perfect the security interest granted hereby and by the Security Agreement attached hereto, Franchisee authorizes Franchisor to file any financing statement, continuation statement, statement of amendment, other statement or filing used or useful under the Uniform Commercial Code, including any amendment or replacement thereof, to perfect Company's security interest as provided herein. Franchisee shall grant no other lien, encumbrance or security interest in the Restaurant or in any of its assets unless the secured party agrees that its security interest is subordinate to the security interest of Franchisee.

**6.18 Point of Sale/Computer System.** Franchisee shall purchase and/or lease and use in the operation of the SARPINO'S PIZZERIA Restaurant, a point of sale system, including web-based ordering and any other required data services, and/or computer system ("POS System") as specified by Franchisor, including, but not limited to, any POS System, software or web-based application or platform, including but not limited to those designed exclusively for or modified for SARPINO'S PIZZERIA Restaurants. If Franchisor introduces a POS System or software into the System for use in SARPINO'S PIZZERIA Restaurants, Franchisee shall install and use the POS System or software in the operation of the SARPINO'S PIZZERIA Restaurant and comply with all specifications and standards prescribed by Franchisor regarding the POS System or software, as provided from time to time in the Manual or otherwise in writing. Upgrades to the POS System or software may be implemented into the System at Franchisor's sole discretion. Franchisee will be responsible for maintaining on-going services and support regarding the POS System or software, and Franchisor or its designee will license the POS System or software to Franchisee at the then-current rates published by Franchisor. Franchisor shall have the unlimited right to access and utilize, for any purpose related to the operation, management and/or monitoring of the System, any information, reports or data generated or stored by the POS System, any other computer of Franchisee or any web-based software or application. Franchisor also may utilize databases and

customer information from Franchisee and other franchisees for cross-promotions and other purposes, subject to the privacy policy contained in the Manual or otherwise in writing and subject to applicable privacy laws. Franchisor has the right to require Franchisee to add to or replace any of the components of Franchisee's POS System (hardware or software) or to require additional or replacement computer systems or web-based software or applications if, in the future, Franchisor deems the existing systems, software or applications, or any component to be (a) undersized or otherwise insufficient for the efficient operation and management of the SARPINO'S Restaurant, or (b) incompatible with Franchisor's computer hardware, software, or applications or the computer hardware, software or applications that Franchisor designates for franchise network use. Upon the expiration or termination of this Agreement, Franchisee shall return the POS system (hardware and software) to Franchisor as it contains proprietary information and data that is the property of Franchisor. Without waiting any other remedies available to Franchisor, Franchisor shall have the right to deny Franchisee access to the POS System during any times when Franchisee is in default of this Agreement.

Throughout the term of this Agreement, Franchisee shall have high-speed access to the Internet from the Restaurant meeting minimum specifications from the current POS System provider. Franchisee shall maintain an active e-mail account for communicating with Franchisor and receiving and providing information to Franchisor.

**6.19 Customer Service; Customer Complaint Resolution.** Franchisee shall give prompt, courteous and efficient service to the customers of the SARPINO'S Restaurant in compliance with this Agreement and the standards, specifications, policies and procedures set forth in the Manual. In the event Franchisee receives a complaint from a customer or negative review from a customer on social media or otherwise on the Internet, Franchisee shall address and attempt to resolve the complaint or negative review in a manner reasonably satisfactory to the customer within twenty-four hours (24) of Franchisee becoming aware of such complaint or negative review. In the event Franchisor receives, within any ninety (90) day period, two (2) or more customer complaints regarding Franchisee or Franchisee's SARPINO'S PIZZERIA Restaurant that Franchisee has failed to resolve to the customer's satisfaction, for the protection of the Marks and System, Franchisor shall have the right to address such complaints directly with Franchisee's customers. Further, Franchisor shall have the right to address repeated negative reviews of Franchisee or Franchisee's SARPINO'S PIZZERIA Restaurant on social media or otherwise on the internet that may have a negative impact on the Marks and System. Franchisee shall reimburse Franchisor for the costs it incurred in attempting to resolve the customer complaint or negative review, including but not limited to, any refunds, payments, certificates and discounts provided to the customer. In addition, if Franchisor determines, in its sole discretion, that any complaint or negative review regarding Franchisee or Franchisee's SARPINO'S PIZZERIA Restaurant may harm the System, Franchisee shall reimburse Franchisor for all costs associated with additional marketing and public relations efforts extended in an attempt to minimize any harm to the system.

## **Article 7. ADDITIONAL COVENANTS OF FRANCHISEE**

**7.1 Best Efforts.** Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee and its Designated Manager shall devote their full time, energy and best efforts to the management, operation and promotion of the Restaurant. In the event that Franchisor determines, in its sole discretion, that Franchisor and/or its Designated Manager are not devoting full time, energy and best efforts to the management,

operation and promotion of the Restaurant, Franchisor shall deliver written notice of such failure to Franchisee and designate a reasonable time in which Franchisee must cure this deficiency. In addition to the right to collect damages and attorney's fees and other remedies available to Franchisor in the enforcement of this provision if Franchisee fails to cure the deficiency cited in the notice within the time period designated, Franchisee shall pay to Franchisor a non-compliance fee in the amount of One Hundred Dollars (\$100.00) per day for each day until Franchisee has corrected such deficiencies.

**7.2 Cash Reserves.** Franchisee shall maintain at all times sufficient cash reserves at least up the minimum cash reserves limits prescribed by Franchisor from time to time, which shall in no event be less than Thirty Thousand Dollars (\$30,000.00), and shall maintain a minimum of Fifteen Thousand Dollars (\$15,000.00) in the bank account(s) for the SARPINO'S PIZZERIA Restaurant.

**7.3 Confidential Information.** Franchisor possesses trade secrets, confidential and proprietary information consisting of secret recipes, ingredients and methods of preparation; training materials and manuals; certain confidential specifications, standards, procedures, concepts and methods for establishing, promoting, managing and operating SARPINO'S PIZZERIA Restaurant; and customer information and data ("**Trade Secrets and Confidential Information**"). Trade Secrets and Confidential Information will be disclosed to Franchisee in Franchisor's Manuals, bulletins, supplements, confidential correspondence, and/or other confidential communications, and through Franchisor's training program and other guidance and management assistance; and, in performing Franchisor's other obligations and exercising Franchisor's rights under this Agreement, Franchisee shall divulge such Trade Secrets and Confidential Information only to such of its employees as must have access to it in order to operate the Restaurant.

Franchisee shall acquire no interest in the Trade Secrets and Confidential Information other than the right to use them in developing and operating the business pursuant hereto during the term of this Agreement. Franchisee's duplication or use of the Trade Secrets and Confidential Information in any other endeavor or business shall constitute an unfair method of competition. Franchisee shall (a) not use the Trade Secrets and Confidential Information in any business or other endeavor other than in connection with Franchisee's SARPINO'S PIZZERIA Restaurant, (b) maintain absolute confidentiality of the Trade Secrets and Confidential Information during and after this Agreement's term, (c) make no unauthorized copy of any portion of the Trade Secrets and Confidential, including any Manuals, bulletins, supplements, confidential correspondence or other confidential communications, whether written or oral, and (d) operate and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets and Confidential Information, including restrictions on disclosure to employees and use of non-disclosure and non-competition agreements as Franchisor prescribes in employment agreements with employees who may have access to the Trade Secrets and Confidential Information. Promptly upon Franchisor's request, Franchisee shall deliver executed copies of such agreements to Franchisor.

Upon the expiration or termination of this Agreement for any reason Franchisee shall deliver to Franchisor all materials containing the Trade Secrets and Confidential Information.

**7.4 Non-Competition and Non-Solicitation.** Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the Trade Secrets and Confidential Information of Franchisor. Franchisee also acknowledges that the specialized training, Trade Secrets and Confidential Information provide a competitive advantage and will be valuable to Franchisee in the development and operation of the SARPINO'S PIZZERIA Restaurant, and

gaining access to this specialized training, Trade Secrets and Confidential Information are therefore primary reasons why Franchisee is entering in this Agreement. Franchisee further acknowledges that Franchisor would not have entered into this Agreement without Franchisee's agreement to abide by the terms in this Section.

(a) In-Term Non-Competition. In consideration for this specialized training, Trade Secrets and Confidential Information, and rights, Franchisee covenants that it will not, except as otherwise approved in writing by Franchisor, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any persons, partnership, family members, limited liability company, corporation or other entity, during the term of this Agreement:

(i) Divert, or attempt to divert, any business or customer of the SARPINO'S PIZZERIA Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(ii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including but not limited to any interest in corporations, partnerships, limited liability companies, unincorporated associations, or joint ventures), advise, assist, or make loans to any other restaurant offering pizza and related products and/or offering pastas, sandwiches, calzones, salads and other food products similar to those offered by SARPINO'S PIZZERIA restaurants, herein referred to as a "Competitive Restaurant", except as permitted under any existing franchise agreement between Franchisor and Franchisee; and

(iii) Employ or seek to employ any person who is at that time employed by Franchisor, any affiliate of Franchisor or by a Developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment;

(b) Post-Term Non-Competition. In consideration for this specialized training, Trade Secrets and Confidential information, and rights, Franchisee covenants that it will not, except as otherwise approved in writing by Franchisor, either directly or indirectly, for itself or through, on behalf of, or in conjunction with any persons, partnership, family members, limited liability company, corporation or other entity for a continuously uninterrupted period of two (2) years, beginning on the latter of the date of expiration or termination of this Agreement or the date on which all persons restricted by this Article begin to comply with this Article:

(i) Divert, or attempt to divert, any business or customer of the SARPINO'S PIZZERIA Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(ii) Employ, or seek to employ, any person who is at that time, or has been within the preceding six (6) months, employed by Franchisor or by any other franchisee or Developer of Franchisor or otherwise directly or indirectly induce those persons to leave their employment, except as permitted under any existing franchise agreement between Franchisor and Franchisee; and

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including but not limited to any interest in corporations, limited liability companies, partnerships, trust, unincorporated associations or joint ventures),

advise, assist or make loans to, any Competitive Restaurant that is, or is intended to be located: (a) at the Approved Location of the SARPINO'S PIZZERIA Restaurant or within five (5) miles of the Approved Location; or (b) within five miles (5) of any other SARPINO'S PIZZERIA Restaurant. After the date of this Agreement, other franchised SARPINO'S PIZZERIA restaurants may open thereby expanding the prohibited area in (iii)(b) of this provision.

(c) Franchisee acknowledges that each of the covenants contained in Section 7.4 (a) and (b) are reasonable limitations as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint that is necessary to protect Franchisor's goodwill or other business interests. Each of the covenants in Section 7.4 (a) and (b) will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in Section 7.4 (a) or (b) is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of Section 7.4 (a) and (b). This Section 7.4 will not apply to the ownership of less than a (5) five percent beneficial interest in the outstanding equity securities of any publicly held company.

(i) Franchisee understands and acknowledges that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 7.4 (a) and (b) in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon notice to Franchisee. Franchisee agrees that it will comply with any covenant as so modified, which will be fully enforceable; and

(ii) Franchisee expressly agrees that the existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Article.

**7.5 Enforcement.** Franchisee agrees that the remedy at law for any breach of the covenants contained in this Article 7 will be inadequate and would be difficult to ascertain and therefore, in the event of the breach or threatened breach of any such covenants, Franchisor, in addition to any other remedy, shall have the right to enjoin Franchisee and/or Designated Manager from any threatened or actual activities in violation thereof; and Franchisee and its Designated Manager hereby consent and agree that temporary and permanent injunctive relief may be granted in any proceedings which might be brought to enforce any such covenants without the necessity of proof of actual damages and without bond. In the event Franchisor does apply for such an injunction, Franchisee and its Designated Manager shall not raise as a defense thereto that the Franchisor has an adequate remedy at law.

**7.6 Franchisee's Personnel.** Franchisor may require Franchisee to obtain execution of covenants similar to those set forth in Sections 7.3 and 7.4 (a) and (b) (including covenants applicable upon the termination of a person's employment with Franchisee) from Franchisee's Designated Manager, from other managers, and from family members (including spouses) who have attended Franchisor's training or have worked in the Restaurant and had access to the Trade Secrets and Confidential Information. Franchisee shall be responsible for providing to Franchisor in writing the names of all managers, and upon the request of Franchisor, Franchisee will provide to Franchisor copies of any and all executed non-disclosure and non-competition agreements with Franchisee's personnel. Additionally, at Franchisor's request, Franchisee will require and obtain execution of similar covenants to those identified in the preceding sentence from any of Franchisee's personnel who have attended any of Franchisor's training programs or who have had access to the Trade Secrets

and Confidential Information. All persons having any ownership or control of Franchisee shall execute similar covenants. Any covenants required under this Section 7.6 will be in a form approved by Franchisor.

**Article 8.**  
**LICENSE GRANTED TO FRANCHISEE**

**8.1 Nature of Grant.** The franchise granted hereby is a license only, upon the terms and conditions contained herein, to use and display the mark SARPINO'S, SARPINO'S PIZZERIA, and other trademarks, service marks, trade names, logos and other commercial symbols of Franchisor (the "Marks") and to use Franchisor's System together with all methods of operation, format and goodwill once Franchisor has issued to Franchisee written authorization to open and operate the Restaurant as provided in Section 6.2, but only in connection with the retail sale of authorized products and services in the standard format of SARPINO'S PIZZERIA Restaurants belonging to Franchisor's franchise network. Nothing herein shall give Franchisee any right, title or interest in or to any Marks, or the System, and the goodwill thereof. Upon the expiration or termination of this Agreement for any reason, Franchisee shall deliver and surrender to Franchisor any and all evidences and materials pertaining to Franchisor's Marks, and the possession of any and all physical objects other than supplies bearing or containing any of the same; and Franchisee shall not thereafter use any of the same. Franchisee hereby acknowledges and agrees that ownership of all such items is and shall at all times remain vested in Franchisor and its affiliates.

**8.2 Use of Name.** Franchisee shall operate the Restaurant at the Approved Location continuously from the date Franchisor has issued to Franchisee written authorization to open and operate the Restaurant throughout the term of this Agreement and under the name SARPINO'S PIZZERIA, or as directed by Franchisor, and Franchisee's name shall be clearly marked on the premises of the Approved Location as well as on all of Franchisee's advertising, stationery, business cards, purchase orders and other similar instruments or materials, in a manner specified or approved by Franchisor and which clearly indicates that Franchisee is the person or business entity, as the case may be, operating that business independently of Franchisor under the name SARPINO'S PIZZERIA as a franchisee of Franchisor. Franchisee shall also use the symbol "®", "™", or "SM" as directed by Franchisor, to indicate to the public that the Marks used by Franchisee are trademarks or service marks, and shall in such usage clearly indicate that such pending or registered trademarks are owned by Franchisor by using the phrase "trademark [service mark] owned by Sarpino's USA, Inc." or other similar indicative phrase approved by Franchisor. Franchisee shall not use or permit the use, as part of the name of any corporation or other business entity which may operate the Restaurant, the words SARPINO'S, SARPINO'S PIZZERIA or any of the Marks, or any word or phrase combination of words confusingly similar thereto or a colorable imitative thereof.

**8.3 Acts in Derogation of Franchisor's Rights.** Franchisee acknowledges, covenants and agrees that all goodwill and ownership rights arising out of the use by Franchisee of the Marks, and Franchisor's System, methods of operation, format and the goodwill thereof pursuant to this Agreement and of any adaptations thereof designated or approved by Franchisor in writing from time to time hereunder shall accrue solely to Franchisor, and that now and hereafter Franchisee shall assert no claim to any goodwill or ownership of same by virtue of the licensed use thereof, nor will it dispute or impugn the validity of same or the rights of Franchisor thereto, or do or assist others to do or permit any act or thing to be done in derogation of same. Franchisee acknowledges that by reason of the unique nature of Franchisor's System, methods of operation and format of the franchise business and Franchisor's aforesaid property rights and by reason of Franchisee's knowledge of and association with the franchise business during the term hereof, the aforesaid covenants, both during the term of this Agreement and thereafter are reasonable and commensurate

for the protection of the legitimate business interests of Franchisor, its affiliates and its other franchisees.

**8.4 Other Trademarks.** If at any time during the term of this Agreement Franchisor shall deem it advisable to modify or discontinue use of any of the Marks, or to adopt and use any additional or substitute trademarks or service marks, or to submit applications for trademark registration for any other trademarks or service marks, then it shall give notice in writing to Franchisee to that effect, allowing a reasonable time thereafter within which Franchisee shall be obligated to comply with all such changes at Franchisee's expense, except as otherwise provided herein. All provisions of this Agreement applicable to the Marks shall apply to any additional, substitute or modified trademarks or service marks hereafter adopted by Franchisor and authorized for use by Franchisee by such notice.

**Article 9.**  
**RELATIONSHIP OF PARTIES AND INDEMNIFICATION**

**9.1 Relationship of Parties.** It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisee is an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Further, Franchisee acknowledges that the Sarpino's Pizzeria Restaurant will be under the control of Franchisee at all times and that Franchisee will be responsible for the day-to-day operations of the Sarpino's Pizzeria Restaurant.

**9.2 No Employer Relationship.** Franchisee expressly acknowledges that Franchisor is not Franchisee's employer or an employer of any of Franchisee's employees. In addition, Franchisor is not a joint employer with Franchisee. Franchisee acknowledges that Franchisor's training, guidance, advice and assistance, the Franchisee's obligations under this Agreement and the standards and specifications required by Franchisor hereunder and in the Operating Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and System, goodwill and brand consistency. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, employment applications and other employment forms, written and electronic correspondence, paychecks, employee handbooks, employment policies and procedures, and other written materials that Franchisee (and only Franchisee) is their employer and that Franchisor is not their employer. Franchisee is solely responsible for the management of the Sarpino's Pizzeria Restaurant as an independent franchise owner/operator.

**9.3 Notice to Public.** During the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent business owner operating the business pursuant to a franchise from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the franchised premises, the content of which Franchisor reserves the right to specify.

**9.4 Lack of Authority.** It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action. Franchisor shall not be liable by reason of any act or omission of Franchisee in its conduct of the franchised business or for any claim or judgment arising therefrom against Franchisee or Franchisor

**9.5 Indemnification.** Franchisee hereby agrees to protect, defend and indemnify Franchisor, and all of its past, present and future partners, shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or business entity or to any property arising out of or in connection with Franchisee's breach of this Agreement or Franchisee's operation of the Restaurant pursuant to this Agreement. Franchisee's obligations herein shall continue in full force and effect after, and notwithstanding, the expiration or termination of this Agreement.

**Article 10.**  
**ADVERTISING**

**10.1 Acknowledgment.** The parties acknowledge the value of advertising and promotion, and the importance of the standardization of advertising and promotional programs to the furtherance of the goodwill and public image of the System.

**10.2 National Advertising Fund.** Franchisee agrees to make contributions to the National Advertising Fund ("the **Fund**") as required by Section 4.3 hereof, and further agrees that the Fund shall be maintained and administered by Franchisor or its designee, as follows:

(a) Franchisor or its designee shall oversee all advertising and promotional programs with sole discretion to approve or disapprove the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designee undertake no obligation in administering the Fund to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro rata from the advertising or promotion conducted under the Fund.

(b) The Fund, all contributions thereto, and any earnings thereon, shall be used to meet the costs of advertising and promoting the System, including, without limitation, the cost of conducting television, radio, magazine, newspaper and internet and social media advertising campaigns, direct mail and outdoor billboard advertising, marketing surveys and other public relations activities, employing advertising agencies to assist therein, and providing promotional brochures and other marketing materials to restaurants operated under the System, website development and maintenance, and all other activities for the purpose of promoting the Marks and SARPINO'S PIZZERIA restaurants, and solicitation of new franchisees.

(c) Franchisee shall contribute to the Fund by separate payment to Franchisor. All such contributions shall be maintained by Franchisor in a Fund account separate from the other monies of Franchisor and shall not be used to pay or defray any of Franchisor's operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in administration of or providing related services to the Fund. The Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor or its designee shall maintain separate bookkeeping accounts for the Fund.

(d) It is anticipated that all contributions to and earnings of the Fund shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions and earnings are received. If, however, excess amounts remain in the Fund at the end of such taxable

year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

(e) The Fund is not and shall not be an asset of Franchisor or its designee. A statement of the operations of the Fund as shown on the books of Franchisor or its designee shall be prepared annually by an independent certified public accountant selected by Franchisor and shall be made available to Franchisee.

(f) Franchisor maintains the right to terminate the Fund at any time. However, prior to termination, all monies in the Fund shall be expended for advertising and/or promotional purposes.

**10.3 Regional Advertising.** Franchisee agrees that Franchisor shall have the right, in its discretion, to designate any geographical area as a region for purposes of advertising and promotion of SARPINO'S PIZZERIA Restaurants in such region, and to establish a separate entity in which all Franchisees in such region shall be members on a cooperative basis (the "Cooperative"). If a Cooperative has been established for Franchisee's region at the time Franchisee commences business hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative for Franchisee's region is established at any later time during the term of this Agreement, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation as provided below:

(a) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

(b) Each Cooperative shall be organized for the exclusive purposes of administering regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials and programs for use by the members in local advertising.

(c) Each Cooperative shall be Franchisor's designee for maintaining and administering advertising and promotional programs in each region, and all contributions to and expenditures of each Cooperative shall be subject to provisions applicable to the Fund set forth in this Article 10.

(d) No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in this Article 10.

(e) Each member franchisee shall submit to the Cooperative, no later than the Monday of each week, for the preceding week, or other intervals as determined by the cooperative, its contribution as provided in this Article 10, together with such other statements or reports as may be required by Franchisor or by the Cooperative with Franchisor's prior written approval.

(f) Franchisor, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption. If such an exemption is granted, such franchisee shall make the weekly local advertising expenditure required by and in accordance with this Article 10. Franchisor's decision concerning such request for exemption shall be final. As a condition of granting such exemption, Franchisor may require a larger local advertising expenditure than that specified in this Article 10.

**10.4. Opening Advertising.** Franchisee agrees to spend a minimum of Ten Thousand Dollars (\$10,000.00) on advertising and promoting the opening of Franchisee's SARPINO'S PIZZERIA

Restaurant within the first ninety (90) days of operation of the SARPINO'S PIZZERIA Restaurant. The opening advertising and promotion shall be conducted in accordance with the Manual and/or other written guidelines Franchisor may issue on initial advertising and promotion. On or before the end of the ninety (90) day period, Franchisee shall submit to Franchisor a report on the opening advertising and promotion conducted, along with copies of all paid invoices for monies spent. In the event such report and paid invoices show that Franchisee has spent Twenty Thousand Dollars (\$20,000.00) or greater on opening advertising and promotion during the ninety (90) day period, Franchisor shall provide to Franchisee through the National Advertising Fund additional marketing and promotion for Franchisee's SARPINO'S PIZZERIA Restaurant, including geo targeted e-mails to the new database and mailings to forty thousand (40,000) addresses within a three (3) month period.

**10.5 Advertising Approval.** Prior to Franchisee's use of any local advertising and promotional materials and programs not prepared by Franchisor or previously approved by Franchisor, and prior to Franchisee's use of any digital or electronic marketing, advertising or promotion and the content for such digital or electronic marketing, advertising or promotion, whether prepared by Franchisee, AI generated or prepared by another source other than Franchisor, Franchisee shall submit the materials, program and/or content to Franchisor for approval, which we will not unreasonably withhold. If Franchisee does not receive written disapproval within thirty (30) days from the date of Franchisor's receipt of such materials or programs, Franchisor will be deemed to have given the required approval. Franchisee may not use any advertising or promotional materials, programs, or content that Franchisor has disapproved. All advertising and promotional materials used by Franchisee shall be completely factual, in good taste (in our sole opinion) and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any advertising practice which may be harmful to the business of Franchisor and the goodwill associated with the Marks and other SARPINO'S PIZZERIA Restaurants Franchises. Franchisor may disapprove of any local advertising and promotional materials and programs or any digital or electronic marketing or promotion previously approved. If Franchisor disapproves of any such materials, programs, media or content, Franchisee shall immediately cease use of such materials, programs, media or content.

**10.6 Local Advertising and Promotion.** Each calendar month during the first year of operation of Franchisee's SARPINO'S PIZZERIA Restaurant, Franchisee shall spend a minimum of ten percent (10%) of Net Sales (as defined in Paragraph 4.5) of the Restaurant on local advertising and promotion. Monies paid to Third Party Internet Vendors shall not be included as a local advertising expenditure under this Section 10.6. After the first year of operation of the Restaurant, Franchisee shall spend each calendar month a minimum of seven percent (7%) of Net Sales on local advertising and promotion. Such expenditures will be made directly by Franchisee, subject to Franchisor's approval and direction. Within ten (10) days of the end of each calendar month, Franchisee shall furnish to Franchisor, in a manner approved by Franchisor, an accurate accounting of Franchisee's expenditures on local advertising and promotion for the preceding calendar month just ended. Franchisee shall abide by any guidelines for local advertising and promotion for SARPINO'S PIZZERIA Restaurant as may be issued from time to time by Franchisor, and shall pass any local advertising assessments with scores meeting or exceeding the then-current scores required by Franchisor. Expenditures by Franchisees on Regional Advertising as set forth in Paragraph 10.3 shall be a credit against the local advertising expenditure requirements of this Paragraph 10.6.

**10.7 Display of Franchise Sales Materials.** Franchisee agrees to cooperate with Franchisor in displaying Franchisor's franchise sales materials in Franchisee's Restaurant in the manner and in the locations as reasonably requested by Franchisor from time to time. At no charge to Franchisee, Franchisor shall furnish such promotional materials and display racks to Franchisee. Franchisee agrees to notify Franchisor when the supply of franchise sales materials is low.

#### **10.8 Use of the Internet.**

(a) Franchisee shall not develop, create, generate, own, license, lease or use in any manner any digital medium or electronic medium (including any Internet home page, e-mail address, Web site, bulletin board, newsgroup, Web Log, blog, social media, social or professional network, or other Internet presence or related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards or specifications as Franchisor may establish from time to time. Franchisee shall not engage or authorize any third party to use the Marks in any digital medium or electronic medium without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards or specifications as Franchisor may establish from time to time. Franchisor may withhold written consent of any such use of the Marks by Franchisee in its discretion and may condition any consent on any written agreements to be entered into by Franchisee being acceptable to Franchisor.

(b) Franchisee acknowledges and agrees that from time to time Franchisee may enter into agreements with third party vendors, subject to the prior written consent of Franchisor, that authorizes such third parties to use the Marks to refer customers to Franchisee's Sarpino's Restaurant, to offer or sell any goods or services on Franchisee's behalf, to permit customers to order online and/or have SARPINO's products delivered from Franchisee's Sarpino's Restaurant, and/or to provide similar services using the internet ("Third Party Internet Vendors"). Franchisee further acknowledges and agrees that Franchisor needs to have access to data and information collected by all Third Party Internet Vendors under agreements with Franchisee in order to collect valuable information for the benefit of the entire SARPINO's franchise system and for the protection of its brand and Marks, and to provide ongoing guidance and assistance to Franchisee relating to the operation of Franchisee's Sarpino's Restaurant. By way of example only and not to limit or exclude any Third Party Internet Vendor that may be subject to this Authorization, Third Party Internet Vendors may include vendors such as Google, Facebook, Groupon, GrubHub, UberEats, Slice, Eatstreet, delivery.com, DoorDash, Postmates and others. Franchisee hereby authorizes Franchisor or any designated representative of Franchisor to contact any Third Party Internet Vendor and to request and to receive and/or be given access to any and all data and information collected by such Third Party Internet Vendor, in whatever medium, pursuant to an agreement entered into by Franchisee and the Third Party Internet Vendor. By execution of this Agreement, Franchisee hereby grants to Franchisor control or access to any digital or electronic medium being used by Franchisee directly or through a Third Party Internet Vendor in connection with the Marks. By execution of this Agreement, Franchisee hereby directs any such Third Party Internet Vendor at any time during the term of this Agreement as follows:

(i) to release to Franchisor or its designated representative any and all data and information, in whatever medium, collected by the Third Party Internet Vendor that Franchisor requests, and at any time such request is made, which may be regular or periodic requests; and

(ii) to make any changes to its use or display of Franchisor's Marks as Franchisor may direct in writing.

Franchisee acknowledges and agrees that Franchisor may deliver to any Third Party Internet Vendor a copy of this Agreement as evidence of Franchisee's authorization to release data and information to Franchisor as described herein and to inform any Third Party that they may rely on the authorization set forth herein and shall have no liability to Franchisee for any release of data or information to Franchisor pursuant to this Agreement.

(c) Except as provided below, Franchisee shall not use, nor authorize any third party to use, the Marks to advertise, promote, or offer or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (i) which are offered at or sold from a SARPINO'S PIZZERIA Restaurant, (ii) which bear any of the Marks, or (iii) which are otherwise offered or sold under the Marks. Franchisee may, however, use the Marks to sell such goods or services through the Internet in compliance with the Manual or with Franchisor's express prior written consent, but then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time. Franchisee shall not authorize any third party to use the Marks to advertise, promote, or refer customers to the SARPINO'S PIZZERIA Restaurant or to offer or sell any goods or services on Franchisee's behalf unless Franchisee has obtained the prior written consent of Franchisor.

(d) Franchisor is the owner of, and will retain all rights, title and interest in and to the domain names "sarpinos-usa", "gosarpinos", and "sarpinosfranchise" and the URLs: www.sarpinos-usa.com; www.gosarpinos.com; www.sarpinospizzeria.com, www.sarpinospizza.com, www.sarpinos.pizza, www.sarpinos.org, www.sarpinosfranchise.com; www.sarpinos.menu; and www.gosarpinos.menu and others, all existing and future domain names, URLs, addresses and subaddresses (including the Franchised Page subaddresses) registered by Franchisor; all software; all content prepared for, or used on, Franchisor's Web site; and all intellectual property rights in or to any of them. Franchisee shall not enter into any agreements with third parties for the use of any existing or future domain name, URL, address or subaddress without the prior written consent of Franchisor which may be withheld in Franchisor's discretion.

(e) Franchisor may utilize databases and customer information from franchisees for cross-promotions and other purposes, subject to our privacy policy contained in the Operating Manual and subject to applicable privacy laws. Franchisee shall abide by all data security and privacy laws in maintaining customer information and data.

## **Article 11. INSURANCE**

**11.1 Requirement.** Franchisee shall procure, prior to the commencement of any activities contemplated by this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their respective officers, directors, partners, and employees, against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Restaurant.

**11.2 Insurers' Required Policies.** Such policy or policies shall be in form satisfactory to Franchisor, and shall be written by a responsible carrier or carriers acceptable to Franchisor who are duly licensed by the appropriate state authorities and have an AM Best Guide rating of not less than A. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), the following:

- (a) Commercial Property Insurance:
  - Building Coverage, if owned by Franchisee:
    - i. Limits not less than 100% the cost of the building, Agreed Amount (no coinsurance)

- ii. Special Form perils including flood, earth movement and sinkhole coverage, if applicable
    - iii. Replacement Cost
  - Tenants Improvements & Betterments Coverage if building is leased by Franchisee
  - Contents Coverage
    - i. Special Form
    - ii. Replacement Cost
  - Equipment Breakdown
  - Business Income & Extra Expense: At least twelve (12) months, including interruptions caused by any occurrence covered by the required and applicable property, flood, earth movement and windstorm insurance.
- (b) Commercial General Liability insurance, equivalent to CG 00010413 in the amount of:
- One Million Dollars (\$1,000,000) per occurrence combined single limit for bodily injury, personal injury, and property damage liability
  - Three Hundred Thousand Dollars (\$300,000) fire damage legal liability
  - Five Thousand Dollars (\$5,000) medical payments
  - Two Million Dollars (\$2,000,000) Per Location Aggregate
- (c) Commercial Umbrella Liability Insurance no less than One Million Dollars (\$1,000,000)
- (d) Commercial Automobile liability insurance to include:
- Owned, hired and non-owned vehicle coverage
  - Combined single limit of at least One Million Dollars (\$1,000,000.00) or higher limits if required by state law
  - Employees named as a covered insured (Employees As Insureds - Form CA 9933)
  - Employees driving to have limits higher than State Minimum
    - i. Driver License & Insurance for drivers should be monitored by the franchisee upon each renewal (every 6 or 12 months depending on the individual policy)
- (e) Statutory Worker's compensation insurance as is required by where the Restaurant is located, including employer's liability insurance with limits of:
- Five Hundred Thousand Dollars (\$500,000) bodily injury by each accident
  - Five Hundred Thousand Dollars (\$500,000) bodily injury by disease policy limit
  - Five Hundred Thousand Dollars (\$500,000) bodily injury by disease each employee.
- (f) Employment Practices Liability insurance in the amount of One Hundred Thousand Dollars (\$100,000), including biometric privacy claims, and
- (g) Cyber liability coverage for Fifty Thousand Dollars (\$50,000).

**11.3 Construction Insurance.** In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, Franchisee shall maintain Builder's Risk All Risk insurance covering the completed value of the construction and commercial general liability insurance in the amount of One Million Dollars (\$1,000,000) per occurrence for bodily injury and property damage as a combined single limit and Two Million Dollars (\$2,000,000) as an annual aggregate, and performance and completion bonds in form and amount acceptable to Franchisor.

**11.4 Effect of Franchisor's Insurance.** Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason

of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 7.10 hereof.

**11.5 Franchisor as Named Insured.** Franchisor shall be named as an additional insured on all liability and property damage insurance policies, and Franchisor shall be named as a loss payee with respect to Franchisor's interest in fees under business income insurance policies and Franchisor's interest, if any, in real and/or personal property under liability and property damage insurance policies. All insurance policies shall contain a provision that Franchisor, although named as an insured and/or loss payee, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents or employees by reason of the negligence of Franchisee or its servants, agents or employees.

**11.6 Evidence of Insurance.** At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least ten (10) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required hereunder. Such Certificates, with the exception of Workers' Compensation, shall name Franchisor, and each of its partners, subsidiaries, affiliates, directors, agents and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such Certificates evidence coverage. Further, all Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

**11.7 Right to Cure.** Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. In addition, Franchisor may charge Franchisee an insurance non-compliance fee in the amount of Three Hundred Dollars (\$300.00) on the tenth (10) day of each month if Franchisee was not in full compliance with the insurance requirements in this Article 11 for all or a portion of the previous calendar month. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **Article 12. RECORDS AND REPORTS**

**12.1 Maintenance of Records.** Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles, POS System data, customer data, employee data and records, purchasing records, and other reports or information concerning the operation of the Restaurant in the form and manner prescribed by Franchisor from time to time in the Manual.

**12.2 Monthly Reports; Late Reporting Fee.** By the tenth (10<sup>th</sup>) day of every calendar month, Franchisee shall submit to Franchisor a report, in such form as shall be prescribed by Franchisor, accurately reflecting all Net Sales for the preceding calendar month and such other data or information as Franchisor may require. Franchisor reserves the right to require reporting of Net Sales more frequently than monthly. Franchisee shall record all sales on the point of sale or computer system and ~~using~~ such software as required by Franchisor for use in the operation of

the SARPINO'S PIZZERIA Restaurant. In addition, and without limiting the foregoing, Franchisee shall submit a monthly and fiscal year-to-date profit and loss statement (which may be unaudited) accurately reflecting the operation of the Restaurant for each applicable period. To ensure uniform financial statements are submitted by Franchisee, Franchisor requires Franchisee to use designated accounting software and a standard Chart of Accounts for tracking income and expenses of the Restaurant. Franchisor shall have the right to charge Franchisee an accounting non-compliance fee in the amount of Three Hundred Dollars (\$300.00) per month on the tenth (10<sup>th</sup>) day of each month if Franchisee was not in compliance with the requirements of this Section 12.2 on use of designated accounting software and standard Chart of Accounts for all or a portion of the previous calendar month. Franchisee hereby grants access to Franchisor to Franchisee's financial statement data on all accounting software used in the operation of the SARPINO'S PIZZERIA Restaurant. In addition, Franchisee shall submit copies of all state sales and other tax returns filed by Franchisee in connection with its operation of the Restaurant. In the event Franchisee has failed to submit any required reports on three (3) or more occasions and/or has submitted required reports more than twenty (20) days after the due date on three (3) or more occasions, Franchisor shall charge Franchisee a Late Reporting Fee. The Late Reporting Fee shall be one-tenth of one percent (1%) of Net Sales payable for a period of six (6) months from the date of the third occurrence of Franchisee failing to submit a report and/or Franchisee submitting a report more than twenty (20) days after the due date. Payment of the Late Reporting Fee shall be made in the same manner and at the same time as Franchisee's Royalty payments.

**12.3 Quarterly Reports.** Franchisee shall submit to Franchisor, in such form as shall be prescribed by Franchisor, a quarterly balance sheet (which may be unaudited) within fifteen (15) days after the end of each quarter of the fiscal year of the Franchisee. Each such statement shall be signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that it is true and correct.

**12.4 Annual Reports.** Franchisee shall, within ninety (90) days after the end of each fiscal year of the Franchisee, submit to Franchisor financial statements of Franchisee prepared by an independent certified public accountant satisfactory to Franchisor showing the results of operations of Franchisee and the Restaurant during said fiscal year. Such statements shall include, at a minimum, a balance sheet, profit and loss statement and statement of sources and uses of funds. Franchisor may, at its option, require that the required financial statements for any fiscal year be audited. On or before April 15 of each year, Franchisee shall submit to Franchisor exact copies of Franchisee's (and Franchisee's owners as applicable) state and federal income tax returns reflecting the operation of the SARPINO'S PIZZERIA restaurant. If Franchisee fails to provide Franchisor any Annual Report within the time periods stated in this Paragraph 12.4, in addition to any other remedies Franchisor may have, Franchisor, in its sole discretion, may require that subsequent Annual Reports be audited by an independent certified public accountant satisfactory to Franchisor.

**12.5 Additional Reports.** Franchisee shall submit to Franchisor, for review or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and in the manner reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing.

**12.6 Electronic Transfer of Funds.** Franchisee shall sign an electronic transfer of funds authorization in the form of Attachment D or other form we may require, to authorize and direct Franchisee's bank or financial institution to transfer electronically, on the tenth (10<sup>th</sup>) day of each month (or other due date as Franchisor may specify), directly to the account of Franchisor and/or Area Franchisor and to charge to Franchisee's account all amounts due to Franchisor or Franchisor's affiliates and/or Area Franchisor. Franchisee shall maintain a balance in its account

sufficient to allow Franchisor and Area Franchisor to collect the amounts owed when due. Franchisee is responsible for any fees, penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph. If Franchisee fails to submit a report of the Net Sales of the SARPINO'S PIZZERIA Restaurant as required by Section 12.2, Franchisor and/or Area Franchisor may transfer or debit from Franchisee's account an amount which is one hundred twenty percent (120%) of the last amount Franchisor and/or Area Franchisor transferred for payments due for the previous calendar month. If the amount of the Royalty and Advertising Fee that Franchisor and/or Area Franchisor transferred is less than the amount that Franchisee actually owes (once a report of Net Sales has been submitted), Franchisor and/or Area Franchisor will credit the excess against the next transfer for payments due.

**12.7 Inspection Rights.** Franchisor or its designated agents shall have the right at all reasonable times to examine and/or copy, at Franchisor's expense, the accounting software, books, records, and tax returns of Franchisee, and all other records and data Franchisee is required to maintain as set forth in Paragraph 12.1. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. Franchisor shall have the right to require that such inspection be made by Franchisor's digital access to such software, books, records and tax returns. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor upon demand three (3) times the amount understated plus Two Hundred Dollars (\$200.00) for each month of underreporting. If an inspection discloses any understatement in any report, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses and reasonable accounting and legal costs). Franchisor, in its sole discretion, may also require that subsequent Annual Reports be audited by an independent certified public accountant satisfactory to Franchisor. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

### **Article 13. ASSIGNMENT**

**13.1 Assignment by Franchisor.** Franchisor shall have the right to assign, sell or otherwise transfer this Agreement, and all of its rights and privileges hereunder to any other person or entity.

**13.2 Assignment by Franchisee With Consent.** During the term of this Agreement, Franchisee shall have the right to assign, transfer or sell its interest in this Agreement, Franchisee or the Restaurant, subject to Franchisee's full compliance with this Article 13 and to Franchisee obtaining the prior written consent of Franchisor. Such consent shall not be unreasonably or arbitrarily withheld. However, the failure of Franchisee or the assignee to meet any of the conditions set forth in this Article 13 shall be good cause for Franchisor to withhold its consent to any transfer. Franchisor's consent to any assignment shall not constitute a waiver of any claims, demands, actions or causes of action it may have against the assignor, and shall not constitute a release of any guarantees of Franchisee's payment and performance under this Agreement which have been given to Franchisor prior to such assignment. Any purported assignment or transfer not having the written consent of Franchisor as required by this Article 13 shall be null and void and of no effect and shall constitute a material breach of this Agreement, for which this Agreement may be terminated. In addition to the right to collect damages and attorney's fees and other remedies available to Franchisor in the enforcement of this provision, Franchisee shall pay a non-compliance fee of One Hundred Dollars (\$100.00) per day for each day that Franchisee is in violation of this provision until the unauthorized transfer is rescinded by Franchisee.

**13.3 No Encumbrance of Franchise.** Notwithstanding the foregoing, Franchisee hereby covenants and agrees that it shall not grant, issue or allow any lien, security interest, charge or encumbrance whatsoever to be imposed on or over the lease or sublease for the Approved Location or over Franchisee's machinery, equipment, fixtures, furnishings, leasehold improvements or supplies, and that it shall not pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement or any of the rights and interests granted to Franchisee hereunder, without the prior written consent of Franchisor, which consent shall not be unreasonably withheld.

**13.4 Personal Nature of Franchise.** Franchisee acknowledges and recognizes that this Agreement is personal to Franchisee, or Franchisee's owners as applicable, being entered into by Franchisor in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee, or Franchisee's owners, and Franchisee's representations of the same, all of which have inspired Franchisor's trust and confidence reposed in Franchisee, and as applicable, Franchisee's owners and the principal officers thereof who will actively and substantially participate in the ownership and operation of the Restaurant business. Therefore, any proposed assignment of an interest in this Agreement, the Franchisee, or the Restaurant or a substantial portion of the assets of the Restaurant, is subject to Franchisor's prior written consent of each and every assignee. Such consent of Franchisor is required regardless of the percentage interest proposed to be transferred by Franchisee or any owner of Franchisee. The assignee must meet Franchisor's then current qualifications for new franchisees, not be involved in a competitive business, and in Franchisor's good faith judgment have sufficient business experience, aptitude and financial resources for owning and operating the Restaurant. Any purported transfer or assignment in violation of this Article 13 shall constitute a breach of this Agreement and shall convey no rights or interest in this Agreement, the Franchisee or the Restaurant to the transferee or assignee.

**13.5 Franchisee's Compliance as a Condition to Assignment.** The right of Franchisee to assign, transfer or sell its interest in this Agreement, the Franchisee, or the Restaurant shall be subject the Franchisee's current compliance with this Agreement and the manual, including the following:

(a) Franchisee shall have passed all inspections of the Restaurant premises and Restaurant operations in the three (3) months immediately preceding the assignment with scores meeting or exceeding the then-current scores required by Franchisor as a condition of assignment;

(b) Franchisee shall be in full compliance with all provisions of this Agreement, as amended, and any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates, and Franchisee shall have substantially complied with all provisions of such agreements during the terms thereof;

(c) Franchisee shall be current in payment of all amounts due and owing to Franchisor under this Agreement and any other agreement between Franchisee and Franchisor;

(d) Franchisee shall be in full compliance with the mandatory standards, specifications, and procedures set forth in the Manual; and

(e) Franchisee shall not have any unresolved customer complaints and shall meet Franchisor's then-current requirements for satisfactory customers ratings and reviews on social media.

**13.6 Conditions to Assignment by Franchisee and Right of First Refusal.** The right of Franchisee to assign, transfer or sell its interest in this Agreement, the Franchisee, or the Restaurant shall also be subject to the following conditions:

(a) Franchisee shall submit all proposed advertisements for the sale of the franchise to Franchisor for its prior written approval as to content and form;

(b) Franchisee shall submit to Franchisor a copy of the proposed contract between Franchisee and proposed assignee setting forth all of the terms and conditions of the proposed assignment, transfer or sale, together with all available information concerning the proposed assignee. For ten (10) days following Franchisor's receipt of such notice (or if it shall request additional information, within ten (10) days after receipt of such additional information), Franchisor shall have the right of first refusal to accept the assignment to itself or its nominee, upon the terms and conditions specified in the notice, provided that if Franchisor does not so accept the assignment to itself and if the terms and conditions of the proposed assignment, transfer or sale shall materially change, this shall again give rise to this right of first refusal;

(c) Franchisor shall determine that the terms and conditions contained in the proposed sale or transfer documents will not adversely affect the proposed assignee's future operations of the SARPINO'S PIZZERIA Restaurant. Franchisor shall have the right to communicate with both Franchisee and the proposed assignee on any aspect of the proposed assignment and to furnish the proposed assignee with financial and other information regarding Franchisee's franchise business to which Franchisor has access to or which is in its possession.

(d) Franchisee must have entered into an agreement with Franchisor agreeing that any obligations of the proposed assignee to make installment payments of the purchase price to Franchisee will be subordinate to the proposed assignee's ongoing obligations to Franchisor, including, without limitation, royalty fees, advertising fee and any other fees or amounts owed to Franchisor or its affiliates.

(e) Except as provided in Section 13.7 and Section 13.8, prior to attending the required initial training, the proposed assignee (and, if an entity, its direct or indirect owners) shall have executed and agreed to be bound by the current standard Franchise Agreement and related Transfer Addendum, which agreement may provide for royalty fees, advertising fees, other fees, and terms and conditions that differ from those contained in this Agreement. Upon the execution of the Franchise Agreement and Transfer Addendum, proposed assignee shall pay a transfer fee in the amount of Thirty Thousand Dollars (\$30,000.00) to cover Franchisor's costs in connection with the assignment, sale or transfer hereunder, including the training to be provided to Franchisee. Proposed assignee and Franchisee shall address in the contract between them any adjustments to purchase price necessary based on the requirement herein that proposed assignee pay the Transfer Fee prior to closing on the assignment between proposed assignee and Franchisee.

(f) Upon the execution of the Franchise Agreement and Transfer Addendum, proposed assignee shall pay an On-Site Launch Support Deposit of up to Twenty Thousand Dollars (\$20,000) to cover the compensation, travel, lodging and living expenses of our representatives while conducting the on-site launch support, depending on whether transferee is or is not a then-current franchisee of Franchisor and based on several factors, including Franchisor's evaluation of your Restaurant and evaluation of SARPINO'S PIZZERIA Restaurant(s) transferee owns and operates at the time of assignment, in Franchisor's sole discretion.

(g) The proposed assignee and the proposed Designated Manager shall complete to Franchisor's satisfaction all then-current training requirements of Franchisor for assignees, which may include operational training and classroom business training at Franchisor's headquarters or other site chosen by Franchisor prior to closing, and post-closing in-store training in the Restaurant after proposed assignee takes over operation of the Restaurant. The proposed assignee will be responsible for all expenses incurred in attending the training.

(h) The lessor of the Approved Location has consented to Franchisee's assignment or sublease of the Approved Location to the proposed assignee.

(i) Franchisee or the proposed assignee must agree to make within a reasonable time period specified by Franchisor reasonable capital expenditures to refurbish, remodel, modernize and improve the Approved Location so that the Restaurant reflects the then-current image intended to be portrayed by SARPINO'S PIZZERIA Restaurants, including trade dress, color schemes, lay-out, fixtures, furniture and equipment, and presentation of the Marks. All refurbishing, remodeling and improvements in the Approved Location must be done in accordance with standards and specifications as prescribed by Franchisor.

(j) At the closing of the transaction between Franchisee and the proposed assignee, Franchisee, the proposed assignee and Franchisor enter into an assignment and assumption agreement satisfactory to Franchisor whereby Franchisee assigns and the proposed assignee assumes all interest in the franchise and Franchisee rights and obligations hereunder are terminated.

(k) Franchisee shall pay any and all broker fees payable in connection with the assignment to the proposed assignee on or before the date of the assignment.

(l) The assignee, if a corporation or other legal entity, shall not use in its corporate or firm name the words SARPINO'S, SARPINO'S PIZZERIA, or any of the Marks or any other derivative thereof, or any similar name or colorable imitation thereof;

(m) Franchisee shall deliver to the assignee the Manual and all other manuals and materials provided by Franchisor to Franchisee hereunder for use at the Approved Location, including, without limitation, any of Franchisor's advertising and training materials, guest checks and bookkeeping and reporting forms; and

(n) The management personnel proposed to be employed by the proposed assignee for the Approved Location satisfactorily complete Franchisor's current training requirements for managers, and Franchisor reserves the right to charge its standard fees (as aforesaid) and its reasonable expenses incurred in providing such training on the same basis as is provided herein in the event of a change of managers at the Approved Location.

**13.7 Transfer to Entity.** Franchisee's assignment of this Agreement after the date of its execution to a corporation, limited liability company or other legal entity formed by Franchisee solely for the purpose of owning and operating the franchise business hereunder shall not be deemed an assignment within the meaning of this Article and not subject to all of the provisions of Section 13.6, provided (i) Franchisee or the equity owners of Franchisee retain one hundred percent (100%) equity ownership of the outstanding capital stock or equity interests therein and voting control of the assignee entity; (ii) the assignee entity is newly organized and its organizational documents shall provide that its activities are confined exclusively to acting as a SARPINO'S PIZZERIA franchisee under this Agreement; (iii) the assignee entity shall expressly in writing assume and agree to be bound by and perform all of the covenants and obligations of the Franchisee

under this Agreement in a form approved by Franchisor; and (iv) all owners of the entity and their spouses execute a personal guaranty in a form approved by Franchisor. Franchisee shall provide to Franchisor organizational and other documents relating to the entity as Franchisor requests.

**13.8 Transfer of Ownership Interests in Franchisee Entity.** It is expressly agreed and understood that the transfer of any percentage ownership in a Franchisee that is a corporation, limited liability company or other legal entity shall constitute an assignment for purposes of this Agreement and subject to the conditions of Sections 13.4, 13.5 and 13.6; except the requirement in Section 13.6(e) to sign a new franchise agreement shall not apply; and except that the Transfer Fee due shall be an amount equal to the costs and fees incurred by Franchisor in connection with the transfer of ownership interests in the event the transfer of ownership does not result in a change in control of Franchisee.

**13.9 Franchisee Release of Claims; Reaffirmation of Covenants.** It shall be a requirement of any assignment that Franchisee and all of Franchisee's owners shall have delivered to Franchisor a complete release of any and all claims against Franchisor, its directors, officers, affiliates, associates, shareholders, employees, subcontractors, attorneys, agents and representatives in respect of all obligations arising under or pursuant to this Agreement, in a form satisfactory to Franchisor. Franchisee hereby acknowledges and agrees that Franchisee shall remain bound by the confidentiality, non-competition and non-solicitation covenants of Article 7 upon the any assignment and termination of Franchisee's rights as provided in this Article 13.

**13.10 Death or Incapacity of Franchisee.** In the event of the death or permanent incapacity or disability of Franchisee or of the sole principal thereof where Franchisee is a corporation or other entity with only one principal thereof active in the day to day management of the Approved Location, Franchisee or its estate shall have the right, within ninety (90) days thereafter, to assign this Agreement with the prior written consent of Franchisor, provided that the proposed assignee is in Franchisor's opinion financially responsible and economically and operationally capable of performing the obligations of Franchisee hereunder and that the conditions set out in Section 13.5 and 13.6 above are met to the reasonable satisfaction of Franchisor and exercised in good faith. For the purposes of this Agreement, permanent incapacity or disability shall mean inability to attend to the day-to-day business operations of the Restaurant for a material part of the normal working day for a period of three (3) months or more. During any period of incapacity or disability, or pending assignment, or in the event of death as aforesaid, Franchisor may, if in its reasonable opinion the franchise business is not being operated prudently and properly, or shall if requested, appoint a competent and trained manager to operate the franchise business for the account of Franchisee, and Franchisor's duty in so doing shall only be to utilize its reasonable best efforts and to act in good faith, and Franchisor shall not be liable in any way to Franchisee or to any creditor of Franchisee for any debts, obligations, contracts, losses or damages incurred, or for any purchases made during any period in which the franchise business is so managed, so long as such management appointment is carried out in good faith. The manager so appointed shall be remunerated by Franchisee and shall, for all purposes in acting as such manager, be deemed to be the agent or employee of Franchisee and not of Franchisor.

#### **Article 14. DEFAULT BY FRANCHISEE**

**14.1 Right of Termination After Notice of Default.** Franchisor may terminate this Agreement, prior to its expiration, only upon the occurrence of a material breach ("Material Breach") of this Agreement by Franchisee. As used herein, the phrase Material Breach shall mean:

(a) Failure to pay any of the sums due Franchisor, the landlord of the Approved Location, the lender on any loan related to the SARPINO'S PIZZERIA Restaurant, or any affiliate of Franchisor or other supplier of any items of equipment or supplies for the Approved Location pursuant to the terms of this Agreement or any other instrument or agreement between Franchisee and Franchisor or its affiliates for a period of ten (10) days after written notice of such default shall be delivered to Franchisee by Franchisor; or

(b) Failure to comply with any other obligation of Franchisee pursuant to this Agreement, or any mandatory specification, standard or procedure prescribed by Franchisor in the Manual or otherwise in writing for a period of thirty (30) days after written notice of such default shall be delivered by Franchisor to Franchisee; provided, however, that if the nature of such default shall be such that it cannot be cured within a thirty (30) day period, and Franchisee shall immediately commence to cure such default and shall continue to proceed diligently to do so, Franchisee shall have such additional reasonable period of time, as may be reasonably necessary, to cure such default.

(c) Franchisor, at its option, may provide a combined notice of default and notice of termination stating that the Agreement shall terminate automatically, without the need for further notice if Franchisee fails to cure any Material breach within the time period specified in the combined notice of default and notice of termination or any such longer cure period as required by law.

**14.2 Right of Termination Without Prior Notice of Default.** Each of the following shall also be deemed a Material Breach of this Agreement and, by their nature, shall be deemed non-curable, and shall be grounds for termination of this Agreement without notice, notwithstanding the provisions of Section 14.1 above; not be required to give Franchisee any notice of default with respect thereof:

(a) Failure to purchase or lease the Approved Location and execute a lease on terms approved by Franchisor within ninety (90) days of the execution of this Agreement as required in Attachment B;

(b) failure to open the Restaurant for business within one (1) year as required by Section 6.2, or opening the Restaurant for business without Franchisor's written approval;

(c) Failure of Franchisee to complete the initial training program to Franchisor's satisfaction, including passing all required tests and examinations with the minimum score required by Franchisor;

(d) failure to keep the Restaurant open for business and operating under the Marks for seven (7) consecutive normal business days without the prior written consent of Franchisor, unless the Restaurant was closed and remains closed for reasons not related to a breach by Franchisee of this Agreement, including, without limitation, force majeure, strike, fire, natural disaster, unavoidable casualty or any other cause beyond Franchisee's control and not caused or continued, directly or indirectly, by Franchisee's omission to act diligently, willful conduct or negligence;

(e) Any default by Franchisee under any instrument constituting a real property interest in the Approved Location premises which results in any action to terminate or foreclose under such instrument, or to appoint a receiver or trustee to take charge of the premises, and such action is not rescinded, satisfied, discontinued or dismissed of record, or such appointment is not revoked or terminated, within fifteen (15) days after commencement;

(f) In the event of termination of the lease or sublease of the Approved Location, or upon Franchisor, if sublessor under any sublease, becoming entitled to terminate the sublease in accordance with its terms;

(g) In the event that Franchisee shall become insolvent (as revealed by its books and records or otherwise) or make an assignment in bankruptcy or become subject to the provisions of the bankruptcy laws including, without limitation, if any composition, arrangement or proposal under the bankruptcy laws shall be entered into or filed by or against it; if a petition into bankruptcy is filed against Franchisee and is consented to or not dismissed within ten (10) days; if a receiver or trustee in bankruptcy or similar officer, temporary or permanent shall be appointed to take charge of Franchisee's affairs or any of its property; if dissolution proceedings shall be commenced by or against Franchisee or Franchisee shall go into liquidation, either voluntarily or under an order of a court of competent jurisdiction; if Franchisee shall make a general assignment for the benefit of its creditors or otherwise acknowledge its insolvency; if Franchisee shall sell or purport to sell or transfer or otherwise lose possession or its ownership or control of all or a substantial part of its assets used in the franchise business; or if Franchisee shall be enjoined or in any way be prevented from operating the Restaurant at the Approved Location;

(h) If Franchisee shall attempt to assign an interest in this Agreement, the Franchisee, or the Restaurant without compliance with Article 13 and without the prior written consent of Franchisor, or if such an assignment shall occur by operation of law or otherwise;

(i) If Franchisee shall attempt to assign, transfer or convey any of the Marks, or Franchisor's copyrights, Trade Secrets and Confidential Information, any aspect of the System, or any of them, or if Franchisee shall disclose or use or permit the use of the same or any of them in derogation of Franchisor's rights pursuant to this Agreement, or if Franchisee shall use or permit the use of the same or any of them in a manner or at a location not authorized by Franchisor pursuant to the terms of this Agreement;

(j) If Franchisee shall intentionally falsify or misrepresent or misstate to Franchisor its Net Sales or other financial statements, reports or information required pursuant to this Agreement, or if it should later become known that Franchisee intentionally falsified or misrepresented or misstated to Franchisor or any other information or disclosure in connection with the negotiation or completion of this Agreement;

(k) If Franchisee shall engage in misleading advertising of the franchise business or operate the Restaurant in a dishonest, illegal or unethical manner, or has its business license for the Restaurant suspended for just cause or canceled;

(l) If Franchisee fails on two (2) or more separate occasions within any twelve (12) consecutive month period to submit when due reports or other data, information or supporting records, to remit royalty fees, advertising fees, or other payments due to Franchisor; or otherwise fail to comply with this Agreement, whether or not such failures to comply are corrected after notice of those failures to comply is delivered to Franchisee;

(m) If Franchisee or an owner of Franchisee is convicted of or plead no contest to a felony, are convicted of or plead no contest to another crime which may adversely affect the reputation of Franchisor, Franchisee's Restaurant, the System or the goodwill associated with the Marks, or engage in any dishonest or unethical conduct which may adversely affect the reputation of the Franchisor, Franchisee's Restaurant, the System or the goodwill associated with the Marks;

(n) If Franchisee or any of Franchisee's owners fails to comply with the non-competition and non-solicitation covenants contained in Section 7.4 of this Agreement; or

(o) If there exists a threat or danger to public health or safety resulting from the construction, maintenance or operation of Franchisee's Restaurant and upon receipt of written or oral notice from Franchisor or governmental authority of the existence of such threat or danger, Franchisee fails to immediately cease any activity or conduct causing the threat or danger and fails to complete the cure of such breach within forty-eight (48) hours after receipt of notice.

**14.3 Remedies.** In the event of a Material Breach of this Agreement:

(a) Without waiving any other remedies of Franchisor set forth in this Agreement or available to Franchisor under the law and in addition to any and all damages to which Franchisor is entitled as a result of Franchisee's Material Breach, Franchisor may require Franchisee to pay a non-compliance fee in the amount of One Hundred Dollars (\$100.00) per day after the expiration of the applicable cure period as provided in this Article XIV and for as long as Franchisee remains in Material Breach of this Agreement;

(b) Franchisor may, at its election, terminate this Agreement and pursue all remedies available at law or in equity for breach of contract;

(c) Franchisor may, at its election, enforce this Agreement and pursue all remedies available at law or in equity to compel Franchisee to comply with its obligations and enable Franchisor to preserve and realize upon its rights and interests hereunder;

(d) Franchisor may, at its election, and without waiving any claims for default or breach hereunder and without prior notice to Franchisee, take whatever steps it deems necessary to cure any default or breach of Franchisee hereunder or under any related instrument or agreement, for the account of and on behalf of Franchisee, and Franchisee hereby irrevocably appoints Franchisor its attorney-in-fact so to do, and the cost thereof to Franchisor shall be due and payable forthwith by Franchisee upon demand and shall be deemed to be additional remuneration owing to Franchisor hereunder; ~~and~~

(e) Franchisor may, notwithstanding the provisions of this Article 14, and without waiving any claims for default or breach hereunder and without prior or additional notice to Franchisee, enter upon the Approved Location premises, without being guilty of trespass or liable in any way to Franchisee for such entry, for the purposes of securing the return of Franchisor's property, the performance of Franchisee's obligations of discontinuance and the protection of Franchisor's rights upon expiration or termination, all as set out herein; and

(f) In the event of a Material Breach as described in Section 14.1 herein, Franchisor may, at its election, and with the agreement of Franchisee, suspend Franchisor's right to terminate this Agreement for a reasonable period of time specified by Franchisor ("Sale Period") in order to provide Franchisee the opportunity to transfer, sell and assign this Agreement and all of the assets of the Restaurant to a purchaser approved by Franchisor to become a franchisee. Such right to sell shall be subject to Franchisee's full compliance with the conditions for assignment in Article 13. If Franchisee has not transferred, sold and assigned this Agreement and the assets of the Restaurant by the end of the Sale Period, Franchisor shall have the right to terminate this Agreement or exercise any other rights and remedies available to it based on the Material Breach.

The rights and remedies of Franchisor hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder or which Franchisor is otherwise entitled by law or equity to enforce.

**Article 15.**  
**OBLIGATIONS UPON TERMINATION**

**15.1 Discontinuance.** In the event of the expiration or termination of this Agreement for whatever reason, including an assignment under Article 13, Franchisee shall forthwith cease operation of the Restaurant and discontinue the use of the Marks, the System, the Manual and other manuals and materials, advertising materials, training materials, and Trade Secrets and Confidential Information. Franchisee shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that it is, either directly or indirectly, associated, affiliated, licensed by or related to Franchisor or the System. Franchisee shall not, either directly or indirectly, use any Mark, name, logo type, symbol insignia, slogan, advertising, copyright, design, trade secret, process, system, method of operation or format confusingly similar to or colorable imitative of those used by the System. In addition, since Franchisor's SARPINO'S PIZZERIA Restaurants have distinctive signage and a distinctive colors scheme and decor, Franchisee shall, upon demand by Franchisor, promptly remove all such signage from its premises and make no further use thereof, and promptly repaint and decorate the Approved Location in a different colors scheme and decor.

**15.2 Power of Attorney.** Upon expiration or termination of this Agreement for whatever reason, Franchisor may, if Franchisee does not do so, execute in Franchisor's name and on its behalf, any and all documents necessary in Franchisor's judgment to end and cause the discontinuance of Franchisee's use of the Marks and copyrights owned by Franchisor or its affiliate, and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact so to do.

**15.3 Right of Franchisor to Repurchase.**

(a) Franchisor has the right to purchase all of the tangible and intangible assets of Franchisee's SARPINO'S PIZZERIA Restaurant as specified below upon, (i) Franchisor's termination of this Agreement according to its terms and conditions; (ii) Franchisee's termination of this Agreement without cause, or (iii) expiration of this Agreement (if Franchisor offers, but Franchisee elects not to acquire, a successor franchise, or if Franchisor does not offer Franchisee a successor franchise due to Franchisee's failure to satisfy the conditions contained herein for obtaining a successor franchise).

(b) **Exercise of Option.** Franchisor has the option, exercisable by giving Franchisee written notice within thirty (30) days after the date of termination or expiration, (i) to purchase all of the tangible and intangible assets of Franchisee's SARPINO'S PIZZERIA Restaurant and the fee simple interest in the Approved Location (if Franchisee or one of Franchisee's affiliates own the Approved Location of the Restaurant) or, if Franchisee (or one of Franchisee's affiliates) do not own the Approved Location of the Restaurant or Franchisor chooses not to purchase Franchisee's (or Franchisee's affiliate's) fee simple interest in the Approved Location Restaurant, (ii) to exercise the rights under Section 15.3 (c) below. Franchisor has the unrestricted right to assign this option to purchase. Franchisor is entitled to all customary warranties and representations in the asset purchase, including, without limitation, representations and warranties and representations as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements;

and liabilities affecting the assets, contingent or otherwise. Any attempted sale, transfer, assignment or disposition of any tangible or intangible assets of Franchisee's SARPINO'S PIZZERIA Restaurant without Franchisor's consent within thirty (30) days after the date of termination or expiration of this Agreement shall be void and of no force and effect.

(c) **Rights to Approved Location.** If Franchisee leases the Approved Location of the Restaurant from an unaffiliated lessor, or if Franchisor chooses not to purchase Franchisee's (or Franchisee's affiliate's) fee simple interest in the Approved Location of the Restaurant, Franchisee agrees (as applicable) at Franchisor's election: (i) to assign Franchisor's leasehold interest in the Approved Location of the Restaurant to Franchisor; (ii) to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease; or (iii) if Franchisee owns the Approved Location, to lease the Approved Location of the Restaurant to Franchisor for an initial ten (10) year term, with two five (5) year renewal terms (at Franchisor's option), on commercially reasonable terms.

(d) **Purchase Price.** The purchase price for all of the tangible and intangible assets of the Franchisee's SARPINO'S PIZZERIA Restaurant and, if applicable, the fee simple interest in the Approved Location of the Restaurant will be their fair market value, provided that fair market value will not include any value for: (i) the Franchise or any rights granted by this Agreement; (ii) goodwill attributable to the Marks, Franchisor's brand image, and other intellectual property; or (iii) participation in the network of SARPINO'S PIZZERIA restaurants. Franchisor may exclude from the assets purchased any assets or other items that are not reasonably necessary (in function or quality) to Franchisee's SARPINO'S PIZZERIA Restaurant's operation or that Franchisor has not approved as meeting standards for SARPINO'S PIZZERIA restaurants, and the purchase price will reflect these exclusions.

(e) **Appraisal.** If Franchisor and Franchisee cannot agree on the fair market value, the fair market value will be determined by an independent appraiser, chosen by Franchisor and Franchisee, who will conduct an appraisal and, in doing so, be bound by the criteria specified in Section 15.3 (d). If Franchisor and Franchisee cannot agree upon an independent appraiser within fifteen (15) days after Franchisor notifies Franchisee that Franchisor wishes to exercise Franchisor's purchase option (if Franchisor and Franchisee have not agreed on fair market value before then) Franchisor shall appoint the appraiser. Franchisor and Franchisee will share equally the fees and expenses of the appraiser. The appraiser shall complete the appraisal within thirty (30) days of being appointed. The purchase price will be the appraised amount provided by the appraiser.

(f) **Closing.** Franchisor (or Franchisor's assignee) will pay the purchase price at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although Franchisor (or Franchisor's assignee) may decide after the purchase price is determined not to purchase the assets of Franchisee's SARPINO'S PIZZERIA Restaurant and/or the fee simple interest in the Approved Location of the Restaurant. Franchisor may set off against the purchase price, and reduce the purchase price by all amounts Franchisee or Franchisee's owners owe Franchisor, including if the Agreement is terminated, the net present value of Royalty that would have been payable for the remaining term of the Agreement, had the Agreement not been terminated. The net present value of Royalty payments shall be calculated by multiplying the monthly sales for the month with the highest Net Sales in the past twelve (12) months by the number of months that would have remained under the Agreement had it not been terminated, discounted to present value. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor (or Franchisor's assignee): (i) good and merchantable title to the assets purchase, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and transfer taxes paid by Franchisee; (ii) all of Franchisee's SARPINO'S PIZZERIA Restaurant's licenses and permits

which may be assigned or transferred; and (iii) the fee simple or leasehold interest in the Approved Location of the Restaurant and improvements or a lease assignment or lease or sublease, as applicable. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, Franchisor and Franchisee will close the sale through an escrow. Franchisee and Franchisee's owners further agree to execute general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's shareholders, officers, directors, employees, agents, successors and assigns. If Franchisor exercises its rights under Section 15.3, Franchisee and Franchisee's owners agree that for three (3) years beginning on the closing date, Franchisee's and Franchisee's owners will be bound by the non-covenant contained in Section 7.4.b.

(g) If Franchisor does not exercise its rights under this Section 15.3 to purchase all of the tangible and intangible assets of Franchisee's SARPINO'S PIZZERIA Restaurant, Franchisee may sell any of such assets; however, Franchisee shall not sell the assets to a business that competes with SARPINO'S PIZZERIA Restaurants.

15.4 **Additional Obligations.** Franchisee shall take the following action immediately following the expiration or termination of this Agreement:

(a) Franchisee agrees to pay to Franchisor within five (5) days after the effective date of termination or expiration (without renewal) of this Agreement such royalty fees, advertising fees, non-compliance fees, late fees, interest, and all other amounts owed to Franchisor or its affiliates which are then unpaid, whether due under this Agreement or any related agreements;

(b) Franchisee shall return to Franchisor or destroy (whichever Franchisor specifies) all exterior and interior signs and decals, sign faces, promotional and advertising materials, training materials, and other materials containing the Marks or otherwise identifying or relating to a SARPINO'S PIZZERIA Restaurant;

(c) Franchisee shall take such action as may be required to cancel all fictitious or assumed name, "doing business as" or equivalent registrations relating to your use of the Marks;

(d) Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any telephone directory listings associated with the Marks and to authorize transfer of same to or at Franchisor's direction. Franchisee acknowledges that as between Franchisor and Franchisor, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and Franchisee hereby authorizes Franchisor to direct the telephone company and all listing agencies to transfer same to Franchisor or at its direction, should Franchisee fail or refuse to do so, and the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of Franchisee's exclusive rights in such telephone numbers and directory listings and its authority to direct their transfer;

(e) Franchisee shall, assign to Franchisor or its designee all of Franchisee's right, title and interest in and to any domain name registrations, any web sites, and any listings or presence on any social media platforms or social media networks, Third Party Vendor accounts and any other online accounts, including delivery providers, and any other presence on the internet using the Marks, including passwords, login information, and account manager access, and shall promptly notify the necessary parties of the termination of Franchisee's license to use the Mark, and therefore, Franchisee's right to use any domain name, website, platform, account, or other presence on the internet using the Marks, and to authorize a transfer of same to Franchisor or its designee; At

Franchisor's option, it may direct that Franchisee close or shut down any web sites, listings, social media, accounts or other internet presence and provide proof of same to Franchisor.

(f) Franchisee shall remove and/or destroy all data on Franchisee's POS System and deliver the POS System (hardware and software) to Franchisor, and title to the POS System shall transfer from Franchisee to Franchisor. Following termination or expiration, Franchisee shall not use, disclose or sell any of the data on the POS System. In addition, Franchisor shall have the right to require any vendor of the POS System or other software or web-based applications used by Franchisee in the operation of the SARPINO'S PIZZERIA Restaurant to delete Franchisor's proprietary and confidential information from such system, software or application upon the termination or expiration of this Agreement.

(g) Franchisee shall not sell the assets of the SARPINO'S PIZZERIA Restaurant to a competing business.

(h) Franchisee shall furnish Franchisor within thirty (30) days after the effective date of termination or expiration signed documentation in a form satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

15.5 Covenants. Upon termination or expiration of this Agreement, Franchisee shall comply with the covenants contained in Section 7.3 and Section 7.4 of this Agreement.

15.6 Costs of Enforcement. Franchisee agrees to pay to Franchisor all costs and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15.

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

## **Article 16. DISPUTE RESOLUTION**

### **16.1 Mediation.**

Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. Therefore, Franchisor and Franchisee agree to attempt to resolve disagreements or disputes before such disagreement or disputes negatively impact the relationship. The parties agree that they will first attempt to resolve any dispute, claim or controversy arising of or relating to this agreement or any alleged breach hereof, informally and without involvement of third parties by first having an executive officer of Franchisor and Franchisee's principal equity owner meet or confer in good faith discussion and negotiation of the issues with a view to reaching a settlement. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

All claims or disputes between Franchisor and Franchisee or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and

Franchisee or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the informal dispute resolution between the parties described above, the following procedures must be followed:

(a) Before commencing any legal action or arbitration against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor which specifies, in detail the precise nature and grounds of such claim or dispute.

Franchisor and its affiliates shall have no such obligation to provide notice to Franchisee, and Franchisor and its affiliates shall have the right to proceed to arbitration under Section 16.2 for resolution of any disputes with Franchisee without any delivery of notice and without participating in mediation except as set forth in Section 16.1 herein.

(b) Franchisor shall have thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation process have been terminated after a good faith effort to resolve the dispute. Only in the event that Franchisor or an affiliate provides written notice to Franchisee that it is exercising its option to submit the claim or dispute to mediation will Franchisor or its affiliate have an obligation to mediate a claim or dispute with Franchisee.

(c) If mediation is conducted, it shall be conducted with the Judicial Arbitration and Mediation Services ("JAMS") in accordance with JAMS' commercial mediation rules. Mediation shall take place in Cook or Lake County, Illinois, or if Franchisor's principal place of business is no longer in Lake County, Illinois, then in the county where Franchisor's (or its successors or assigns) principal place of business is located.

(d) Any mediation shall be conducted and completed within forty-five (45) days following the date Franchisor gives notice to Franchisee of its election to mediate pursuant to Section 16.1 (b) above.

(e) Franchisor's rights to mediation as set forth herein may be specifically enforced by Franchisor.

(f) The procedures set forth herein shall survive termination or expiration of this Agreement.

(g) Any applicable statute of limitations shall be tolled during the mediation process.

(h) The fees and expenses of the mediator will be shared equally by the parties.

(i) The mediator will be disqualified as a witness, expert or counsel for any party with respect to the disputes submitted to mediation and any related matters.

(j) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that

evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

#### 16.2 **Arbitration.**

(a) Except disputes not subject to arbitration as set forth in Section 16.3, any dispute between Franchisor and our affiliates on the one hand, and Franchisee and its affiliates on the other hand, arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, will be resolved by submission to arbitration conducted by a single impartial arbitrator according to the then current Commercial Arbitration Rules of the American Arbitration Association. The parties agree that in order to be eligible to be appointed an arbitrator hereunder, an individual must have at least ten (10) years of previous experience in the field of franchise law.

(b) All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearing and other proceedings shall take place in Lake County, Illinois, or if Franchisor's principal place of business is no longer in Lake County, Illinois, in the county of the then-current principal place of business of the Franchisor.

(c) This arbitration provision shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement. Franchisor and Franchisee agree that arbitration shall be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. In the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear. Judgment upon an arbitration awarded may be entered in any court having competent jurisdiction and shall be binding, final and not subject to appeal.

(d) No punitive or exemplary damages shall be awarded against Franchisor, Franchisee, or entities related to either Franchisor or Franchisee, in arbitration proceedings or otherwise, and are hereby waived.

(e) The provisions of this Article 16 shall be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any such provisions are unlawful in any way, such court shall modify or interpret such provisions to the minimum extent necessary to have them comply with the law.

(f) Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. Franchisor and Franchisee further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

#### 16.3 **Disputes Not Subject to Arbitration.**

Regardless of and notwithstanding what is contained in the then current Commercial Arbitration Rule of the American Arbitration Association:

(a) Any dispute in any way relating to the scope, application or enforceability of disputes pursuant to Section 16.2; and

(b) Any dispute seeking a temporary restraining order or preliminary injunction to preserve the *status quo*. If, in an action is commenced in a court seeking temporary or preliminary injunctive relief, the court hearing the matter shall proceed to adjudicate the issues before it with respect to such relief and shall not delay the entry of any order with respect to such relief; provided, however, that except for matters fully determined in connection with proceedings for temporary or preliminary relief, the dispute resolution procedures set forth herein shall be used.

**16.4 Business Judgment.** The parties hereto recognize, and any arbitrator, judge or other trier of fact is affirmatively advised, that certain provisions of this Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of Franchisor's business judgment based on our assessment of the overall best interests of the System. Where such discretion has been exercised, and is supported by Franchisor's business judgment, an arbitrator, judge or other trier of fact shall not substitute his or her judgment for the judgment Franchisor so exercised.

#### **Article 17. APPROVALS AND WAIVERS**

**17.1 Request for Waiver.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing.

**17.2 No Reliance.** Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no 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.

**17.3 No Waiver by Franchisor.** No failure of Franchisor to exercise any right or power reserved to it in this Agreement, or to insist upon compliance by Franchisee with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature. No delay, omission, or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee under any of the terms, provisions, covenants or conditions hereof shall constitute a waiver by Franchisor of its right to enforce any such right, option, duty, or power, nor shall such constitute a waiver by Franchisor of any rights with respect to any subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

**17.4 Delays in Performance.** The parties agree that neither party shall be liable for any delays in performance, except for payment of fees due, caused by acts of God, acts of the public enemy, acts of the United States or any state government, fires, floods, epidemics, war, riots, strikes or embargoes.

**Article 18.**  
**MISCELLANEOUS**

**18.1 Notices.** Any and all notices required or permitted under this Agreement shall be in writing and shall be (i) personally delivered, (ii) sent by nationally recognized overnight delivery service (e.g., FedEx, UPS), (iii) mailed by certified or registered mail, return receipt requested, or (iv) sent via electronic mail during business hours on business days (with a receipt of transmission) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: SARPINO'S USA, INC.  
200 Tri-State International, Suite 550  
Lincolnshire, IL 60069  
Attn: David Chatkin, President  
E-mail address: us@sarpinos-usa.com

Notices to Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
E-mail address: \_\_\_\_\_

Any notice by certified or registered mail shall be deemed to have been given on the third business day following the date of postmark. Any notice by a nationally recognized overnight delivery service shall be deemed to have been given on the date of delivery to recipient as shown by the records of such delivery service. Any service by electronic mail shall be deemed delivered on the date of the confirmation of receipt of transmission.

**18.2 Entire Agreement.** This Agreement, the documents referred to herein, and the Attachments hereto constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement. Nothing in this or any related agreement, however, is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document furnished to Franchisee by Franchisor. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

**18.3 Severability and Construction.** Except as expressly provided to the contrary herein, each article, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

**18.4 No Third-Party Beneficiary.** Nothing in this Agreement is intended or shall be deemed to confer upon any person or legal entity other than the parties hereto any rights or remedies under or by reason of this Agreement.

**18.5 Maximum Duty Imposed on Franchisee.** Franchisee expressly agrees 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 from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

**18.6 Headings.** All headings and captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

**18.7 Construction.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee. Time is of the essence as to all obligations under this Agreement.

**18.8 Signature and Delivery of Agreement.** This Agreement may be executed in one or more copies, and each copy so executed shall be deemed an original. This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

**18.9 Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor in the State of Illinois, and shall be governed by, interpreted and construed under the laws of the State of Illinois, which laws shall be applied without giving effect to the principles of comity or conflicts of laws thereof, and which laws shall prevail in the event of any conflict of law; except that the Illinois Franchise Disclosure Act shall not apply unless the jurisdictional requirements set forth in that Act are met independently of this provision.

**18.10 Jurisdiction and Venue.** In view of the fact that the books, records and business personnel of Franchisor are located, for the most part, in the county of the principal place of business of the Franchisor, which is Lake County, Illinois and the principal place of business of the Franchisor may after the execution of this Agreement be in another county, and in order to minimize disruption or interference with operation of the Franchise System as a whole, Franchisor and Franchisee agree that any and all court proceedings pursuant to Sections 16.2(a) and 16.2 (b) shall be brought in, and only in, the United States District Court for the Northern District of Illinois, or if the principal place of business of the Franchisor is not in Lake County, Illinois, in the United States District Court in the county of the principal place of business of the Franchisor. No individual or entity (whether named or otherwise designated) shall be joined as a party to those proceedings if that joinder has the effect of destroying federal court jurisdiction, unless that individual or entity is a necessary party to the proceeding as a matter of law. Where there is no United States District Court having jurisdiction over the dispute, the proceeding may be initiated in, and only in, a court of competent jurisdiction in and for Lake County, Illinois, or if the Franchisor's principal place of business is not in Lake County, Illinois, in, and only in, a court of competent jurisdiction in the county of the principal place of business of the Franchisor, and in

either case, Franchisor and Franchisee hereby consent to the exclusive exercise of jurisdiction by those courts. Each party hereby agrees to submit to the exclusive personal jurisdiction of such courts, and hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision, including, without limitation, the claim or defense therein that such courts constitute an inconvenient forum.

**18.11 Remedies Cumulative.** No right or remedy conferred upon or reserved to Franchisor by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

**18.12 Equitable Relief.** Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

**18.13 Parties Bound.** This agreement shall be binding upon the parties hereto and their respective successors, permitted assigns, heirs, personal representatives and administrators.

**18.14 Enforcement.** In the event it is necessary for Franchisor to retain legal counsel or the services of other third parties to enforce Franchisee's obligations to Franchisor under this Agreement, Franchisee shall be obligated to pay all of Franchisor's costs of such enforcement activities, including, without limitation, attorney's fees and costs. If either Franchisor or Franchisee seeks to enforce this Agreement in an arbitration, judicial or other proceeding, the prevailing party shall be entitled to recover from the other party its reasonable costs and expenses (including attorneys' fees, arbitrators' fees and expert witness fees, and other related arbitration or litigation expenses) incurred in connection with such arbitration, judicial or other proceeding.

**18.15 Receipt.** Franchisee acknowledges that it received Franchisor's Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed and prior to Franchisee making any payment to Franchisor hereunder. Franchisee acknowledges that it has read and understood this Agreement, the Attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

**18.16 Guaranty and Assumption of Obligations.** This Agreement shall be personally guaranteed and the obligations hereunder assumed by all of the owners of the Franchisee, if the Franchisee is a corporation, limited liability company or other legal entity, and all spouses of the owners. Concurrent with the execution of this Agreement, all such owners and their spouses shall execute the Guaranty and Assumption of Obligations which is attached hereto as Attachment E. Upon any change in ownership in the Franchisee entity, all owners and their spouses shall execute an updated Guaranty and Assumption of Obligations and deliver it to Franchisor.

**18.17 Electronic Mail.** Franchisee acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Franchisee may utilize e-mail for such communications. Franchisee authorizes the transmission of e-mail by Franchisor and its employees, vendors, and affiliates ("Official Senders") to Franchisee during the term of this Agreement. Franchisee further agrees that: (a) Official Senders are authorized to send e-mails to the Designated Manager and those of Franchisee's other employees as Franchisee may occasionally authorize for the purpose of communicating with Franchisor; (b) Franchisee will cause its officers, directors, managers and

other employees to give their consent to Official Senders' transmission of e-mails to them; (c) Franchisee will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is associated with Franchisee; and (d) Franchisee will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement. The consent given in this Section 18.18 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18.1 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

**Article 19.**  
**AREA FRANCHISOR**

**19.1 Appointment of Area Franchisor.** Franchisor has granted to certain individuals or business entities the right to serve as subfranchisors in designated geographical areas throughout the United States ("Area Franchisors"). Each Area Franchisor will have entered into a standard form Area Franchise Agreement with Franchisor under which the Area Franchisor will be granted the exclusive right to sell franchises in the geographical area or areas designated in the Area Franchise Agreement and will have obligations relating to the ongoing support of franchisees in the Area Franchisor's geographical area. If Franchisee's franchise is located in a geographical area which has been granted to an Area Franchisor, the Area Franchisor will join in the execution of this Agreement, and the term "Franchisor" shall be deemed to apply and extend to the Area Franchisor as an additional party responsible to Franchisee for the performance of this Agreement and entitled to the rights of Franchisor hereunder, as further detailed in this Article 19. If an Area Franchisor has been appointed, the Area Franchisor shall become a party to this Agreement by executing the *Area Franchisor's Joinder in Agreement* at the end of this Agreement and, upon executing the same, Area Franchisor shall become primarily responsible for Franchisor's obligations as set forth herein.

**19.2 Area Franchisor Responsibilities.** The specific responsibilities of an Area Franchisor who has executed and become a party to this Agreement include without limitation the following:

- (a) Collection of fees due from Franchisee under this Agreement;
- (b) Provide Franchisee with all supervision and assistance specified in this Agreement; and
- (c) Supervising Franchisee's operations to ensure compliance with all requirements and procedures set forth in this Agreement and the mandatory provisions of the Manual.

**19.3 Area Franchisor's Legal Relationships.** It is understood that Area Franchisor has no ownership interest in Sarpino's USA, Inc.'s Trade Secrets and Confidential Information or Mark other than the right to sell and sublicense them to subfranchisees in its geographical territory. Area Franchisor has no authority to create or assume in the Franchisor's name, or on behalf of Franchisor, any obligation, express or implied, or to act as agent or representative of Franchisor (Sarpino's USA, Inc.) for any purpose whatsoever, and Area Franchisor is not the agent, employee, partner or co-venturer of said Franchisor. All employees hired by or working for Area Franchisor are the employees of Area Franchisor and not employees of said Franchisor.

*Signature pages below.*

**IN WITNESS WHEREOF** Franchisor and Franchisee have caused this Agreement to be executed as of the date set forth below each signature.

**EXECUTION BY FRANCHISEE**

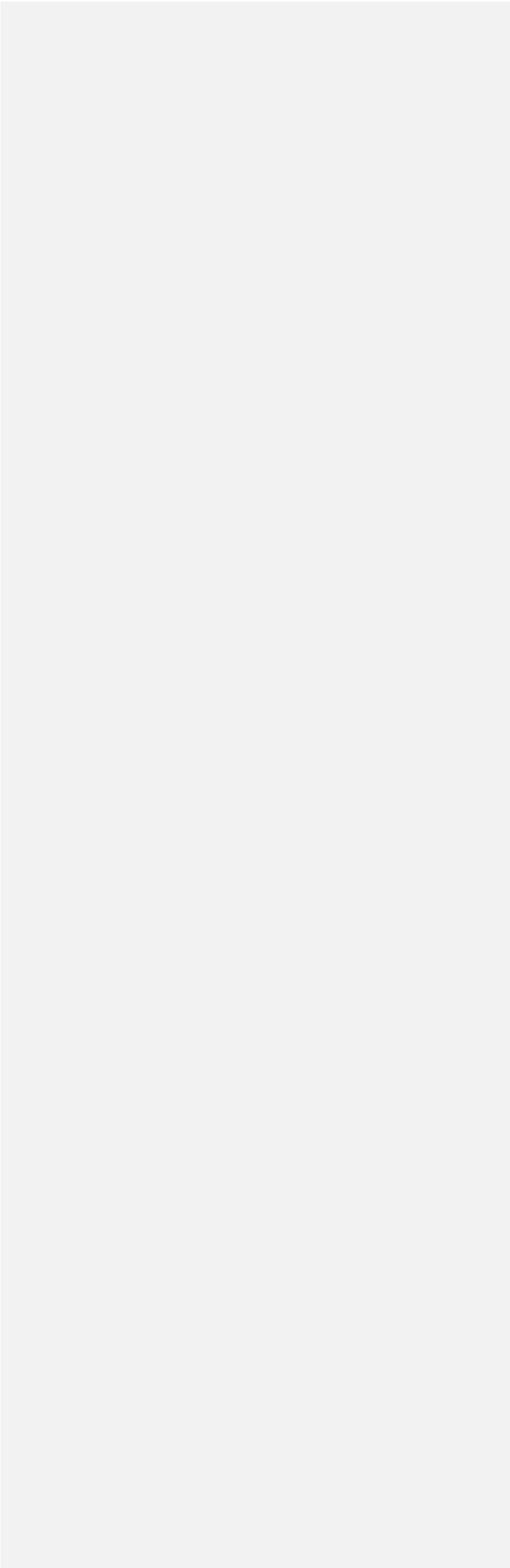
**I HEREBY ACKNOWLEDGE THAT PRIOR TO THE DATE THAT I HAVE EXECUTED THIS AGREEMENT, OR HAVE PAID ANY NON-REFUNDABLE CONSIDERATION THEREFOR, A COMPLETELY PREPARED COPY OF THIS AGREEMENT WITH ALL TERMS AND CONDITIONS INSERTED HAS BEEN DELIVERED TO ME.**

Name of Franchisee: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_



**EXECUTION BY DESIGNATED MANAGER**

The Designated Manager joins in the execution of the Restaurant Franchise Agreement to acknowledge and evidence his/her personal undertaking to observe and be bound by the confidentiality and non-competition and non-solicitation covenants contained in Sections 7.3, 7.4 and 7.5 of this Agreement.

Name of  
Manager: \_\_\_\_\_

Address: .  
\_\_\_\_\_

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

Dated: \_\_\_\_\_

Optional  
Second  
Designated  
Manager: \_\_\_\_\_

Address: .  
\_\_\_\_\_

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

Dated: \_\_\_\_\_

**EXECUTION BY FRANCHISOR**

Franchisor hereby executes this Restaurant Franchise Agreement accepting and approving the same. The effective date of this Restaurant Franchise Agreement shall be the date on which it is executed by Franchisor, after execution of this Restaurant Franchise Agreement by all other parties.

**SARPINO'S USA, INC.**  
an Illinois corporation

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

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

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

Dated: \_\_\_\_\_

**AREA FRANCHISOR'S JOINDER IN AGREEMENT**

The undersigned, having been appointed Area Franchisor for the geographical area in which the franchise to the SARPINO'S PIZZERIA RESTAURANT granted by this Restaurant Franchise Agreement ("Agreement") is located, hereby becomes a party to said Agreement and joins in the execution thereof as provided in Section 19.1 of the Agreement, and does hereby agree to and assume all of the obligations and responsibilities of the Area Franchisor set forth in the Agreement and the Area Franchise Agreement heretofore entered into with the Franchisor.

Area Franchisor's Name and Description of Entity:

\_\_\_\_\_

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

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

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

Dated: \_\_\_\_\_

**ATTACHMENT A**  
**TO**  
**SARPINO'S® RESTAURANT FRANCHISE AGREEMENT**  
**APPROVED LOCATION AND PROTECTED AREA**

**A. APPROVED LOCATION:** The location approved by Franchisor for the Restaurant franchised under the Restaurant Franchise Agreement to which this is attached shall be as follows: \_\_\_\_\_  
\_\_\_\_\_.

**B. PROTECTED AREA:** The protected area approved by Franchisor for the Restaurant franchised under the Restaurant Franchise Agreement to which this is attached shall be as follows: \_\_\_\_\_  
\_\_\_\_\_.

**FRANCHISOR:**  
**SARPINO'S USA, INC.**

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

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

Dated: \_\_\_\_\_

**FRANCHISEE:**

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

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

Dated: \_\_\_\_\_

**ATTACHMENT B  
TO**

**SARPINO'S® RESTAURANT FRANCHISE AGREEMENT**

**SITE SELECTION AND CONSTRUCTION ADDENDUM**

SARPINO'S USA, INC. ("Franchisor") and \_\_\_\_\_ ("Franchisee") have entered into a certain SARPINO'S® Restaurant Franchise Agreement ("Franchise Agreement") and desire to supplement its terms, as set out below. The parties hereto therefore agree as follows:

**A. SITE SELECTION**

(1) Within ninety (90) days after execution of the Franchise Agreement, Franchisee shall acquire or lease, at Franchisee's expense, a location for the SARPINO'S PIZZERIA franchised under the Franchise Agreement ("**Restaurant**") at a site approved by Franchisor as hereinafter provided, and leased under lease terms and conditions approved by Franchisor. Such location shall be as indicated on Attachment A (the "**Approved Location**"). The Approved Location is described solely for the purpose of selecting a site for the Restaurant and does not imply or grant any rights to such Approved Location to Franchisee.

(2) Failure by Franchisee to acquire or lease an approved site for the Restaurant within the time required in Article A.1 hereof shall constitute a default under the Franchise Agreement and this Site Selection Addendum.

(3) Prior to the acquisition by lease or purchase of a site for the Restaurant in the Approved Location, Franchisee shall submit to Franchisor, in the form prescribed by Franchisor, a description of the site, a market feasibility study for the site, and such other information or materials as Franchisor may reasonably require, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Recognizing that time is of the essence, Franchisee agrees to submit such information and materials for the proposed site to Franchisor in writing for its approval no later than fifteen (15) days after the execution of the Franchise Agreement; provided, that if Franchisee has diligently sought out but not been able to identify an Approved Location within said 15-day period, Franchisor shall in its discretion consent to an extension of such time period, which consent shall not be unreasonably withheld. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the franchised business. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

(4) Franchisor shall furnish to Franchisee the following:

(a) Site selection guidelines and criteria, and such site selection counseling and assistance as Franchisor may deem advisable.

(b) Such on site evaluation as Franchisor may deem advisable in response to Franchisee's requests for site approval; provided, however, that Franchisor shall not provide on site evaluation for any proposed site prior to the receipt of all information and materials concerning such site prepared by Franchisee as required pursuant to Article A(3) hereof. Franchisor will provide, at no additional charge to Franchisee, one (1) site evaluation. Thereafter, if additional on-

site evaluations are deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request), Franchisee shall pay a reasonable fee for each such evaluation and shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

(5) After the location for the franchised business is approved by Franchisor and leased or acquired by Franchisee pursuant to Article A(3) hereof, the location shall constitute the approved location, and its street address shall be recorded in Attachment A to the Franchise Agreement.

**B. LEASE**

If Franchisee will occupy the premises of the franchised business under a lease, Franchisee shall, prior to execution thereof, submit the proposed lease to Franchisor for its written approval. Franchisor shall, at its option, have the right to require that the landlord execute a Lease Addendum in the form attached to the Franchise Agreement as Attachment D, or require that the lease include the following terms and conditions:

(1) That the premises shall be used only for the operation of the Restaurant franchised hereunder.

(2) That the landlord consents to Franchisee's use of Franchisor's Marks and signage as Franchisor may prescribe for the Restaurant.

(3) That the landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and the premises, at the same time that such letters and notices are sent to Franchisee.

(4) That Franchisee may not sublease or assign all or any part of its occupancy rights, or extend the term of or renew the lease, without Franchisor's prior written consent.

(5) That Franchisor shall have the right to enter the premises to make any modification necessary to protect Franchisor's Marks or to cure any default under the lease or under this Agreement or the Franchise Agreement.

(6) That Franchisor shall have the option, but not the obligation, to assume Franchisee's occupancy rights, and the right to sublease, for the remainder of the lease term upon Franchisee's default or termination under such lease or upon Franchisee's default or termination under this Agreement.

(7) That Franchisor is an intended beneficiary of the rights and obligations pursuant to Article (B) 1 through (6), herein and Franchisor shall have the right, but not the obligation, to enforce such terms and conditions and such rights continue in force after termination of the lease or this Agreement.

If the landlord refuses to sign the Attachment C Lease Addendum or to include terms and conditions acceptable to Franchisor as provided herein, Franchisor may refuse to approve the lease and Franchisee may be required to locate another Approved Location.

**C. PLANS**

Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

(1) Franchisee shall employ a qualified architect or engineer who is reasonably acceptable to Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Restaurant based upon prototype drawings furnished by Franchisor.

(2) Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor.

(3) Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

(4) Franchisee shall employ a qualified licensed general contractor who is reasonably acceptable to Franchisor to construct the Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Article 11 of the Franchise Agreement.

**D. CONSTRUCTION**

(1) Franchisee shall commence construction of the Restaurant within ninety (90) days after Franchisee's execution of an approved lease for the premises, or Franchisee's purchase of the premises.

(2) Franchisee shall provide written notice to Franchisor of the date construction of the Restaurant commenced within ten (10) days after commencement. For the purposes of this Agreement and the Franchise Agreement, construction shall be deemed to commence on the date on which a building permit is issued. Thereafter Franchisee shall provide to Franchisor a biweekly progress report signed by Franchisee and its architect and its general contractor warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances, regulations and restrictive covenants. Franchisee agrees that Franchisor and its agents shall have the right to inspect the construction at all reasonable times for the purpose of ascertaining that all work complies with the final plans approved by Franchisor.

(3) Franchisee shall maintain continuous construction of the Restaurant premises and shall complete construction (including all exterior and interior carpentry, electrical, painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the approved final plans, at Franchisee's expense, within one hundred eighty (180) days after commencement of construction (exclusive of time lost by reason of strikes, lockouts, fire, and other casualties and acts of God).

(4) Franchisee shall notify Franchisor of the date of completion of construction and, within a reasonable time thereafter, Franchisor shall conduct a final inspection of the Restaurant and its premises. Franchisee acknowledges and agrees that Franchisee shall not open the Restaurant for business without the express written authorization of Franchisor, and that Franchisor's authorization to open shall be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and with the standards of the System.

(5) Franchisee shall open the Restaurant for business within ten (10) days after the completion of construction. The parties agree that time is of the essence in the construction and opening of the Restaurant.

**E. EFFECT AND INTERPRETATION**

(1) This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

(2) The parties agree that neither party shall be liable for any delays in performance caused by acts of God, acts of the public enemy, acts of the United States or any state government, fires, floods, epidemics, war, riots, strikes or embargoes.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Addendum effective the day and year first above written.

**FRANCHISOR:**  
**SARPINO'S USA, INC.**  
an Illinois corporation

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

Dated: \_\_\_\_\_

**FRANCHISEE:**

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

Dated: \_\_\_\_\_

**ATTACHMENT C**  
**TO**  
**SARPINO'S® RESTAURANT FRANCHISE AGREEMENT**  
**LEASE ADDENDUM**

THIS LEASE ADDENDUM (the "Addendum") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_, hereinafter referred to as "Landlord", and \_\_\_\_\_, hereinafter referred to as "Tenant", and modifies that certain lease (the "Lease") of even date herewith.

**WITNESSETH:**

WHEREAS, Landlord and Tenant are parties to the Lease, concerning real estate commonly described as \_\_\_\_\_ ("Premises");

WHEREAS, Tenant intends to use the Premises for the operation of a SARPINO'S PIZZERIA Restaurant pursuant to a Franchise Agreement between Tenant and Sarpino's USA, Inc. ("Franchisor") using the Marks and System of doing business licensed to Tenant by Franchisor in the Franchise Agreement; and

WHEREAS, pursuant to the terms of the Franchise Agreement, Tenant's lease for the operation of the SARPINO'S PIZZERIA Restaurant is subject to the approval of Franchisor and such lease shall contain certain terms required by Franchisor.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the sufficient of which is hereby acknowledged, the parties agree as follows:

1. **TERM OF LEASE.** Landlord and Tenant agree that the initial term of the Lease shall expire on \_\_\_\_\_, the date of expiration of the initial franchise term under the Franchise Agreement between Tenant and Franchisor.
2. **ASSIGNMENT.** Tenant shall have the right to assign this Lease, without payment of an assignment fee and without Landlord's consent being required, to Franchisor, or any parent, subsidiary or affiliate of Franchisor ("a Franchisor Entity"). In such event, Tenant shall remain liable for any obligations occurring prior to the date of the assignment to Franchisor or a Franchisor Entity. Tenant, or Franchisor or a Franchisor Entity that has received an assignment of the Lease hereunder, shall have the right to assign this Lease, without payment of an assignment fee, and upon Landlord's approval which shall not be unreasonably withheld, to a duly authorized franchisee of Franchisor in connection with the sale, transfer or assignment of the business operated on the Premises. Landlord shall not withhold consent to an authorized franchisee of Franchisor if such franchisee has a tangible net worth at least equivalent to the tangible net worth of Tenant. The assignor shall remain liable for any obligations accruing under the Lease prior to the date of the assignment and such assignee shall not be responsible for any obligations accruing under the Lease prior to the date of assignment. Landlord may require a replacement guaranty in the event of such assignment. The parties agree to execute any commercially reasonable documents necessary to document the assignment and assumption of the Lease hereunder.

Any options to extend or renew the term of the Lease shall automatically transfer to an assignee in connection with an assignment and assumption of the Lease. Tenant shall agree to attorn to any assignee of Landlord provided such assignee will agree not to disturb Tenant's possession of the Premises.

3. **FRANCHISOR'S OPTION TO ASSUME LEASE.** Landlord and Tenant grant to Franchisor the right, exercisable at the option of Franchisor, to take assignment of and assume all rights, title and interest of Tenant in and to the Lease and the Premises: (a) on the termination or expiration of the Franchise Agreement between Tenant and Franchisor; (b) on the commencement of eviction or termination proceedings by the Landlord against Tenant; (c) on cessation of the use of the Premises by Tenant as a SARPINO'S PIZZERIA Restaurant; or (d) the abandonment or closing by Tenant of the SARPINO'S PIZZERIA Restaurant on the Premises. Landlord shall give Franchisor prompt notice of the commencement of any eviction or termination proceedings against Tenant. Franchisor shall give written notice to Landlord of its intent to exercise this option within ninety (90) days after the event triggering the option. If Franchisor timely exercises its option, the Lease and all rights, title and interest of Tenant under the Lease and to the Premises will be automatically ~~be~~ assigned to Franchisor and assumed by Franchisor (or an affiliate or parent of Franchisor). If Franchisor does not give notice exercising its assignment option within the ninety (90) day period, Franchisor will be deemed to have forfeited its rights under this Paragraph. Upon Franchisor's written request, Landlord and/or Tenant agree to execute documents in a form acceptable to Landlord in its reasonable discretion confirming this assignment and assumption of the Lease. If Franchisor (or an affiliate or parent of Franchisor) takes assignment of the Lease pursuant to this Paragraph, Franchisor (or its affiliate or parent) shall not be deemed to have assumed any obligations of Tenant under the Lease existing as of the date of assignment and assumption.
  
4. **NOTICE AND CURE RIGHTS.** Landlord shall provide to Franchisor a copy of any written Notice of Default or Notice of Termination issued by Landlord to the Tenant at the time that such notice is issued to Tenant. Franchisor reserves the right, but is under no obligation, to cure any default(s) within thirty (30) days after the expiration of the cure period given to Tenant for such default under the Lease, if Tenant should fail to cure. Landlord shall not evict Tenant from the Premises unless it has delivered a copy of any Notice of Default or Notice of Termination to Franchisor and Franchisor has had the foregoing opportunity to cure the default(s). Landlord acknowledges and understands that by curing Tenant's default, Franchisor does not assume and Landlord shall not hold Franchisor responsible for any liabilities of Tenant under the Lease unless Franchisor assumes the Lease as provided in Paragraph 2 herein. All notices shall be sent to:

Sarpino's USA, Inc.  
200 Tri-State International, Suite 550  
Lincolnshire, Illinois 60069
  
5. **FRANCHISOR'S SIGNAGE.** The Landlord consents that Tenant and/or Franchisor shall have the right to display at the Premises the marks Sarpino's®, Sarpino's Pizzeria® and other marks and logos of Franchisor on exterior and interior signs meeting Franchisor's standards and specifications as required by Franchisor of its franchisees on the date of execution of the Lease and as they may be modified and changed from time to time by Franchisor, subject only to applicable local laws and ordinances.

6. **USE OF PREMISES.** The Parties agree that, during the term of the Lease and any renewals or extensions, the Premises shall be used only for the operation of a SARPINO'S PIZZERIA Restaurant offering on-premises and carry-out dining and delivery of pizza and related food and beverage products and services as authorized by Franchisor for SARPINO'S PIZZERIA franchisees from time to time.
7. **EXCLUSIVE USE.** Throughout the term of the Lease and any renewals or extensions, Landlord agrees that Tenant shall have the exclusive use in the shopping center or building in which the Premises is located to engage in a business that primarily sells pizza and related products. As used herein, the term "primarily" means that greater than 20% of the gross sales of the restaurant are derived from the sale of pizza and related products. Landlord shall not allow any other tenant in the shopping center in which the Premises is located to violate the terms of this exclusivity agreement, and if a violation occurs, in addition to any other remedies Tenant may have at law or in equity, Tenant shall have the right to terminate this Lease upon thirty (30) days written notice.
8. **IMPROVEMENTS.** Landlord shall not unreasonably withhold its consent to any remodeling, redecorating or other alterations to the interior of the Premises as may be required by Franchisor from time to time so that the Tenant's SARPINO'S PIZZERIA Restaurant reflects the then-current image for SARPINO'S PIZZERIA restaurants as required by Franchisor for the franchise system, on the condition that such work is performed in a good and workmanlike manner.
9. **LIEN SUBORDINATION.** If Landlord has a security interest or lien on Tenant's furniture, fixtures, equipment, and inventory ("Collateral") pursuant to either a statute, common law or the terms of this Lease, such security interest or lien shall be subject and subordinate to Franchisor's right, pursuant to the terms of the Franchise Agreement, to purchase the Collateral upon the termination or expiration of the Franchise Agreement. Upon request, Landlord shall execute a waiver of Landlord's lien in a form reasonably acceptable to Landlord.
10. Landlord shall permit Franchisor to enter the Premises upon termination or expiration of the franchise agreement between Franchisor and Tenant, or upon the termination or expiration of the Lease between Landlord and Tenant, in order to (i) remove signage and other items bearing the Franchisor's service marks and trademarks and otherwise to de-identify the Premises, and (ii) remove any furniture, fixtures, equipment, and inventory in which Franchisor has an interest.
11. Landlord and Tenant agree not to (a) amend the Lease in any respect, (a) enter into an extension or renewal of this Lease, or (c) enter into any sublease under this Lease except with the prior written consent of Franchisor. Any extension or renewal term shall include terms similar to those contained in this Addendum.
12. This Addendum amends the Lease between the parties describe hereinabove, and in the event of any conflict between the terms of this Addendum and the terms of this Lease, the terms of this Addendum shall control. Except as provided herein, all other terms of said Lease shall remain unchanged.

THIS LEASE ADDENDUM is dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

LANDLORD:

TENANT:

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

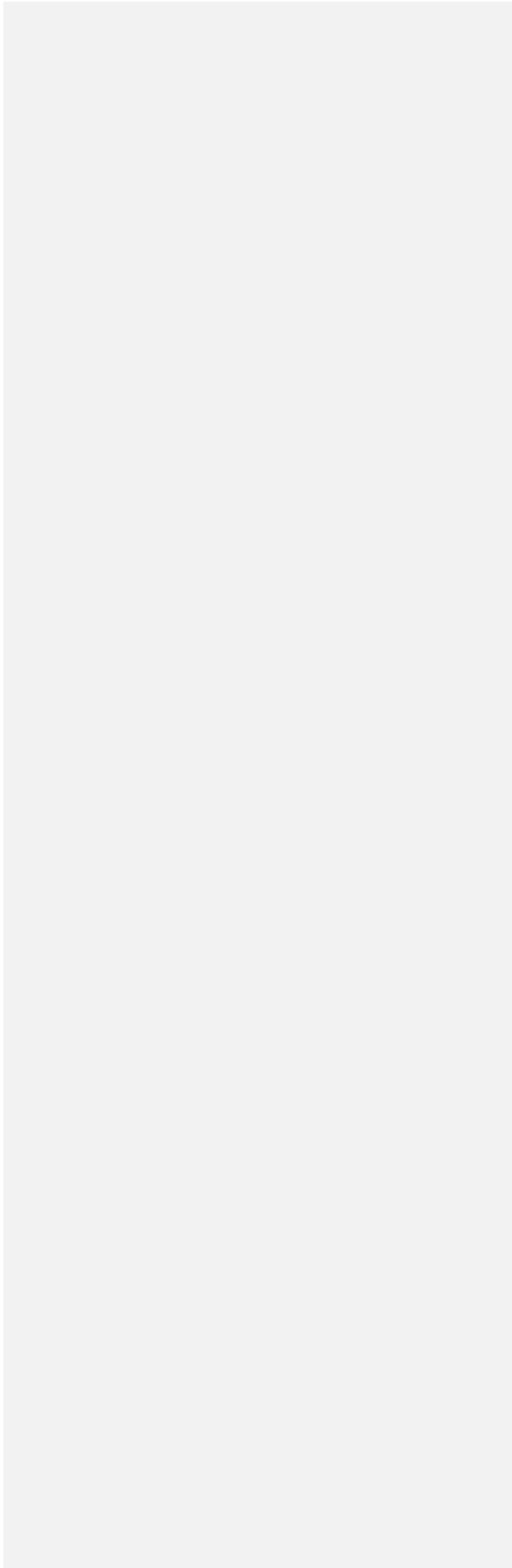
By: \_\_\_\_\_

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

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

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

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



**ATTACHMENT D**  
**Electronic Transfer of Funds Authorization**

The undersigned hereby authorizes Sarpino's USA, Inc. or any affiliated entity (collectively, "Sarpino's USA"), to initiate monthly ACH debit entries against the account of the undersigned with you in payment of amounts for on-site launch support deposit and fee, Royalty, Advertising Fee, non-compliance fees or other fee or amounts that become payable by the undersigned to Sarpino's USA. 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 Sarpino's USA.

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 shall 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.

_____	_____
Bank Name	Account Name
_____	_____
Branch	Street Address
_____	_____
Street Address	City            State            Zip Code
_____	_____
City            State            Zip Code	Telephone Number
_____	Franchisee: _____
Bank Telephone Number	By _____
_____	Its _____
<del>Bank Account</del> Routing Number	Date _____
_____	
Customer's Account Number	

**VOIDED CHECK MUST BE ATTACHED TO THIS AUTHORIZATION FORM.**  
Information on voided check supersedes all information provided above.

**ATTACHMENT E**  
**TO**  
**SARPINO'S® RESTAURANT FRANCHISE AGREEMENT**  
**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given by \_\_\_\_\_ ("Guarantors") and their respective spouses, namely \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by Sarpino's USA, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally, jointly and severally: (a) guarantees to the Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Franchisee") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

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

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this Guaranty will be joint and several with all other current and future guarantors of Franchisee's obligations; (2) he will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability will not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any Other person; (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any Other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) this Guarantee shall apply to any amounts recovered from Franchisor as a preference, fraudulent transfer or otherwise in a bankruptcy or similar proceeding.

In order to secure the prompt performance by Guarantors of the obligations under this Guaranty, Guarantors, and each of them, hereby grants Franchisor a security interest in all ownership rights of Guarantor in Franchisee and all personal property owned by Guarantor whether now owned or hereafter acquired by Franchisee. This Guaranty and the security interest granted herein shall, in and of itself, constitute a Security Agreement within the meaning of the Uniform Commercial Code. In addition, and as a supplement to this Agreement, at Franchisor's request, Guarantor shall execute a separate Security Agreement. During the term of the Franchise Agreement, Guarantors shall grant no other lien, encumbrance or security interest in his or her interest in Franchisee or in his or her personal property unless the secured party agrees that its



\_\_\_\_\_  
Signature \_\_\_\_\_ %

Dated: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

(Percentage must equal 100)

SPOUSES OF GUARANTORS:

\_\_\_\_\_  
Signature

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

Dated: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Name of Spouse: \_\_\_\_\_

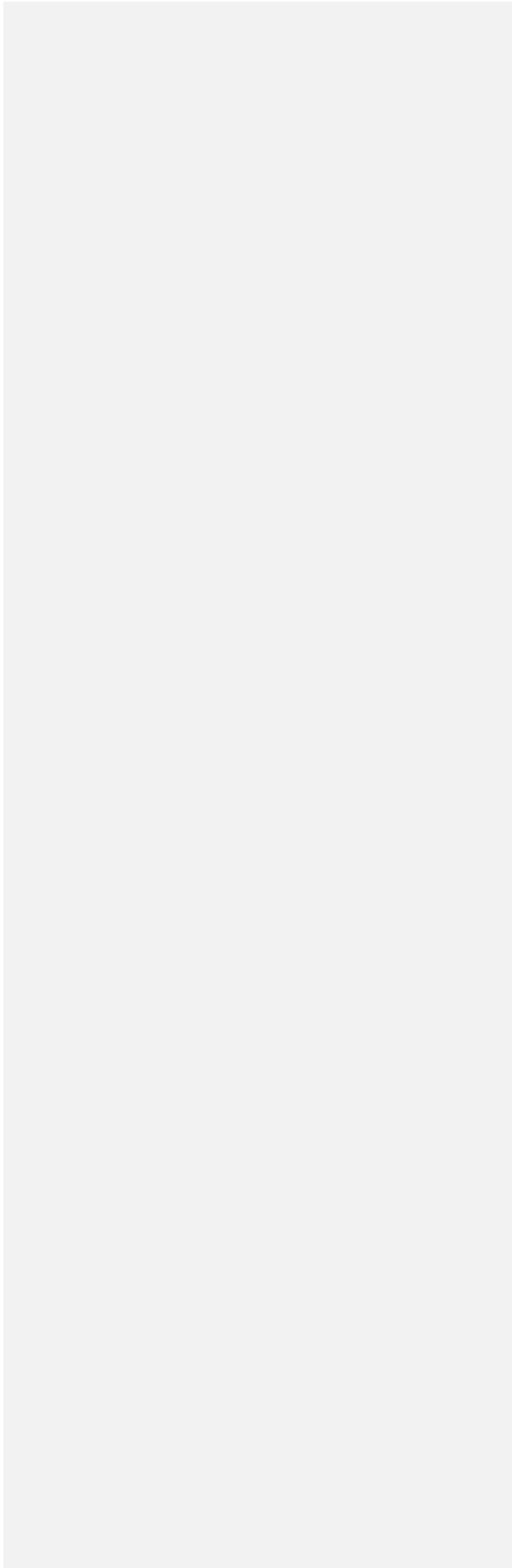
\_\_\_\_\_  
Signature

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

Dated: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Name of Spouse: \_\_\_\_\_



**ATTACHMENT F**

**TO**

**SARPINO'S RESTAURANT FRANCHISE AGREEMENT**

**DESIGNATED MANAGER'S**

**NON-COMPETITION AND NON-DISCLOSURE AGREEMENT**

*[Sample form of agreement for use by Franchisee/Employer with Franchisee/Employer's managers. Franchisee/Employer should first consult with local legal counsel regarding use of this form of agreement in Franchisee/Employer's state.]*

\_\_\_\_\_ This Non Disclosure and Non Competition Agreement ("Agreement") is entered into by and between \_\_\_\_\_ ("Franchisee/Employer") and \_\_\_\_\_ ("Employee") on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_ WHEREAS, Franchisee/Employer has entered into a Franchise Agreement with Sarpino's USA, Inc., the national franchisor of SARPINO'S PIZZERIA restaurant businesses ("the Franchisor"), under which Franchisee/Employer has been granted the right to independently own and operate a SARPINO'S PIZZERIA Restaurant at \_\_\_\_\_ ("Franchisee/Employer's Business Premises") pursuant to a distinctive system ("System") developed by the Franchisor relating to the establishment and operation of specialty retail stores operating under the name and mark "SARPINO'S PIZZERIA" and other trademarks and service marks of Franchisor; and

\_\_\_\_\_ WHEREAS, the Franchisor's System includes certain trade secrets, confidential and proprietary information consisting of secret recipes, ingredients and methods of preparation; methods of operation; training materials and manuals; certain confidential specifications; procedures, concepts and methods for establishing, promoting, managing and operating SARPINO'S PIZZERIA Restaurant; and customer information and data ("**Trade Secrets and Confidential Information**").

\_\_\_\_\_ WHEREAS, Employee has been hired by Franchisee/Employer as a manager of the SARPINO'S PIZZERIA Restaurant, and as a result of Employee's employment relationship with Franchisee/Employer, Employee will receive training in the Franchisor's System and will have access to and may become knowledgeable in the Trade Secrets and Confidential Information; and

\_\_\_\_\_ WHEREAS, Franchisee/Employer and Employee agree that, in order to protect the Trade Secrets and Confidential Information and the good will of Franchisee/Employer's SARPINO'S PIZZERIA Restaurant, Employee must abide by certain restrictions:

\_\_\_\_\_ NOW, THEREFORE, for and in consideration of Franchisee/Employer's employment of Franchisee/Employer and disclosure of Trade Secrets and Confidential Information, the parties hereby agree as follows:

\_\_\_\_\_ 1. Recitals. The recitals set forth above are fully incorporated into the terms of this Agreement as if set forth herein.

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~~2. Confidentiality of Information; Non-Disclosure.~~ Employee acknowledges that the Trade Secrets and Confidential Information is not generally known to the trade, is of a confidential nature, is an asset of Franchisee/Employer and Franchisor, and must be kept strictly confidential and used only by Employee while employed by Franchisee/Employer in the conduct of Franchisee/Employer's business. Employee agrees that, upon termination of employment for any reason, Employee will not directly or indirectly use, disclose, copy or permit the use or disclosure of any of the Trade Secrets and Confidential Information in any manner. Upon termination, Employee shall return to Franchisee/Employer any and all of the written Trade Secrets and Confidential Information, in whatever medium, and all copies and reproductions thereof, in Employee's possession or control.

~~3. Non-Competition Covenant.~~ During his/her employment with Franchisee/Employer and for a period of one (1) year following termination of his/her employment with Franchisee/Employer, for whatever reason, Employee will not, directly or indirectly,

~~(a) have any interest as an owner, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any retail store or other business selling products or services substantially similar to a SARPINO'S PIZZERIA Restaurant which is located within five (5) miles of Franchisee/Employer's Business Premises;~~

~~(b) divert or attempt to divert any former business or customer of Franchisee/Employer's SARPINO'S PIZZERIA Restaurant to any competitive business;~~

~~(c) employ or seek to employ any person employed by Franchisee/Employer or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; and~~

~~(d) solicit or sell products or services to any former customer of Franchisee/Employer's SARPINO'S PIZZERIA Restaurant.~~

~~4. Remedies.~~ Employee acknowledges that the restriction of activities as contained in this Agreement are reasonable and are required for Franchisee/Employer's protection as well as the protection of Franchisor. Employee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisee/Employer for which no adequate remedy at law will be available. Accordingly, Employee acknowledges that Franchisee/Employer may seek to obtain the entry of an injunction prohibiting any conduct by Employee in violation of the terms of this Agreement. Employee agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through Franchisee/Employer's unlawful utilization of the Trade Secrets and Confidential Information

~~5. Reduction in Scope; Divisibility.~~ In the event any court shall finally hold that the time or territory of any provision contained in this Agreement constitutes an unreasonable restriction against the Employee, such provision as to time or territory shall not be rendered void but shall apply as to time and territory or to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. If any provision of this Agreement shall be held to be invalid or unenforceable in any respect, any such invalidity or unenforceability shall not affect any other provisions of this Agreement, all of which shall be fully carried out and enforced as if such invalid or unenforceable provision had not been set forth herein.

~~6. No Waiver; Survival.~~ Any failure or delay in exercising any right or remedy hereunder shall not constitute a waiver of such right or remedy and shall not excuse or release Employee from full performance of his obligations hereunder. The terms and conditions of this

~~Agreement shall survive the termination, for any reason, of Employee's relationship with Franchisee/Employer.~~

~~7. Applicable Law; Attorney's Fees and Costs. This Agreement shall be construed under the laws of the state in which Franchisee/Employer/Employer's SARPINO'S PIZZERIA Restaurant is located. In any legal action brought to enforce the terms of this Agreement, the losing party shall be required to reimburse the prevailing party for all attorney's fees and costs incurred by the prevailing party in the enforcement of the terms of this Agreement.~~

~~8. Franchisor as Beneficiary. The parties acknowledge and agree that the Franchisor is a third party beneficiary of this Agreement and that the restrictions set forth herein are intended to be for the benefit of both Franchisee/Employer and Franchisor and that Franchisor is expressly authorized to independently enforce the restrictions herein and to obtain the benefits of this Agreement.~~

~~9. Franchisee/Employer is Sole Employer. Employee expressly acknowledges and agrees that Employee's sole employer is Franchisee/Employer as an independent owner and operator of the SARPINO'S PIZZERIA Restaurant. Employee further acknowledges that Franchisor is not Employee's employer and not a joint employer of Employee with Franchisee/Employer. Any training provided to Employee by Franchisor is done on behalf of Franchisee/Employer and is done for the purpose of protecting the Marks and System, goodwill and consistency of SARPINO'S PIZZERIA Restaurants.~~

~~EMPLOYEE CERTIFIES THAT HE/SHE HAS READ THIS AGREEMENT CAREFULLY, AND FULLY UNDERSTANDS AND FREELY ACCEPTS THE OBLIGATIONS AND RESTRICTIONS THAT IT IMPOSES.~~

~~IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first above written.~~

~~EMPLOYEE: \_\_\_\_\_ FRANCHISEE/EMPLOYER:~~

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

~~Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_~~

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

~~Address and Telephone number:~~

~~\_\_\_\_\_~~

**ATTACHMENT G**

**TO**

**SARPINO'S® RESTAURANT FRANCHISE AGREEMENT**

**STATE ADDENDUM**

If Franchisee is in a registration state that requires an Addendum to the Franchise Agreement, the Addendum will follow this page.

**SARPINO'S USA, INC.**  
**ADDENDUM TO THE RESTAURANT FRANCHISE AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This Addendum is to the Restaurant Franchise Agreement signed contemporaneously with this Addendum by and between Sarpino's USA, Inc. and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section 3.2 on Renewal Terms and Section 14.1 on Right of Termination after Notice of Default and Section 14.2 on Right of Termination Without Prior Notice of Default are amended by the addition of the following language to the original language that appears therein:

"The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act."

2. Any condition, stipulation or provision in this Agreement purporting to bind Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

3. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Addendum.

**FRANCHISOR:**  
**SARPINO'S USA, INC.**  
an Illinois corporation

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

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

Dated: \_\_\_\_\_

**FRANCHISEE:**

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

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

Dated: \_\_\_\_\_

**SARPINO'S USA, INC.**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

This Addendum is to a Franchise Agreement between Sarpino's USA, Inc. (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Sections 3.2 of the Franchise Agreement on Renewal Terms and Article 14 of the Franchise Agreement on Termination 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 Minn. Statutes Sec. 80C.14, Subd. 3, 4 and 5 which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Section 3.2 of the Franchise Agreement on Renewal Terms and Section 13.7 of the Franchise Agreement on Assignment – Franchisee's Release of Claims are amended by the addition of the following language to the original language that appears therein:

"The execution of a general release upon transfer shall be inapplicable to franchises operating in Minnesota."

3. Article 8 of the Franchise Agreement on License Granted to Franchisee is amended by the addition of the following language to the original language that appears therein:

"Franchisor shall protect the franchisee's use of the trademarks, service marks, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.:

4. Section 18.9 of the Franchise Agreement on Governing Law and Section 18.10 of the Franchise Agreement on Jurisdiction and Venue are amended by the addition of the following language to the original language that appears therein:

"Minn. Statutes Sec. 80C.21 and Minn. Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damage, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document can abrogate or reduce any of franchisee's rights 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."

5. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Addendum.

**FRANCHISOR:**  
**SARPINO'S USA, INC.**  
an Illinois corporation

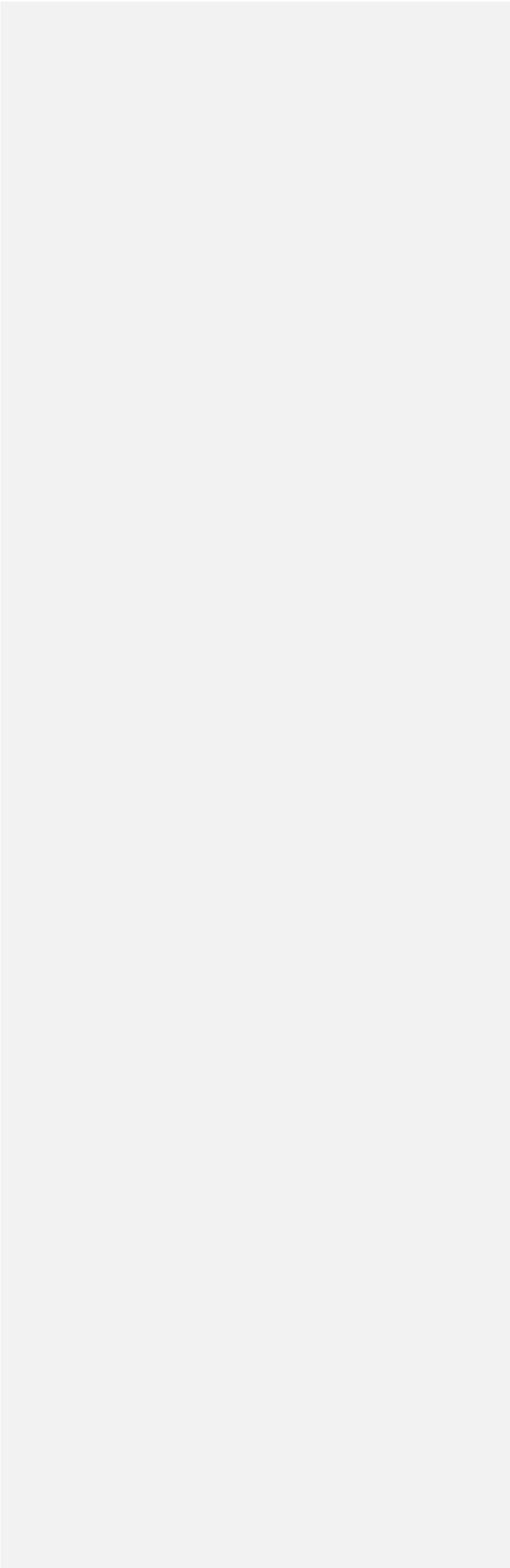
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Its: \_\_\_\_\_

Dated: \_\_\_\_\_

**FRANCHISEE:**

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

Dated: \_\_\_\_\_



**EXHIBIT C**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

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### EXHIBITS

- A. DESCRIPTION OF TERRITORY
- B. DEVELOPMENT SCHEDULE
- C. GUARANTY AND ASSUMPTION OF OBLIGATIONS
- D. STATE ADDENDUM (if applicable)

## MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement ("this Development Agreement") made by and between Sarpino's USA, Inc., an Illinois corporation, having its principal place of business at 200 Tri-State International, Suite 550, Lincolnshire, Illinois 60069 ("Franchisor"), and \_\_\_\_\_ of \_\_\_\_\_ ("Developer").

### 1. INTRODUCTION.

This Development Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. In this Development Agreement, we refer to Sarpino's USA, Inc. as "we," "us" or the "Franchisor." We refer to you as "you" or "Developer."

We grant development rights to persons who meet our qualifications and who are willing to undertake the investment and effort necessary to establish, develop, own and operate multiple Sarpino's Restaurants in accordance with the System.

This Development Agreement is being presented to you because you desire and have applied for the right to develop, own and be franchised to operate a total of three (3) or more Sarpino's Restaurant(s) and the Franchisor has approved your application in reliance upon all of the representations made therein.

You and we are concurrently entering into a Restaurant Franchise Agreement for the first Sarpino's Restaurant Franchise to be established by you.

### 2. GRANT

A. We grant to you, pursuant to the terms and conditions of this Development Agreement, the development rights to establish and operate the total number of Sarpino's Restaurants as set forth in Exhibit B at sites located within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Development Territory").

B. You are bound by the development schedule set forth in Exhibit B ("Development Schedule"). Time is of the essence of this Development Agreement. Each Sarpino's Restaurant will be established and operated pursuant to a separate Restaurant Franchise Agreement ("Franchise Agreement") to be entered into by you and the Franchisor. Each Franchise Agreement shall be in the form of the Franchisor's then-current form of Franchise Agreement.

C. Except as otherwise provided in this Development Agreement, and as long as you are in compliance with the Development Schedule and otherwise in compliance with this Development Agreement, we will not establish, nor license anyone other than you the right to establish any Sarpino's Restaurants in the Development Territory prior to the expiration of the Development Schedule. We (and any Affiliate) reserve the following rights:

1. to continue to own and operate, and allow others to continue to own and operate, Sarpino's Restaurants existing within the Development Territory as of the date of this Development Agreement;

2. to offer and sell, both within and outside of the Development Territory, at wholesale, retail, or through any other distribution system, products and services which comprise, may in the future comprise or which do not comprise, a part of the System, which products may be resold at retail or through any other distribution channel including, but not limited to, supermarkets and other retail facilities, to the general public by such entities;

3. to offer and sell, both within and outside of the Development Territory, at both wholesale and retail all products and services which do not comprise a part of the System. We (and any Affiliate) also reserve the right, both within and outside the Development Territory, to establish restaurants operating under a format and trademarks and service marks distinct from the System;

4. to engage in any activities not expressly forbidden by this Development Agreement.

D. This Development Agreement is not a Franchise Agreement, and you are not granted any right to use the Marks in any manner by execution of this Development Agreement.

E. You have no right under this Development Agreement to license others to operate a Sarpino's Restaurant or use the System or the Marks.

### **3. FEES**

A. **Initial Franchise Fees.** Simultaneously with the execution of this Development Agreement, you and we will execute your initial Franchise Agreement and you shall pay the Franchise Fee in the amount of Thirty Thousand Dollars (\$30,000.00) for the first Sarpino's Restaurant Franchise to be developed pursuant to this Development Agreement. You will execute Franchise Agreements for additional Sarpino's Restaurants to be developed on a periodic basis, and shall pay a Franchise Fee of Twenty-Five Thousand Dollars (\$25,000.00) for each additional Sarpino's Restaurant Franchise upon execution of each additional Franchise Agreement

B. **Development Fee.** Upon the execution of this Development Agreement, you shall pay a fee ("Development Fee") in the amount of Ten Thousand Dollars (\$10,000.00) times the number of additional Sarpino's Restaurants to be developed after the one for which Developer is signing a Franchise Agreement contemporaneously with this Development Agreement. The Development Fee is consideration for this Development Agreement and not consideration for any Franchise Agreement, is fully earned by Franchisor upon execution of this Development Agreement and is non-refundable, notwithstanding any provision to the contrary contained in any Franchise Agreement. However, we will credit Ten Thousand Dollars (\$10,000.00) of the Development Fee against the Initial Franchise Fee for each additional Sarpino's Restaurant Franchise Agreement executed pursuant to, and in accordance with, this Development Agreement.

C. You must submit a separate application for each Sarpino's Restaurant Franchise to be established by you within the Development Territory. Upon delivery to us of a Letter of Intent for the proposed site and our approval of the proposed site of the Sarpino's Restaurant Franchise, a separate Franchise Agreement must be executed and the balance of the appropriate individual franchise fee must be paid to us. At your option, you can execute a Franchise Agreement for the next Sarpino's Restaurant to be developed without having a proposed site. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control regarding the selection of a site for the Sarpino's Restaurant and the establishment and operation of such Sarpino's Restaurant Franchise.

### **4. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS**

A. You are bound by and must strictly follow the Development Schedule set forth in Exhibit B. Time is of the essence. By the dates set forth in Exhibit B, you must have executed the Franchise Agreements for each of the additional Sarpino's Restaurant Franchises you have agreed to develop. Further, by the dates set forth in Exhibit B, you must have opened and started operating each Sarpino's Restaurant. You must at all times after the opening of each Sarpino's Restaurant continuously maintain in operation pursuant to each Franchise Agreement at least the number of Sarpino's Restaurants to be opened as set forth in the Development Schedule; provided, however, that such obligation does not apply to businesses that are transferred in accordance with the provisions of the Franchise Agreement and continue to operate as a Sarpino's Restaurant Franchise.

B. You acknowledge that in order to preserve and enhance the reputation and goodwill of all Sarpino's Restaurants and the goodwill of the Marks, all Sarpino's Restaurant Franchises must be properly developed and operated. Accordingly, you agree that we may refuse to grant to you a franchise for a proposed Sarpino's Restaurant Franchise at any time during the term of this Development Agreement if, in our reasonable judgment, you demonstrate insufficient financial capabilities to properly develop and operate the Sarpino's Restaurant Franchise. To this end, during the term of this Development Agreement you shall furnish to us such financial statements, managerial plans, projections and other reports and information regarding you and any Affiliated companies relating to the development and operation of the existing and proposed Sarpino's Restaurant Franchises as we may reasonably require.

C. Each option granted to you by this Development Agreement, must be exercised as follows:

1. By giving us written notice of your intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

2. By executing the then-current form of the Franchise Agreement for the applicable Sarpino's Restaurant Franchise and complying with its terms including, without limitation, the payment of the unpaid balance of the applicable franchise fee after the credit in Paragraph 3.B is applied

We will execute the Franchise Agreement, subject to Paragraph 4.B. above, only if (i) you are in compliance with all and are not in default of any requirements and obligations of this Development Agreement and all other agreements between you and the Franchisor, and (ii) you are in compliance with all and are not in default of any of the obligations under any Franchise Agreement. In order to meet the Development Schedule, the Franchise Agreement must be executed by you and by the Franchisor by the dates set forth in Exhibit B and you must begin operating each Sarpino's Restaurant Franchise by the dates set forth in Exhibit B. You must comply with all of the terms and conditions of each Franchise Agreement.

## **5. TERM**

Unless sooner terminated in accordance with the terms of this Development Agreement, the term of this Development Agreement and all rights granted to you hereunder expire on the date of our acceptance and execution of the Franchise Agreement for the last of the Sarpino's Restaurants to be established pursuant to the Development Schedule.

## **6. DUTIES OF THE DEVELOPER**

A. Developer shall perform the following obligations:

1. You must attend, and complete to Franchisor's satisfaction, one (1) day of training on development of multiple SARPINO'S PIZZERIA restaurants at Franchisor's headquarters. Developer shall attend such training in conjunction with the business training that Developer shall attend under the first Franchise Agreement executed by Developer.

2. You must submit to Franchisor such reports, information and data relating to your development obligations under this Agreement as Franchisor may reasonably request, in the form and at the times reasonably required by Franchisor.

3. You must comply with all terms and conditions set forth in this Development Agreement.

4. You must comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement. However, you may request and Franchisor may in its discretion give its written consent to a waiver of the requirement that you attend the initial training program conducted by the Franchisor for its franchisees for the second Franchise Agreement or any subsequent Franchise Agreement.

5. You must at all times preserve in confidence any and all materials and information furnished or disclosed to you by us, including those furnished or disclosed to you during the multi-unit development training, and you must disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You must not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

6. You must comply with all requirements of federal, state and local laws, rules and regulations.

## **7. PROPRIETARY MARKS/CONFIDENTIALITY**

A. Notwithstanding any provision to the contrary under this Development Agreement, it is understood and agreed that this Development Agreement does not grant you any right to use the Marks or to use any of the Franchisor's Trade Secrets and Confidential Information, as those terms are defined in the Franchise Agreement, except for any Trade Secrets and Confidential Information disclosed to Developer in the multi-unit development training required by Paragraph 6.1 herein which Developer may use in connection with carrying out the obligations of this Agreement. Further, it is understood and agreed that this Development Agreement does not grant you any right to any copyright or patent which the Franchisor now owns or may hereinafter own. Except as identified above, any and all rights we grant to use the Marks, Trade Secrets and Confidential Information, copyrights, or patents are granted only under, and are governed by, the Franchise Agreements to be executed by you and the Franchisor.

## **8. DEFAULT AND TERMINATION**

A. The development rights and Development Territory granted to you in this Development Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in this Development Agreement including, without limitation, the condition that you strictly comply with the Development Schedule.

B. You shall be deemed in default under this Development Agreement, and all rights granted

herein to you shall automatically terminate without notice: (i) if you are adjudicated bankrupt, become insolvent, commit any affirmative action of insolvency or file any action or petition of insolvency, or if a receiver (permanent or temporary) of your property or any part thereof is appointed by a court of competent authority, or if you make a general assignment for the benefit of your creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); or (iii) if execution is levied against your business or property, (iv) if suit to foreclose any lien or mortgage against your premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that we reserve the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by you.

C. If you (i) fail to exercise options and enter into Franchise Agreements with the Franchisor pursuant to this Development Agreement for the Sarpino's Restaurants by the dates forth in the Development Schedule; or (ii) fail to open and begin operating each Sarpino's Restaurant Franchise by the dates set forth in the Development Schedule; or (iii) fail to comply with any other term and condition of this Development Agreement; or (iv) make or attempt to make a transfer or assignment in violation of this Development Agreement; or (v) fail to comply with the terms and conditions of any individual Franchise Agreement with us, or of any other agreement to which you and the Franchisor are parties, any such event shall constitute a default under this Development Agreement. Upon any such default, we, in our discretion, may do any one or more of the following:

1. Terminate this Development Agreement and all rights granted hereunder to you without affording you any opportunity to cure the default effective immediately upon receipt by you of written notice from us;
2. Reduce the number of Sarpino's Restaurants, without any reduction or refund of any portion of the Development Fee, which are subject to options granted to you pursuant to this Development Agreement;
3. Terminate or reduce in any manner, in our discretion, the grant of your Development Territory; or
4. Exercise any other rights and remedies which we may have.

D. Upon termination of this Development Agreement, all remaining options granted to you to establish Sarpino's Restaurant Franchises under this Development Agreement shall automatically be null and void. You shall have no right to establish or operate any Sarpino's Restaurant Franchise for which a Franchise Agreement has not been executed by us. We shall be entitled to establish, and to license others to establish, Sarpino's Restaurants which shall operate in the Development Territory except as may be otherwise provided under any Franchise Agreement which has been executed by you and the Franchisor and which has not been terminated. No default under this Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto, except to the extent that any default under this Development Agreement constitutes a default under any Franchise Agreement in accordance with the terms of the Franchise Agreement. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by you and shall control in determining whether any default exists under such Franchise Agreement.

E. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

## **9. TRANSFERABILITY**

A. This Development Agreement and all rights hereunder are fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Franchisor herein.

B. Should you at some time in the future desire to make either a public or a private offering of your securities, prior to such offering and sale, and prior to the public release of any statements, data or other information of any kind relating to the proposed offering of your securities, you must secure our written approval, which approval shall not be unreasonably withheld. You must secure our prior written approval of any and all press releases, news releases and any and all other publicity, the primary purpose of which is in the public interest in your offering. Only after written approval has been given by us may you proceed to file, publish, issue and release and make public any data, material or information regarding your securities offering or the Sarpino's Restaurant Franchise. It is specifically understood that any review by us is solely for our own information, and our approval shall not constitute any kind of authorization, acceptance, agreement, endorsement, approval, or ratification of the same, either express or implied; and you must not make any oral or written notice of any kind whatsoever indicating or implying that the Franchisor or any Affiliate have any interest in or relationship whatsoever to the proposed offering other than acting as the franchisor. You agree to indemnify and hold harmless the Franchisor and its Affiliates, and their respective Owners, directors, officers, employees, successors and assigns, from all claims, demands, costs, fees, charges, liabilities or expenses (including attorneys' fees) of any kind whatsoever arising from your offering or information published or communicated and any actions taken with regard thereto.

C. You understand and acknowledge that the rights and duties set forth in this Development Agreement are personal to you and are granted in reliance upon your personal, business and financial qualifications. You have represented and hereby represent to us that you are entering into this Development Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

D. Neither you nor any Owner shall, without our prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Development Agreement, the development rights granted to you hereunder, or in you. Any such proposed assignment occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, without our prior written consent, shall be a material default of this Development Agreement.

E. Neither you nor any Owner, without our prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person or entity, all or any part of your interest in this Development Agreement or your interest in the rights granted hereby or any interest in you if you are an entity, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person or entity. Any purported assignment of any of your or any Owner's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Subject to Paragraph 9.F. of this Development Agreement, so long as you and your Owners, directors and officers executing this Development Agreement are in full compliance with this Development Agreement and any other agreements to which you and the Franchisor are parties, we will not unreasonably withhold our approval of an assignment or transfer, to proposed assignees or transferees if such persons or entities (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet our then applicable standards for developers, (iii) are willing to assume all of your obligations hereunder and to execute and be bound by, at our option, either (a) an assignment and assumption agreement satisfactory to use whereby the assignee assumes your obligations under this Development Agreement or (b) the then-current form of Multi-Unit Development Agreement for a term equal

to the remaining term hereof, and (iv) except to the extent limited or prohibited by applicable law, you and each of your Owners must execute a general release in a form satisfactory to us, of any and all claims against us or our Affiliates, shareholders, officers, directors, employees or agents. As a condition to granting our approval of any such assignment or transfer, you or the assignee or transferee to pay to us a transfer fee of Thirty Thousand Dollars (\$30,000.00) to defray expenses incurred by us in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. The failure of you or the proposed transferee to meet in any way the conditions for transfer set forth herein shall be good cause for us to withhold our consent to any proposed transfer.

F. This Development Agreement may be assigned to an entity which conducts no business other than the business contemplated hereunder, which is actively managed by you and in which you own and control, and continue to own throughout the term of this Development Agreement, not less than fifty-one percent (51%) of the interest and voting power in the entity, provided that all owners shall execute an assignment agreement and guaranty in a form approved by us undertaking to be personally bound jointly and severally by all provisions of this Development Agreement and all issued and outstanding certificates evidencing an interest in such entity shall bear a legend reflecting or referring to the restrictions of this Development Agreement as designated by us. You agree to furnish to us at any time upon request a certified copy of your organizational documents and a list, verified as being true and correct and in such form as we may require, of all direct and indirect Owners reflecting their respective interests in the entity acting as Developer.

G. If you or your Owners at any time wish to sell, assign or transfer for consideration either the Multi-Unit Development Agreement or an interest therein or an ownership interest in the Developer, except for assignment to an entity pursuant to Paragraph 9.F above, you or your Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must submit an exact copy of such offer to us. We will have the right exercisable by written notice delivered to you within thirty (30) days from the date of delivery of an exact copy of such offer to us, to purchase the rights to this Development Agreement or such interest therein or such ownership interest in the Developer for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer, we will have no less than sixty (60) days to prepare for closing and we will be entitled to all representations and warranties customarily given to the direct or indirect purchaser of a business. 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 terms of such offer, subject to our approval of the purchaser as provided in Paragraphs 9.E., provided that 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 offer, we will again have the right of first refusal herein provided.

H. You agree that in connection with any proposed assignment or transfer hereunder, you will comply at your own expense with any applicable state and federal franchise registration and disclosure laws or rules governing the offer and sale of franchises and other laws. You further agree to indemnify us for any expense (including attorneys' fees) incurred in connection with your failure to comply with any such franchise registration and disclosure laws or other laws and to hold us and our officers, directors, shareholders and employees harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with any alleged failure on your part to comply with any such franchise registration and disclosure laws or other laws.

I. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Development Agreement or in the options granted thereby, shall relieve you or your Owners of the obligations of the covenants not to compete contained in this Development Agreement except where we shall expressly authorize in writing.

## 10. COVENANTS

A. You and your Owners covenant that during the term of this Development Agreement, except as otherwise approved in writing by Franchisor, you (if Developer is an individual), an Owner (if Developer is an entity), or your full-time manager approved by us shall devote full-time energy and best efforts to the management and operation of the Sarpino's Restaurants to be franchised in accordance with the rights and options granted pursuant to this Development Agreement.

B. You and your Owners covenant that during the term of this Development Agreement, except as otherwise approved in writing by us, shall not, either directly or indirectly, for itself or himself, or through, on behalf of or in conjunction with any person, persons, or entity:

1. Divert or attempt to divert any business or customers of any of the Sarpino's Restaurant Franchise businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with any of our Marks or the System.

2. Employ or seek to employ any person who is at that time employed by us or by any of our franchisees, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment.

3. Own, maintain, engage in or have any interest in any business (including any business operated by you prior to entry into this Development Agreement) specializing in whole or in part, in dispensing, promoting or selling coffee, or any other business which sells or offers to sell products and services substantially the same as or similar to those sold in the System, unless agreed to by us.

C. You and your Owners specifically acknowledges that, pursuant to this Development Agreement, you will be given access to Trade Secrets and Confidential Information including, without limitation, information regarding our site selection, promotional, operational, sales and marketing methods and techniques and the System. Accordingly, you and your Owners covenant that, except as otherwise approved in writing by us, you will not, for a period of two (2) years after the expiration or termination of this Development Agreement, regardless of the cause of termination, either directly or indirectly, for itself or himself, or through, on behalf of, or in conjunction with any person, persons, or entity, own, maintain, engage in, consult with or have any interest in any business engaged primarily in the operation of a restaurant offering food and beverage products or services the same as or similar to the type sold in the System within the Development Territory, except for Sarpino's Restaurants operated under valid Franchise Agreements granted by us.

D. You and your Owners agree that this form of Agreement is prepared for use in many jurisdictions with differing public policies and that such public policies change. Accordingly, you and your Owners agree that the prevailing non-competition restrictions set forth above may be modified by a Court to the extent necessary to make the non-competition agreements valid and enforceable against you.

E. You and your Owners understand and acknowledge that we have the right, in our sole discretion, to reduce the scope of any covenant set forth in Paragraph 10 of this Development Agreement, or any portion thereof, without your consent, effective immediately upon your receipt by of written notice thereof, and you agree to comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph 16. hereof.

F. We have the right to require each of your Owners, officers, directors and all of your personnel performing managerial or supervisory functions and all management personnel having any access to our Confidential Information to execute similar covenants in a form satisfactory to us.

G. In addition to the foregoing covenants, you and your Owners are bound by and agree to comply with the covenants contained in each Franchise Agreement executed by you and the Franchisor.

## **11. NOTICES**

All written notices and reports permitted or required to be delivered by the provisions of this Development Agreement will be deemed to be delivered at the time delivered by hand, one business day after sending by electronic systems, one business day after deposit within commercial overnight courier or three (3) business days after placement in the U.S. Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at the party's most current principal business address of which the notifying party has been notified or to any other place designated by either party.

## **12. RELATIONSHIP AND INDEMNIFICATION**

A. It is understood and agreed by the parties hereto that this Development Agreement is purely a contractual relationship between the parties and does not create a fiduciary relationship between them, that nothing in this Development Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Neither party to this Development Agreement shall be responsible for the debts or liabilities incurred by the other.

B. You shall hold yourself out to the public to be only a Developer of independently operated Sarpino's Restaurants pursuant to this Development Agreement. You agree to take such actions as shall be necessary to that end.

C. You understand and agree that nothing in this Development Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall we be deemed liable by reason of, any act or omission of in your operation of any Sarpino's Restaurant Franchise, or your conduct relating to this Development Agreement, or any claim or judgment arising therefrom. You shall indemnify and hold us harmless against any and all such claims directly or indirectly from, as a result of, or in connection with your operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

D. You acknowledge that because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which we deem to be of importance to the successful operation of such developer's business under any Franchise Agreement. You shall not be entitled to require us to disclose or grant to you a like or similar variation hereunder to that which may be accorded to any other developer.

## **13. SUPERIORITY OF FRANCHISE AGREEMENT**

For each Sarpino's Restaurant Franchise developed in the Development Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as set forth in Exhibit B shall be paid to us. You understand and agree that any and all Franchise Agreements executed in connection with the opening of a Sarpino's Restaurant Franchise within the Development Territory are independent of this Development Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Development Agreement. If any conflict shall arise in connection with this Development Agreement and any Franchise Agreement executed within the Development Territory, the Franchise Agreement shall have precedence and superiority over this Development Agreement.

#### **14. ENFORCEMENT.**

**A. Invalid Provisions; Substitution of Valid Provisions; Severability.** To the extent that any provision of this Development Agreement is deemed unenforceable, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in that provision under the laws applied in the forum in which we are seeking to enforce it.

If any lawful requirement or court order of any jurisdiction: (1) requires a greater advance notice of the termination or non-renewal of this Development Agreement than is required under this Development Agreement, or the taking of some other action which is not required by this Development Agreement; or (2) makes any provision of this Development Agreement or any specification, standard or operating procedure we prescribed invalid or unenforceable, the advance notice and/or other action required or revision of the specification, standard or operating procedure will be substituted for the comparable provisions of this Development Agreement in order to make the modified provision enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted. No modification will impact the operation of, or have any other effect upon, any other terms, provisions, and/or covenants of this Development Agreement.

The provisions of this Development Agreement are deemed to be severable. The parties agree that each provision of this Development Agreement will be construed as independent of any other provision of this Development Agreement.

**B. Waiver of Obligations/Approvals and Consents.** Either you or the Franchisor may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Development Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Development Agreement requires our prior approval or consent, you must make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

We make no warranties or guaranties upon which you may rely, and we assume no liability or obligation to you, by virtue of granting any waiver, approval or consent, or by reason of any neglect, delay or denial of any request for a waiver, approval or consent. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to our continuing review, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice.

Neither you nor the Franchisor will be deemed to have waived or impaired any right, power or option reserved by this Development Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate

the Franchise prior to the expiration of its terms), by virtue of: (1) any custom or practice of the parties at variance with the terms hereof; (2) any failure, refusal or neglect of either of us to exercise any right under this Development Agreement or to insist upon exact compliance by the other of the other's obligations hereunder, including, without limitation, any mandatory specification, standard or operating procedure; (3) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Sarpino's Restaurants; or (4) the acceptance by us of any payments due from you after any breach of this Development Agreement.

Neither you nor the Franchisor will be liable for loss or damage or deemed to be in breach of this Development Agreement if the failure to perform our respective obligations results from: (1) transportation shortages or inadequate supply of labor, material or energy beyond the control of the parties, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war, or riot; or (6) any other similar event or cause. Any delay resulting from any of the causes set forth above will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. **Liquidated Damages.** If Developer fails to complete the Development Schedule by failing to open the agreed upon number of Sarpino's Restaurants by the dates set forth in the Development Schedule and Franchisor terminates this Agreement for this failure, Developer shall pay to Franchisor, upon such termination for breach of this Agreement, as liquidated damages for the loss of the benefit bargained for in this Agreement due, and not as a penalty, an amount equal to Fifteen Thousand Dollars (\$15,000.00) times the number of Sarpino's Restaurants that Developer was required to open and failed to open under the terms of the Development Schedule. Franchisor and Developer agree that (i) this liquidated damages provision is intended to compensate Franchisor for loss of revenue going forward in an amount difficult to ascertain, and not as a penalty; (ii) it would be impractical to precisely determine the damages Franchisor would incur from Developer's failure to complete the Development Schedule; and (iii) this liquidated damages provision provides a reasonable, good faith method of estimating those damages. The liquidated damages set forth herein do not cover damages other than those arising from Developer's breach of this Agreement by failing to complete the Development Schedule, Payment of the liquidated damages provided for herein does not preclude Franchisor from seeking to recover any other such damages to which it is entitled.

D. **Specific Performance; Injunctive Relief.** Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to: (1) enforce the provisions of this Development Agreement relating to your use of the Marks and your non-disclosure and non-competition obligations under this Development Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance or regulation, constitutes a danger to the public, or may impair the goodwill associated with the Marks or Sarpino's Restaurant Franchises or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, you agree to pay us an amount equal to the total of our costs of obtaining it, including, without limitation, reasonable attorneys', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other arbitration or litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly.

E. **Cumulative Remedies.** The rights and remedies specifically granted to either you or us by

this Development Agreement will not be deemed to prohibit either of us from exercising any other right or remedy provided under this Development Agreement or permitted by law or equity.

**F. Costs and Attorneys' Fees.** If a claim for amounts owed by you to us or our Affiliates is asserted in any legal proceeding before a court of competent jurisdiction or arbitrator, or if you or the Franchisor is required to enforce this Development Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of costs and expenses, including reasonable accounting and legal fees.

**G. Governing Law/Consent to Jurisdiction/Waiver of Rights.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or any other applicable federal law, this Development Agreement and the Franchise will be governed by the laws of the State of Illinois, except that the Illinois Franchise Disclosure Act will not apply unless the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this governing law provision.

You agree that we may institute any action against you arising out of or relating to this Development Agreement in the United States District Court for the Northern District of Illinois or the Circuit Court of Lake County, State of Illinois, or if Franchisor's principal place of business is no longer in Lake County, Illinois, in the county of the then-current principal place of business of the Franchisor. You (and your Owners) irrevocably submit to the exclusive jurisdiction of such court and waive any objection you may have to either the jurisdiction or venue of such court. You agree to the exclusive jurisdiction of such courts and agree not to sue us regarding any matter relating in any way to this Development Agreement except in such courts.

**H. Binding Effect.** This Development 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.

**I. Entire Agreement.** This Development Agreement, together with the introduction and exhibits and attachments to it, constitute the entire agreement between us relating to the subject matter, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Development Agreement, except for the representations contained in Franchisor's current Franchise Disclosure Document. Except for modifications permitted to be made unilaterally by us, this Development Agreement may be modified only by written agreement signed by both you and us.

**J. No Liability to Others; No Other Beneficiaries.** We will not, because of this Development Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Development Agreement, and no other party will have, or is intended to have, any rights because of this Development Agreement. We do not warrant that the obligations of this Development Agreement have been agreed to by or will be enforced against any of our other franchisees.

**K. Construction.** The headings of the several sections and paragraphs of this Development Agreement are for convenience only and do not define, limit or otherwise affect the meaning or construction of any provision.

The term "you" or "Developer" as used in this Development Agreement is applicable to one or more persons or an entity, as the case may be; the term "entity" means any non-human entity created at law, including, without limitation, corporations, partnerships and limited liability companies, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time the Developer or an Owner of Developer under this Development Agreement, their obligations and

liabilities to us will be joint and several.

Except where this Development Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you.

The term "Affiliate" as used in this Development Agreement is applicable to any Franchisor directly or indirectly owned or controlled by us that owns or operates a Sarpino's Restaurant Franchise, sells products used in connection with the operation of a Sarpino's Restaurant Franchise, is otherwise associated with the System, or otherwise transacts business with you.

#### **15. CAVEAT**

The success of the business venture contemplated to be undertaken by you by virtue of this Development Agreement is speculative and depends, to a large extent, upon your abilities as businessperson, and your active participation in the daily affairs of the business as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

#### **16. ACKNOWLEDGEMENTS**

A. You and your Owners represent and acknowledge that you have received this Development Agreement and our Franchise Disclosure Document.

B. You and your Owners acknowledge that you have received a copy of this Development Agreement and the attachments thereto, at least seven (7) calendar days prior to the date on which this Development Agreement was executed. You and your Owners further acknowledge that you have received our Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Development Agreement was executed.

C. You and your Owners acknowledge and agree that the covenants not to compete set forth in this Development Agreement are fair and reasonable, and shall not impose any undue hardship on you, since you have other considerable skills, experience and education which afford you the opportunity to derive income from other endeavors.

D. You and your Owners affirm that all information set forth in any and all applications, financial statements and submissions to us is true, complete and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness and accuracy of such information.

#### **17. GUARANTY AND ASSUMPTION OF OBLIGATIONS.**

This Development Agreement must be personally guaranteed and the obligations hereunder assumed by the Owners of the Developer, if the Developer is an entity. Concurrent with the execution of this Development Agreement, all such Owners must execute the Guaranty and Assumption of Obligations which is attached hereto as Exhibit C. In the event that there is any change in the Owners of Developer during the term of this Agreement, a new Guaranty and Assumption of Obligations must be executed by all of the then current owners in replacement of the Guaranty and Assumption of Obligations executed with this execution of this Agreement.

**18. SIGNATURE AND DELIVERY OF AGREEMENT.**

This Agreement may be executed in one or more copies, and each copy so executed shall be deemed an original. This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

*[Signature Page Follows.]*

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Development Agreement in duplicate on the dates set below each signature.

**SARPINO'S USA, INC.**  
An Illinois corporation

\_\_\_\_\_  
Developer

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

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

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

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

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

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

Or if Developer is an individual(s)

\_\_\_\_\_  
Developer

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

\_\_\_\_\_  
Developer

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

**EXHIBIT A TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DEVELOPMENT TERRITORY**

**SARPINO'S USA, INC.**

An Illinois corporation

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

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

\_\_\_\_\_  
Developer

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

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

Or if Developer is an individual(s)

\_\_\_\_\_  
Developer

\_\_\_\_\_  
Developer

**EXHIBIT B TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

Developer is obligated by this Development Agreement to execute Franchise Agreements for and to open the total number of Sarpino's Restaurants shown below as of the dates set forth below:

<u>Number of Units</u>	<u>Last Date for Execution of Franchise Agreement</u>	<u>Last Date to Begin Operation</u>
1	Upon execution of this Agreement	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____

**SARPINO'S USA, INC.**  
An Illinois corporation

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

\_\_\_\_\_  
Developer

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

Or if Developer is an individual(s)

\_\_\_\_\_  
Developer

\_\_\_\_\_  
Developer

**EXHIBIT C TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Multi-Unit Development Agreement of even date herewith (the "Agreement") by Sarpino's USA, Inc. (the "Franchisor"), each of the undersigned hereby personally and unconditionally, jointly and severally: (a) guarantees to the Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Developer") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

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

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this Guaranty will be joint and several with all other current and future guarantors of Developer's obligations; (2) he will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability will not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Developer or any Other person; (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Developer or to any Other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) this Guarantee shall apply to any amounts recovered from Franchisor as a preference, fraudulent transfer or otherwise in a bankruptcy or similar proceeding.

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

**PERSONAL GUARANTOR**

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%

(Percentage must equal 100)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN DEVELOPER: \_\_\_\_\_%



## **EXHIBIT D TO MULTI-UNIT DEVELOPMENT AGREEMENT**

### **STATE ADDENDUM**

Some administrators of franchise registration states may require us to enter into an addendum to the Multi-Unit Development Agreement describing certain state laws or regulations which may supersede the Multi-Unit Development Agreement. If you are in a registration state which requires an Addendum to this Multi-Unit Development Agreement, it will follow this page.

**SARPINO'S USA, INC.**  
**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This Addendum is to the Multi-Unit Development Agreement dated \_\_\_\_\_, 20\_\_ between Sarpino's USA, Inc. and \_\_\_\_\_(Developer) to amend said Agreement as follows:

1. Section 8 on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act."

2. Any condition, stipulation or provision in this Agreement purporting to bind Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

3. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Addendum effective on the date below each signature.

**FRANCHISOR:**  
**SARPINO'S USA, INC.**  
an Illinois corporation

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

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

**DEVELOPER:**

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

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

**EXHIBIT D**  
**FINANCIAL STATEMENTS**

**SARPINO'S USA, INC.**

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

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

**SARPINO'S USA, INC.**

**ANNUAL FINANCIAL REPORT**

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**ELENA Y. OLSHANSKY, CPA**

8324 LINCOLN AVE  
SKOKIE, IL 60077  
Tel. 847-568-1442  
Fax. 847-868-3693

**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

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

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

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

(continued)

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

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

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

In performing an audit in accordance with GAAS, we:

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

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



Skokie, IL  
May 10, 2024

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

*Nature of business*

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

*Basis of Accounting*

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

*Revenue Recognition*

SARPINO'S USA, INC. recognizes a receivable upon the completion of requirements.

*Accounts Receivable and allowance for doubtful accounts*

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The Company's estimate is based on historical collections experience and a review of the current status of accounts receivable. The accounts receivable are considered to be fully collectable therefore no provision has been made for uncollectible accounts.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Concentration of Credit Risk*

The Company does not hold neither substantial Long Term obligations nor substantial Accounts Receivable. The Company's credit balances are paid monthly in full. It appears the company currently has zero balance credit risk.

*Fair Value of Financial Instruments*

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrual expenses, approximates the varying values principally because of the short maturity of those items.

*Income Taxes*

The company with the consent of its shareholders has elected to be treated as a Small Business Corporation (S corporation) under Internal Revenue Code section 1362 as of January 01, 2023. This election provides that, in lieu of corporate income taxes, the taxable items and credits pass directly to the stockholders. Therefore, these financial statements do not include federal income taxes which would otherwise be applicable. Management does not believe that any material uncertain tax position exists to subject the company to the examination by Federal or state tax authorities for a period of three years from the date they have filed corporate income taxes.

Notes to Financial Statements (continued)

**Note 2 - Assets**

*Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments, including operating and AD Fund bank accounts at PNC bank. At the end of the year 2023 \$250,000 of the above funds in each bank has been insured by the individual banks through FDIC.

*Fixed Assets*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets, principal using the straight-line method, for financial reporting. The estimated useful lives range from 5 to 7 years for the fixed assets, and 15 years for leasehold improvements.

In the year 2022 company's fully depreciated old vehicle was retired: purchased price was \$25,309, accumulated depreciation was \$25,309.

Property and equipment, net consist of the following:

December 31	2023	2022
Furniture and fixtures	\$81,268	\$81,268
Equipment	123,091	116,073
Lease hold improvement	<u>273,526</u>	<u>273,526</u>
Subtotal, assets	477,885	470,867
Less accumulated depreciation	<u>(386,085)</u>	<u>(367,041)</u>
Total, net assets	<u>\$91,800</u>	<u>\$103,826</u>
Depreciation expense	<u>\$ 19,044</u>	<u>\$ 18,336</u>

*Other Assets*

*Intangible Assets* consist of the franchisee license for the state of IL that was purchased by the company in the Year 2003 from Sarpino's International at the time the company signed original area franchise agreement. Trademarks and franchisee agreements were purchased in 2005 from Sarpino's international when the company bought out its complete Sarpino's operations in the US. Organizational costs mostly included legal fees and travel.

Amortization of intangible assets is provided over the estimated useful life using the straight-line method:

Organization cost is amortized over the estimated useful life is of 5years

Trademarks, Franchise License and agreement are amortized over the estimated useful life of 15years

Intangible assets consist of the following:

December 31	2023	2022
Franchise agreements	\$140,000	\$140,000
Trademarks	50,000	50,000
Franchise license	225,000	225,000
Organization cost	<u>20,068</u>	<u>20,068</u>
	435,068	435,068
Less accumulated amortization	<u>(435,068)</u>	<u>(435,068)</u>
	<u>\$ 0</u>	<u>\$ 0</u>
Accumulated Amortization	<u>\$ 0</u>	<u>\$ 0</u>

**Note 3 –Liabilities**

The current liabilities comprise of the Accounts payable and accrued expenses, including outstanding balance of national advertising fund, payroll and other taxes accrued, but not yet paid, as well as Lease liabilities ST of \$54,856. Long term liability consists of Deferred tax liability amounted to \$120,941 and Lease liabilities LT of \$318,702. Both lease liabilities ST and LT recorded in connection with the changes in Accounting Standard Codification® (ASC) Topic 842, *Leases*, which requires lessees to record right-of-use assets and lease liabilities on the balance sheet for almost every lease adopted for the years after December 15, 2021.

**Note 4 - Capital stock**

Authorized: 7500 shares of series “A” (voting) and 2500 shares of series “B” (non-voting) without nominal or par value.

Issued: 2,375 shares.

Treasury Stock: 738 shares:

338 shares in Treasury stock due to the company’s buy-out of the shares from previous shareholder in the previous years. 400 shares bought-out in the Years 2016-2019 in accordance with the following: In the year 2016 the agreement was signed between the Company and one of the owner’s 100% owned trust to buy out substantially all but 200 of his shares in connection with the owner being terminally ill who subsequently passed away. In the year 2019 final of the four payments has been made in lieu of the treasury stock.

**Note 5 - Income Taxes and Deferred tax liability**

As a result of a timing difference between tax and book methods of depreciation, the company incurred Deferred tax liability in the amount of \$120,941. Since the company has elected to be taxed as an S corporation as of January 01, 2023 as per Note 1, there would be no Provision for US Federal Income tax going forward.

Provision for US Federal Income tax	\$0
Fed Income tax liability	(0)
Deferred portion (asset) Fed Income tax Year 2023	(0)
Beginning balance at January 01, 2023	<u>(92,402)</u>
Ending balance at December 31, 2023	<u>\$(92,402)</u>
Provision for state Income tax	\$11,287
State Income tax liability, net of penalties	<u>(11,342)</u>
Deferred portion State Income tax Year 2023	55
Beginning balance at January 01, 2023	<u>(28,594)</u>
Ending balance at December 31, 2023	<u>\$(28,539)</u>
Provision for income state tax less penalties, refund of \$579, net	\$10,708
Deferred income tax Fed and state	<u>\$(120,941)</u>
Income tax liability state	<u>\$( 11,342)</u>

**Note 6 – Lease Commitments**

the Company has an operating lease with IHP TRI-STATE ASSETS, LLC (not related party). The term of the lease agreement was re-negotiated in October 2023 and covers periods 12/01/2023-02/28/2029. The rent per month was on average \$11,802, including base rent of \$6,695, RE tax and maintenance, totaling \$129,822 for 11 months: as per renewed rent agreement, December 2023 was credited with 0 balance.

In accordance with ASC 842 standard issued by the FASB re the new lease accounting in effect since the calendar year 2022, the company recorded: ST and LT Right-of-use assets and corresponding ST and LT Lease Liability for the office.

Office ST Right-of-use assets and corresponding Lease Liability was \$54,859

Office LT Right-of-use assets and corresponding Lease Liability was \$318,702

**Note 7 – Related Party Transactions**

There was no Related Party Transactions

**Note 8 - Future commitments required of Franchisor**

Presently the company does not have any of the financial future commitments except lease. The franchisee agreements are to be renewed either every 5 years (older version) or 10 years (newer version), but they do not assume any financial obligations on the company's part. Franchisor does need to provide franchisee support, providing that all royalties (franchisor revenue) are paid on time and in full.

**Note 9 - Subsequent events**

The management of the company have reviewed the results of operations and evaluated subsequent events from the period at time from its year end December 31, 2023 through May 10, 2024 the date the comparative Financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



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For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 151907



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**SARPINO'S USA, INC.**

**ANNUAL FINANCIAL REPORT  
TWELVE MONTHS ENDED  
DECEMBER 31, 2022 and 2021**

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

**SARPINO'S USA, INC.**  
ANNUAL FINANCIAL REPORT

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**ELENA Y. OLSHANSKY, CPA**

8324 LINCOLN AVE  
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Tel. 847-568-1442  
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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the financial statements of SARPINO'S USA, INC., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SARPINO'S USA, INC. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

(continued)

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

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

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

In performing an audit in accordance with GAAS, we:

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

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



Skokie, IL  
April 26, 2023

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

	<b>DECEMBER 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,352,569	\$ 1,435,058
Accounts and Notes receivable short term	269,814	328,215
Right-of-use assets ST	61,488	-
Prepaid expenses	292	-
	<hr/>	<hr/>
Total current assets	1,684,163	1,763,273
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT, NET</b>	103,826	122,091
	<hr/>	<hr/>
<b>OTHER ASSETS</b>		
Security deposit	10,000	10,000
Intangible assets, net	-	-
	<hr/>	<hr/>
Total other assets	10,000	10,000
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 1,797,989</u>	<u>\$ 1,895,364</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 226,531	\$ 260,547
Lease liabilities ST	61,488	-
Income taxes payable	256,965	234,222
Credit cards payable	15,294	15,896
	<hr/>	<hr/>
Total current liabilities	560,278	510,665
	<hr/>	<hr/>
<b>LONG TERM LIABILITIES</b>		
Deferred income taxes	120,997	108,724
	<hr/>	<hr/>
Total long term liabilities	120,997	108,724
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	681,275	619,389
	<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	2,375	2,375
Treasury stock	(711,789)	(711,789)
Additional paid-in-capital	-	-
Retained earnings	1,826,128	1,985,389
	<hr/>	<hr/>
Total shareholders' equity	1,116,714	1,275,975
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,797,989</u>	<u>\$ 1,895,364</u>

The accompanying notes are an integral part of these financial statements

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

	Years ended December 31,	
	2022	2021
<b>REVENUE</b>		
Sales	\$ 2,302,106	\$ 2,262,774
Total revenue	2,302,106	2,262,774
<b>OPERATING EXPENSES</b>		
Advertising expense	-	1,491
Auto expenses	-	1,099
Bank service charge	1,069	659
Corporate salary	127,274	120,181
Depreciation	18,336	19,504
Franchisor duties	120,863	47,679
Insurance expense	33,648	24,934
Legal and professional	120,441	92,047
Licenses and permits	400	553
Meals and entertainment	5,146	2,476
Office expense, including repairs and maintenance	8,494	5,022
Postage and delivery	484	481
Project management fees	168,448	487,104
Rent	122,973	127,586
Supplies	15,205	18,139
Employee benefit program	37,601	23,153
Support expense	483,927	483,031
Travel	40,010	38,635
Telephone	3,648	3,181
Utilities	736	734
CRP Training center	79,940	89,198
Total operating expenses	1,388,643	1,586,887
Net Income from operations	913,463	675,887
<b>OTHER INCOME (EXPENSE)</b>		
Other income	-	113,172
Interest income	2,193	35,711
Penalties	(5,680)	-
Total other income (expense)	(3,487)	148,883
<b>NET INCOME BEFORE INCOME TAXES</b>	909,976	824,770
<b>PROVISION FOR INCOME TAXES</b>	269,237	229,934
<b>NET INCOME</b>	640,739	594,836
<b>RETAINED EARNINGS, at January 1</b>	1,985,389	1,913,476
Assignment of Note Receivable - see Note 7 to Financial statements		(522,923)
Less dividends	(800,000)	-
<b>RETAINED EARNINGS, at December 31</b>	\$ 1,826,128	\$ 1,985,389

The accompanying notes are an integral part of these financial statements

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

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 640,739	\$ 594,836
Adjustments to reconcile Net income to net cash provided by operating activities:		
(Decrease) Increase in Accounts and Notes receivable short term	58,401	(78,385)
Increase (Decrease) in Prepaid expenses	(292)	14,568
Depreciation and amortization	(7,044)	(5,573)
(Decrease) in Accounts payable and accrued expenses	(34,016)	(18,610)
Increase in Income taxes payable	22,743	100,621
Increase (Decrease) in Deferred income tax liabilities	12,273	(4,288)
(Decrease) Increase in Credit cards payable	(602)	15,896
	<u>692,202</u>	<u>619,065</u>
Net cash provided by operating activities		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Retirement of assets	<u>25,309</u>	<u>25,077</u>
Net cash used by investing activities	<u>25,309</u>	<u>25,077</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends	(800,000)	-
Right-of-use assets ST	61,488	-
Lease liabilities ST	(61,488)	-
(Decrease) in Note receivable long term	-	536,143
(Decrease) in Note payable long term	-	(112,800)
Assignment of Note Receivable - see Note 7 to Financial statements	-	(522,923)
	<u>(800,000)</u>	<u>(99,580)</u>
Net cash (used) provided by financing activities		
(Decrease) Increase in cash	(82,489)	544,562
<b>CASH, at January 1</b>	1,435,058	890,496
<b>CASH, at December 31</b>	<u>\$ 1,352,569</u>	<u>\$ 1,435,058</u>
Supplemental disclosure of Cash flow information		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 234,222</u>	<u>\$ 131,885</u>

The accompanying notes are an integral part of these financial statements

**SARPINO'S USA, INC.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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

*Nature of business*

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

*Basis of Accounting*

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

*Revenue Recognition*

SARPINO'S USA, INC. recognizes a receivable upon the completion of requirements.

*Accounts Receivable and allowance for doubtful accounts*

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The Company's estimate is based on historical collections experience and a review of the current status of accounts receivable. The accounts receivable are considered to be fully collectable therefore no provision has been made for uncollectible accounts.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Concentration of Credit Risk*

The Company does not hold neither substantial Long Term obligations nor substantial Accounts Receivable. The Company's credit balances are paid monthly in full. It appears the company currently has zero balance credit risk.

*Fair Value of Financial Instruments*

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrual expenses, warehouse loans held for sale and corresponding line of credit approximates the varying values principally because of the short maturity of those items.

*Income Taxes*

Management does not believe that any material uncertain tax position exists to subject the company to the examination by Federal or state tax authorities for a period of three years from the date they have filed corporate income taxes.

**Note 2 - Assets***Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments, including operating and AD Fund bank accounts at PNC bank. At the end of the year 2022 \$250,000 of the above funds in each bank has been insured by the individual banks through FDIC.

*Fixed Assets*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets, principal using the straight-line method, for financial reporting. The estimated useful lives range from 5 to 7 years for the fixed assets, and 15 years for leasehold improvements.

In the year 2022 company's fully depreciated old vehicle was retired: purchased price was \$25,309, accumulated depreciation was \$25,309.

Property and equipment, net consist of the following:

December 31	2022	2021
Furniture and fixtures	\$81,268	\$81,268
Equipment	116,073	116,073
Lease hold improvement	273,526	273,526
Vehicle		<u>25,309</u>
	<u>470,867</u>	<u>496,176</u>
Less accumulated depreciation	<u>(367,041)</u>	<u>(374,085)</u>
	<u>\$103,826</u>	<u>\$122,091</u>
Depreciation expense	<u>\$ 18,336</u>	<u>\$ 19,504</u>

*Other Assets*

*Intangible Assets* consist of the franchisee license for the state of IL that was purchased by the company in the Year 2002 from Sarpino's International at the time the company signed original area franchise agreement. Trademarks and franchisee agreements were purchased in 2005 from Sarpino's international when the company bought out its complete Sarpino's operations in the US. Organizational costs mostly included legal fees and travel.

Amortization of intangible assets is provided over the estimated useful life using the straight-line method:

Organization cost is amortized over the estimated useful life is of 5years

Trademarks, Franchise License and agreement are amortized over the estimated useful life of 15years

Intangible assets consist of the following:

December 31	2022	2021
Franchise agreements	\$140,000	\$140,000
Trademarks	50,000	50,000
Franchise license	225,000	225,000
Organization cost	<u>20,068</u>	<u>20,068</u>
	<u>435,068</u>	<u>435,068</u>
Less accumulated amortization	<u>(435,068)</u>	<u>(435,068)</u>
	<u>\$ 0</u>	<u>\$ 0</u>
Accumulated Amortization	<u>\$ 0</u>	<u>\$ 0</u>

Notes to Financial Statements (continued)

**Note 3 –Liabilities**

The current liabilities comprise of the Accounts payable and accrued expenses, including outstanding balance of national advertising fund, payroll and other taxes accrued, but not yet paid. Long term liability consists of Deferred tax liability amounted to \$120,997.

**Note 4 - Capital stock**

Authorized: 7500 shares of series “A” (voting) and 2500 shares of series “B” (non-voting) without nominal or par value.

Issued: 2,375 shares.

Treasury Stock: 738 shares:

338 shares in Treasury stock due to the company’s buy-out of the shares from previous shareholder in the previous years. 400 shares bought-out in the Years 2016-2019 in accordance with the following: In the year 2016 the agreement was signed between the Company and one of the owner’s 100% owned trust to buy out substantially all but 200 of his shares in connection with the owner being terminally ill who subsequently passed away. In the year 2019 final of the four payments has been made in lieu of the treasury stock.

**Note 5 - Income Taxes and Deferred tax liability**

As a result of a timing difference between tax and book methods of depreciation, the company incurred Deferred tax liability in the amount of \$120,997 calculated according to the IRS tables for C corporations.

Provision for US Federal Income tax	\$190,913
Fed Income tax liability, net of penalties	<u>(177,970)</u>
Deferred portion (asset) Fed Income tax Year 2022	(12,943)
Beginning balance at January 01, 2022	<u>(79,459)</u>
Ending balance at December 31, 2022	<u>\$(92,402)</u>
Provision for state Income tax	\$78,324
State Income tax liability, net of penalties	<u>(78,995)</u>
Deferred portion State Income tax Year 2022	671
Beginning balance at January 01, 2022	<u>(29,265)</u>
Ending balance at December 31, 2022	<u>\$(28,594)</u>
Provision for income tax Fed and state (IL, MN and FL)	<u>\$269,237</u>
Deferred income tax Fed and state	<u>\$(120,997)</u>
Income tax liability Fed and state (IL MN and FL), including penalty of 1,074	<u>\$(256,965)</u>

**Note 6 – Lease Commitments**

the Company has an operating lease with IHP TRI-STATE ASSETS, LLC (not related party). The term of the lease agreement was 12 years, and will expire in June of the year 2023. The company is currently looking to negotiate the new lease. No information has been available at the time of the audit. The rent per month was on average \$10,248, including base rent of \$6,498, RE tax and maintenance, totaling \$122,973 annually.

In accordance with ASC 842 standard issued by the FASB re the new lease accounting in effect for the calendar year 2022, the company recorded: ST Right-of-use assets and corresponding ST Lease Liability for the office since the lease will be expiring in the Year 2022

Office ST Right-of-use assets and corresponding Lease Liability was \$61,488

**Note 7 – Related Party Transactions**

There was no Related Party Transactions

**Note 8 - Future commitments required of Franchisor**

Presently the company does not have any of the financial future commitments except lease. The franchisee agreements are to be renewed either every 5 years (older version) or 10 years (newer version), but they do not assume any financial obligations on the company's part. Franchisor does need to provide franchisee support, providing that all royalties (franchisor revenue) are paid on time and in full.

**Note 9 - Subsequent events**

The management of the company have reviewed the results of operations and evaluated subsequent events fro the period at time from its year end December 31, 2022 through April 26, 2023 the date the comparative Financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.



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**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.**  
**INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT**  
**NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR**  
**EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

## Sarpino's USA Fin Statements 1Q 2024

Balance Sheet		3/31/2024	
ASSETS			
CURRENT ASSETS			
CASH		360,579.17	
ACCOUNT RECEIVABLES		226,114.50	
PREPAID INCOME TAX STATE		65,296.00	
PREPAID INCOME TAX FEDERAL		177,972.00	
LOAN TO AD FUND		240,000.00	
PREPAID AD FUND OUTFLOWS		122,312.43	
RIGHT-OF-USE SHORT TERM		54,856.00	
TOTAL CURRENT ASSETS			1,247,130.10
PROPERTY AND EQUIPMENT			
PROPERTY AND EQUIPMENT		477,884.64	
DEPRECIATION		(386,085.00)	
TOTAL PROPERTY AND EQUIPMENT			91,799.64
OTHER ASSETS			
SECURITY DEPOSITS		10,000.00	
INTANGIBLE ASSETS		435,067.77	
RIGHT-OF-USE LONG TERM		318,702.00	
TOTAL OTHER ASSETS			328,702.00
TOTAL ASSETS			<b>1,667,631.74</b>
LIABILITY AND EQUITY			
CURRENT LIABILITIES			
ACCOUNT PAYABLES AND ACCRUED EXPENSES		268,251.77	
INCOME TAX PAYABLE		11,342.00	
LEASE LIABILITIES SHORT TERM		54,856.00	
PAYROLL TAX PAYABLE		8,956.97	
CREDIT CARD PAYABLE		16,983.04	
TOTAL CURRENT LIABILITIES			360,389.78
TOTAL LONG TERM LIABILITIES			439,643.00
TOTAL LIABILITY			800,032.78
EQUITY			
COMMON STOCK		2,375.00	
TREASURY STOCK		(1,325,125.00)	
SHAREHOLDER DISTRIBUTION S-CORP		(100,000.00)	
PAID IN CAPITAL		363,335.63	
RETAINED EARNINGS		1,927,013.33	
TOTAL SHAREHOLDER EQUITY			867,598.96
TOTAL LIABILITY AND EQUITY			<b>1,667,631.74</b>

Sarpino's USA Fin Statements 1Q 2024

<b>Income Statement 1 Quarter 2024</b>		2024
SALES		438,654.08
	25 TOTAL REVENUE	438,654.08
OPERATING EXPENSES		
	1 AMORTIZATION	-
	2 ADVERTISING	-
	5 CORPORATE SALARY	29,336.88
	6 DEPRECIATION	-
	7 FRANCHISOR DUTIES	3,674.00
	8 INSURANCE EXPENSE	-
	9 LEGAL AND PROFESSIONAL	23,613.65
	10 LICENSES AND PERMITS	-
	11 MEALS AND ENTERTAINMENT	2,150.31
	12 OFFICE EXPENSE (REP+MAINT+REPAIR)	1,136.07
	13 POSTAGE AND DELIVERY	19.61
	14 PROJECT MANAGEMENT FEES	34,999.98
	15 RENT	11,178.79
	16 SUPPLIES	4,641.51
	26 EMPLOYEE BENEFIT PROGRAM	8,742.20
	17 SUPPORT EXPENSE	111,109.71
	18 TRAVEL	6,868.21
	19 TELEPHONE	740.52
	20 UTILITIES	267.65
	21 CRP TRAINING CENTER	23,025.79
	 TOTAL OPERATING EXPENSE	 261,809.68
OTHER INCOME/EXPENSE		
	22 INTEREST EXPENSE	
	30 OTHER INCOME	1,125.00
	23 INTEREST INCOME	1,889.97
	 TOTAL OTHER INCOME/EXPENSE	 3,014.97
	 NET INCOME BEFORE TAX	 179,859.37
	 NET INCOME	 179,859.37

**EXHIBIT E**  
**List of State Administrators/Agents for Service of Process**

California

Jan Lyn Owen  
Commissioner of Business Oversight  
320 West Fourth Street  
Los Angeles, CA 90013-2344  
(866) 275-2677

For service of process:

CA Commissioner of Business Oversight  
320 West Fourth Street  
Los Angeles, CA 90013-2344

Hawaii

Corinna M. Wong  
Hawaii Commissioner of Securities  
Hawaii Department of Commerce and  
Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808)586-2722

For service of process:

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

Illinois

Kwame Raoul  
Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
(217)782-4465

For service of process:

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

Indiana

Chris Naylor  
Securities Commissioner  
State of Indiana  
Securities Division  
302 W. Washington Street, Room E-111  
Indianapolis, IN 46204  
(317)232-6681

For service of process:

Secretary of State  
201 State House  
Indianapolis, IN 46204

Maryland

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
(410)576-6360

For service of process:

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

Michigan

Consumer Protection Division  
Franchise Section  
Michigan Department of Attorney General  
G. Mennen Williams Building 1<sup>st</sup> Floor  
Lansing, MI 48913  
(517)373-7117

For service of process:

Michigan Department of Commerce  
Corporations and Securities Bureau  
525 W. Ottawa  
G. Mennen Williams Building 1<sup>st</sup> Floor  
Lansing, MI 48913

Minnesota

Commissioner of Commerce  
Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101  
(651)539-1500

For service of process:

Minnesota Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101

New York

Office of the New York State Attorney General  
Investor Protection Bureau, Franchise Section  
New York State Department of Law  
28 Liberty Street, 21st Floor  
New York, NY 10005  
(212)416-8236 Phone  
(212)416-6042 Fax

For service of process:

New York Secretary of State  
One Commerce Plaza  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231  
(518)473-2492

North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, ND 58505  
(701)328-4712

For service of process:

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol -5<sup>th</sup> Floor, Dept. 414  
Bismarck, ND 58505

Rhode Island

Joanne Sullivan  
Principal Securities Examiner  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex, Bldg. 69-1  
Cranston, RI 02920  
(401)492-9527

For service of process:

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

South Dakota

Director  
Division of Insurance, Securities Regulation  
Department of Labor and Regulation  
124 S. Euclid, Ste. 104  
Pierre, SD 57501  
(605) 773-4823

For service of process:

Director  
Division of Insurance, Securities Regulation  
Department of Labor and Regulation  
124 S. Euclid, Ste. 104  
Pierre, SD 57501

Virginia

Ronald W. Thomas  
Director, Division of Securities  
and Retail Franchising  
State Corporation Commission  
1300 E. Main Street, 9th Floor  
Richmond, VA 23219  
(804)371-9051

For service of process:

Clerk of the State  
Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

Washington

Deborah Bortner  
Administrator  
Dept. of Financial Institutions  
Securities Division  
150 Israel Rd. SW  
Tumwater, WA 98501  
(360)902-8760

For service of process:

Director of Dept. of Financial  
Institutions, Securities Division  
150 Israel Rd. SW  
Tumwater, WA 98501

Wisconsin

Lindsay Fedler  
Division of Securities  
Department of Financial Institutions  
P.O. Box 1768  
Madison, WI 53701-9033  
(608)267-9140

For service of process:

Wisconsin Commissioner of Securities  
4822 Madison Yards Way, North Tower  
Madison, WI 53705

**EXHIBIT F**

**TABLE OF CONTENTS OF OPERATING MANUALS**

## EXHIBIT F

### TABLE OF CONTENTS OF OPERATING MANUALS

#### BEST PRACTICES OPERATING MANUAL TABLE OF CONTENTS

(Total of 1306 pages – No page numbers since it is online available via Sarpino’s Intranet)

- **Preface**
- **Section A: Introduction**
- Mission Statement
- Sarpino’s Pizzeria Values
- Sarpino’s Vision For Each Restaurant
- Sarpino’s Philosophy
- Welcome Letter
- History of Sarpino’s Pizzeria
- Assistance provided to Sarpino’s franchisees
- Responsibilities of Sarpino’s franchisees
- Key Success Areas
- Visits from Performance Improvement Consultant
- Additional Legal Requirements
- **Section B: Personnel**
- Personnel & the Sarpino’s Mission, Value & Vision
- EEOC guidelines
- Laws regarding harassment
- Immigration reform / Control Act
- Wage and Labor Laws
- Organization Chart
- Employee Profile
- Job descriptions
- Developing Personnel Policies
- Recruitment
- Interview Process
- Hiring on a Trial Basis
- Employee Orientation
- Confidentiality
- Training
- Continuous Human Resource Plan
- Leadership
- Motivating Employees
- Performance Evaluations
- Scheduling
- Time Tracking
- Uniform and Dress Code
- Progressive Discipline
- Termination/Separation
- **Section C: Customer Relations**
- Customer Relations Procedures
- Customer Relations & the Sarpino’s Mission, Values & Vision

- Customer Profile
- Deliver Total Customer Experience
- Customer Service Procedures
- Customer Service Rules
- Customer Transaction Procedures
- Complaint Resolution
- Dispatch Procedures
- Delivery Procedures
- **Section D: Management**
- Managing A Sarpino's Pizzeria
- Sarpino's Pizzeria Management Philosophy
- Manager Procedures
- Managing the Customer Experience Through Managing Personnel
- Managing the Rush
- Inventory Management
- Cost Control Procedures
- Operational and Financial Reporting
- Loss Prevention Techniques
- Managing Large Orders (Catering)
- **Section E: Daily Operating Procedures**
- Daily Operating Procedures
- Daily Duties
- Food Preparation Procedures
- Food Safety and Sanitation
- Food-Borne Illness
- Cash Handling Procedures
- Daily Closeout Procedures
- Making Bank Deposits
- Required Cleaning and Maintenance
- Safety and Security
- **Appendices**
- Laminated Sheets
- Middleby Marshall Appendices
- Forms

# **MARKETING MANUAL**

## **TABLE OF CONTENTS**

(Total of 161 pages – No page numbers since it is online available via Sarpino’s Intranet)

- Introduction
- Mission Statement
- Values
- Sarpino’s Vision for each Restaurant
- Marketing
- Marketing Plan
- Residential Customer Segment
- Business Customer Segment
- Hotels Customer Segment
- Sarpino’s Marketing Appendices

## PRE-OPENING MANUAL

### TABLE OF CONTENTS

(Total of 219 pages)

- **Section A: Introduction**
- Manual Purpose & Limitations – Page 1
- Proper Use of this Manual – Page 2
- Franchisor Communication Channels – Page 3
- **Section B: General Timeline**
- Use of the Timeline – Page 1
- Breakdown of Responsibilities – Page 12
- **Section C: Business Planning**
- Establishment of Business Form and Accounting System – Page 1
- Setting Personal goals – Page 9
- Setting Business Goals/Plan – Page 12
- **Section D: Financing**
- Banking and Loan Options – Page 1
- **Section E: Site Selection Process**
- Site Selection Process – Page 1
- **Section F: Build-out Process**
- Overview of the Build-out Process – Page 1
- Logo and Signage Specifications – Page 20
- **Section G: Recruiting and Training Staff**
- Recruiting and Training Timeline – Page 1
- Recruiting Your Initial Staff – Page 4
- Initial Interview Process – Page 6
- Initial Training – Page 30
- **Section H: Setting Up The Shop**
- Contracting with Required Utilities and Services – Page 1
- Competitive Analysis – Page 6
- Delivery Area – Page 12
- Setting up Bank Accounts – Page 15
- Getting Insurance – Page 17
- Meeting your Tax Obligations – Page 19
- Required Equipment – Page 21
- Initial Inventory – Page 27
- Organizing the Office – Page 32
- **Section I: Marketing**
- New Store opening Marketing Timeline – Page 1
- Marketing – Page 14
- Developing a Marketing Plan – Page 16
- Conducting a Grand Opening – Page 25
- **Appendices**
- Business Plan Template
- Equipment
- Financing
- Forms
- Insurance
- Lease Negotiation

- List of Food Suppliers
- Logo & Signage
- Marketing Plan
- Sample Layouts
- Training Resources

## **CLEANING MANUAL**

### **TABLE OF CONTENTS**

(Total of 97 pages – No page numbers since it is online via Sarpino’s Intranet)

- Clean as You Go
- Cleaning Services and Frequencies
- Appendices

# CATERING MANUALS

## CATERING SALES MANUAL

### TABLE OF CONTENTS

(Total of 48 pages)

- **Introduction - Page 6**
- **Business to Business Catering Consumer Insights - Page 6**
- **What the B2b Catering Customer Needs & Wants - Page 7**
- Food Quality/Taste/Flavor - Page 7
- Accurate Orders - Page 8
- Confidence/Trust - Page 8
- On -Time Delivery - Page 8
- Convenience/Ease of Ordering - Page 8
- Delivery & Setup Available - Page 8
- Menu Variety - Page 9
- Price/Cost - Page 9
- Type of Food - Page 9
- Group Being Served - Page 9
- **Keys to Consistent Catering Sales Production and Sales Growth - Page 9**
- Time Management - Page 9
- Customer Acquisitions Activity - Page 10
- Customer Relations Activity - Page 10
- Winning Habits: Blocking Time for Like Activities - Page 11
- Productivity Derailleurs - Page 11
- Calendar Management and Resource Allocation - Page 12
- Planning the Sales Call - Page 13
- Blocking Times for Calls - Page 13
- Following the Script - Page 13
- The Importance of Call Consistency - Page 13
- **Using the Phone to Connect - Page 13**
- Setting Objective of the Call - Page 13
- Leaving Messages - Page 14
- Best Time to Call - Page 14
- **Customer Acquisitions Activity - Page 14**
- Canvassing - Page 14
- Canvassing Materials - Page 14
- Qualifying Leads - Page 15
- Cold Call - Page 15
- Follow Up Calls & E Mails - Page 16
- Referral Calls & Surveys - Page 17
- Prospecting in the Store at Busy Times - Page 17
- Presentations - Page 17
- In -Store Leads from Fishbowl - Page 21
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- **Customer Retention Activity - Page 21**
- First Time Order Calls - Page 21
- Lapse or Lost Customer Calls - Page 21

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- Insider Tip! - Page 24
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- Insider Tip! - Page 25
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- Insider Tip! - Page 26
- **Banking - Page 26**
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- **Entertainment - Page 33**

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# CATERING OPERATIONS MANUAL

## TABLE OF CONTENTS

(Total of 29 pages)

- **Introduction – Page 1**
- **Party Coordinator Position – Page 2**
- Party Coordinator Hours - Page 3
- Party Coordinator Compensation - Page 4
- Party Coordinator Framework of Activities - Page 4
- Party Coordinator Activity Measurement - Page 5
- **Catering Consumer Insights - Page 5**
- **The Size Of the Catering Prize - Page 6**
- Catering is a Marketing Tool that Supplements Your Regular Business - Page 6
- Flawless Execution is Key to Catering Success - Page 6
- **Top Ten Factors Influencing Order Placement - Page 7**
- **Operational Standards - Order Through Fulfillment - Page 9**
- Step 1: Receive Orders - Page 10
- Step 2: Align with Store & Complete Orders - Page 13
- Step 3: Organizing Production (days before delivery) - Page 14
- Step 4: Driver Prep for Delivery (day of delivery) - Page 15
- Step 5: Prepare Order (day of delivery) - Page 15
- Step 6: Delivery & Setup - Page 17
- Step 7: Service on Location and Cleanup - Page 18
- Step 8: Follow-up with Customers - Page 18
- **Appendices – Page 20**
- Emergency Kit - Page 21
- Service & Problem-Solving Tips - Page 21
- Additional Delivery Equipment & Tools - Page 24
- Achieving Sarpino’s Catering Store Certification - Page 25
- **Forms – 4 pages**
- Sarpino’s Catering order Form
- Sarpino’s Quality Assurance Checklist
- Sarpino’s Customer satisfaction Survey
- Sarpino’s Catering Store Certification Criteria Checklist

## ONLINE MANUAL RESOURCES (WORKPLACE)

### KNOWLEDGE LIBRARY

- Laminated Sheets Package
- Employment Documents 2020
- Sarpino's Workplace – Code of Conduct
- COVID-19 Related Documentation
- Legal Resources
- QuickBooks Online Resources
- Employee and Vendor Contact List
- CARE Inspection Standards
- Talent Reef Resources
- Foodtec Training Resources

### FOODTEC POS TRAINING RESOURCES (Workplace)

#### TABLE OF CONTENTS

(No page numbers since it is online)

- **Training Videos**
- Equipment Tracking in Foodtec
- Sales Forecasting and Adjustments
- Toppings and Instructions
- Menu Item – Pricing, Activation and Deactivation
- Countdowns and Ingredient Availability
- Inventory Item Locations and setup
- Preparation Plan – How to Use
- Adjustments in FT
- Tracking Waste in Foodtec
- Employee Availability and request time Off (RTO)
- How to set up House Accounts
- Security settings (Secure Tasks)
- Create Schedule in POS
- **Conversion Resources**
- Foodtec Hardware Ordering
- Restaurant Rewiring
- Installing DB Server
- CC Processor Application Form
- **Store Level Features**
- Ordering Module - New Features Overview
- Basic Order Entry Training
- Order Flow: Pizza/Cut Table Features
- Routing Procedures
- Closing the Day in POS
- Additional Features (Ordering Screen)
- Foodtec Tax Exempt Customer setup

- Delivery IQ – Driver Video
- Editing the map Instructions
- **Managerial features**
- Warning Indicators
- Employee Files
- Sales Forecasting
- Scheduling
- Reports (store level)
- How to Run New Customer Report
- Labor Scheduling Help
- **Food Cost Control Features**
- Prep List Function
- Creating PO
- Receiving PO
- Inventory Procedures
- How to Change Inventory Locations
- **Data Warehouse**
- Reports
- Message Center
- Prefs Editor
- Dashboard
- Loss Prevention
- **Marketing**
- Target Market – Overview
- Target Market – Create an Announcement
- Target Market – Create a Coupon/One Time Coupon
- Data Warehouse – Marketing Report
- Loyalty in Foodtec – A New Approach
- Surveys in Foodtec
- Reports Discussed During Training

#### LATEST UPDATES (WORKPLACE)

- Talent LMS Release (March 2021)
- Foodtec Kiosk Functionality (February 2022)
- Smart Compliance partnership (insurance compliance) (January 2022)
- Doordash Drive Integration with POS (June 2021)
- Automated Sales Forecast Tool (September 2021)
- Employment Countertop Designs (July 2021)
- Quick Access Training - QR codes & TalentLMS (June 2021)
- Warranty information for Foodtec hardware (June 2021)
- Beyond Plant-based Chicken Tenders Launch (June 2021)
- How to refund credit cards - Foodtec (June 2021)
- Pizza bowls release (May 2021)
- Restaurant Revitalisation Plan (April 2021)
- Third party conversion printer (March 2021)
- New “marketplace facilitator” tax (February 2021)

- Valentine's Day heart pizza (February 2021)
- Third parties integration with Foodtec via YourFare (February 2021)
- Labor Cost Control Procedures (January 2021)
- Food Cost Control Procedures (January 2021)
- Order Tracker Push Notifications (December 2021)
- Manager to Owner Training Program (May 2022)
- Support IQ for employees (June 2022)
- Sarpino's Financing Providers (July 2022)
- Foodtec Delivery IQ notifications (August 2022)
- New version of Customer Facing Display (August 2022)
- It's a Checkmate Integration Solution Release (March 2023)
- DoorDash Drive Account Billing (March 2023)
- Pay at the Door Functionality Release (May 2023)
- Insurance Requirements Update (May 2023)
- Chargebacks Dispute Portal Information (August 2023)
- Inventory Module Update (August 2023)
- Report: Employee Total Tipped Wage Addition (November 2023)
- Delivery IQ Web Pay (November 2023)
- Dough Storage Process (January 2024)

## **CARE – Continuous Advancement toward Restaurant Excellence (Workplace)**

### **TABLE OF CONTENTS**

(No page numbers since it is online)

- **List of CARE Standards**
- Introducing CARE standards: Uniforms and Personnel Cleanliness, Team Productivity, Food Storage, Dough Quality
- Introducing CARE standards: Portioning Procedures, Preparation Procedures, All Items Approved by Sarpino's USA
- Introducing CARE standards: Display All Laminated Sheets, Organization, Maintenance
- Introducing CARE standards: Cooking Pizza, Calzone, Pasta, Salad, Sandwich, sides, Wings, Breadsticks, Desserts
- Introducing CARE standards: Final product Quality
- Introducing CARE standards: Cleaning Inspection

## **SARPINO'S PROCESSES (Workplace)**

### **TALENT LMS: OVERVIEW AND USER MANUAL**

#### **TABLE OF CONTENTS**

(No page numbers since it is online)

- **Before we start**
- **Why Learning Management System? Why Talent LMS?**
- **Introduction**
- **General Overview of the system**
- LOGIN
- Navigation
- Dashboard
- **How to Use Talent LMS**
- Step 1. Create the users and assign appropriate security roles
- Step 2. Assign users the courses
- Step 3. Schedule the training
- Step 4. Assist employee as a trainer in completion of specific training activities
- Step 5. Track the results
- **Additional Features**
- My Messages

**LMS INTERACTIVE TRAINING MODULES**  
(Available via LMS)

- Clean as You Go
- Delivery Process
- Dough Process
- Leadership Training
- Orientation Process
- Phone Process

## **RECIPES**

### **TABLE OF CONTENTS**

(Total of 343 pages – No page numbers since it is available online via Intranet)

- Basis
- CYO Pizzas
- Specialty Pizzas
- Gourmet Pizzas Pastas
- Calzones
- Sandwiches
- Salads
- Wings & Sides
- Garlic & Cheesy Bread
- Desserts
- Catering
- Breads
- Soft Drinks
- Sauces & Dips
- Dressings
- Procedures
- Prep Items
- Toppings

|

|

## QBO Training Package

### Table of Contents

- Why QBO?
- Recurring Transactions Setup
  - Step by Step Daily/Weekly/Monthly Routine:
  - Integrated Data Validation
  - Recurrent Transactions Setup
  - Payroll
  - Other Expenses
  - Online Banking Reconciliation (Includes Third Parties and Food Vendors Reconciliation)
  - Monthly Audit & IS Submission
- Accountant help (transfer balances, set up taxes, payroll etc.) to complete the set up
- Outsourcing options:
  - Bookkeeping
  - Payroll
  - Sales Tax/Employee forms filing
  - CPA Services

## EXHIBIT G

### LISTS OF FRANCHISEES AND FORMER FRANCHISEES

#### List of Restaurant Franchises as of December 31, ~~2022~~2023

<sup>1</sup> These units are owned by entities that are owned in their entirety or in part by one of our shareholders.

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

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

#### COLORADO

Said Demirovski and Samar Sawaged<sup>2</sup>

7243 N. Federal Blvd.

Westminster, CO 80030

(303)472-3432

#### FLORIDA

Sanzhar Ismailov

100 E. Broward Blvd., Ste A-103

Ft. Lauderdale, FL

(754)707-1557

Victor Osorio and Carolina Villarraga Trujillo

10607 W. Atlantic Blvd.

Coral Springs, FL 33071

(754)308-9909

Oleksii Shvedchykov

12136 Miramar Pkwy.

Miramar, FL 33025

(954)707-3941

#### GEORGIA

~~Iryna and Ihor~~ Dziatko

1000 Northside Dr. NW #700

Atlanta, GA 30318

(404)745-4555

#### ILLINOIS

Marko Habib

and Marin Habib

Shoppes of Riverwoods Plaza

2017 Milwaukee Ave.

Riverwoods, IL 60015  
(515) 770 – 7141

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

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

Ivan ~~Marinov~~ Marinov<sup>1</sup>  
2428 Main Street  
Evanston, IL 60202<sup>2</sup>  
(847)207-5174

Ivan ~~Marinov~~ Marinov<sup>1</sup>  
5110 N. Harlem Avenue  
Harwood Heights, IL 60706  
(847) 207-5174

Girmantas Urbonas  
5107 Fairview  
Downers Grove, IL 60515  
(847) 682-4198

Georgi Bozhkov  
1149 W. Diversey Avenue  
Chicago, IL 60614  
(773) 710-7910

Hasan Tahir  
1435 W. Montrose Avenue  
Chicago, IL 60613  
(630) 292-3178

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

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

Julius Jokimas  
1923 S. Archer Avenue

Chicago, IL 60616  
(312) 375-3595

Georgi Bozhkov  
1852 N. Damen Ave.  
Chicago, IL 60647  
(773) 710-7910

Ivan ~~Marinov~~ Marinov<sup>1</sup>  
322-140 W. Army Trail Road  
Bloomington, IL 60108  
(847) 207-5174

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

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

Ivan ~~Marinov~~ Marinov<sup>1</sup>  
5321 South La Grange Road  
Countryside, IL 60525  
(847)207-5174

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

Keisha James  
34484 N. Highway 45  
Third Lake, IL 60030  
(847)702-5146

IOWA

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

|  
KANSAS

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

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

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

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

~~Steve and Cathy Darpel (Closed as of March 1, 2023)  
711 W. 23rd St.  
Lawrence, KS 66046  
(913) 908-1973~~

Harpreet Singh  
1235 W. Harold St.  
Olathe, KS  
(913)361-8646

## MINNESOTA

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

Simeon Dimitrov and Avram Popov<sup>3</sup>  
~~Alex Ope~~  
6 Signal Hills Center  
West St. Paul, MN 55118  
(651)452-0088

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

Pavel Homko  
816 Walnut St  
Chaska, MN 55318  
(952) 448-5432

Simeon Dimitrov, Avram ~~Popov~~Popov<sup>3</sup>, Jason Koehn, Eric Ashton, Travis Gunn  
1803 Geneva Ave, N

Oakdale, MN 55128  
(651) 210-9963

Christopher Graham  
2216 County Rd D, Suite J  
Roseville, MN 55112  
(651) 379-9399

Violina Berova  
7520 42nd Avenue North  
New Hope, MN 55427  
(763) 746-7990

Jivko Sabev  
1028 Washington Ave. S  
Minneapolis, MN 55415  
(612) 455-8385

Simeon Dimitrov  
and Avram Popov-Popov<sup>3</sup>  
7630 Lyndale Avenue South  
Minneapolis, MN 55423  
(612) 355-4444

#### MISSOURI

Andrew Porter  
905 Westport Road  
Kansas City, MO 64111  
(816) 216-4441

Douglas Stoehr  
506 SE 291 Highway  
Lee's Summit, MO 64063  
(816) 554-4884

Andrew Porter  
311 NE Vivion Road  
Kansas City, MO  
(816) 216-4441

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

#### TEXAS

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

**Franchisees with Franchise Agreements signed but Restaurant not yet opened:**

**COLORADO**

~~Said Demirovski & Samar Sawaged<sup>2</sup>~~  
1223 Ebony St.  
Denver, CO 80221  
~~(303)472-3432~~

**FLORIDA**

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

~~Kateryna Tserkovniuk~~Sanzhar Ismailov and Vasili Bykau<sup>3</sup>  
814-816 N. Federal Hwy.  
Pompano Beach, FL 33062  
(954)937-5172

~~Kateryna Tserkovniuk~~Sanzhar Ismailov and Vasili Bykau<sup>3</sup>  
Approved Location TBD  
Weston, FL 33062  
(954)937-5172

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

**List of Affiliate-Owned Restaurants as of December 31, ~~2022~~2023**

None

**List of Former Restaurant Franchisees  
For the Period January 1, ~~2022~~2023 through December 31, ~~2022~~2023**

**Transfers:**

Alex Ope

~~Vasili Bykau (Transferred 3 Franchises; is now an Area Franchisor)~~  
~~Hallandale Beach, FL~~  
~~(954)525-0515~~

~~Dan Vinik (Deceased)~~

~~West St. Paul~~Maple Grove, MN 55369

**Terminations:**

~~Dikesh Patel~~

~~(612) 867-0925~~

~~Kateryna Tserkovniuk (sold interest in 2 franchises that have not yet opened)~~

~~North Aurora, IL~~Lauderdale, FL

~~(630)987-7803~~

~~Ayaz Shaikh~~

~~Third Lake, IL~~

~~(773)727-3640~~

~~(954) 937-5172~~

**Ceased Operations for Other Reasons:**

~~Julius Jokimas (Still Owns 2 Franchises)~~

~~Chicago, IL~~

~~(312)375-3595~~Steve Darpel and Cathy Darpel

~~Shawnee, KS~~

~~(913) 908-5060~~

## **EXHIBIT H**

### **AREA FRANCHISOR RIDER**

If you are located in an area which is part of the Territory of one of our Area Franchisors, information on the Area Franchisor will follow this page.

**AREA FRANCHISOR RIDER FOR  
A & S ENTERPRISES INC.**

**Cover Page**

**A & S ENTERPRISES, INC.**  
**A Minnesota corporation**  
7630 Lyndale Ave. S, Unit 450  
Richfield, MN 55423  
(651)210-9963  
(651)210-3369  
[mn@sarpinos-usa.com](mailto:mn@sarpinos-usa.com)

**Item 1**

**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

**AREA FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

A & S Enterprises, Inc. (“Area Franchisor”) is a corporation incorporated in the State of Minnesota on August 17, 2007. Area Franchisor’s principal business address is 7630 Lyndale Ave. S, Unit 450, Richfield, MN 55423. Area Franchisor’s agent for service of process in Minnesota is Minnesota Commissioner of Commerce, 85 7<sup>th</sup> Place East, Suite 500, St. Paul, MN 55101. Area Franchisor does business under the name of A & S Enterprises, Inc. and “Sarpino’s of Minnesota” and “Sarpino’s of Iowa.”

In March 2007, Area Franchisor took assignment of an existing Area Franchise Agreement with Sarpino’s USA, Inc. for the territory of the state of Minnesota. In March 2015, Area Franchisor entered into a second Area Franchise Agreement with Sarpino’s USA, Inc. by which Area Franchisor was granted the right to offer franchises for and provide support services to Sarpino’s Restaurants in the State of Iowa. Therefore, Area Franchisor’s territory currently consists of the state of Minnesota and the state of Iowa (“Area Franchisor’s Territory” or “Territory”). Area Franchisor’s Area Franchise Agreement with Sarpino’s USA, Inc. has expired; however, Sarpino’s USA, Inc. has permitted Area Franchisor to continue to operate its area franchise business.

Area Franchisor has had no predecessors in the last 10 years. Area Franchisor has no parent and has no affiliates which offer franchises in any line of business or provide products or services to our franchisees.

Area Franchisor will be a party to franchise agreements entered into between Sarpino’s USA, Inc. and franchisees located within the Area Franchisor’s Territory. Area Franchisor will perform many of the duties of Sarpino’s USA, Inc., as detailed in Item 11 of this Franchise Disclosure Document, for franchisees located in its Territory.

In addition to the disclosures regarding regulation of food service businesses in Franchisor’s section of Item 1 of the Franchise Disclosure Document, in Minnesota a Sarpino’s Restaurant franchise must have a Certified Food Manager on staff who has passed a required safety food certification class within 3 months of opening the restaurant.

Area Franchisor is not involved in any business activities other than assisting in the sale and support of Sarpino’s Restaurant franchises in the Area Franchisor’s Territory.

Neither Area Franchisor nor its predecessors have operated a Sarpino’s Restaurant. Area Franchisor’s owners have owned and operated one or more Sarpino’s restaurants from February 2006 to December 2010 and from July 2019 to the present.

Area Franchisor has been offering franchises since November 2007. Area Franchisor has not offered franchises in any other lines of business.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **AREA FRANCHISOR:**

##### **President: Avram Popov**

Mr. Popov has served as President of Area Franchisor since its inception in August 2007. From November 2018 to the present, he has been Vice President of Pizza Hunter Inc. in Richfield, Minnesota, a company that has owned and operated a Sarpino's Restaurant since July 2019. From March 2021 to the present, he has been Vice President of Pizza Hunter 1 Inc. that has owned and operated a Sarpino's Restaurant in Oakdale, Minnesota since May 2021. From August 2022 to the present, he has been Vice President of Pizza Hunter 2 Inc. The company has owned and operated a Sarpino's Restaurant in West St. Paul, Minnesota since April 2023. He owned and operated a Sarpino's Restaurant in Oakdale, Minnesota from February 2006 to December 2010.

##### **President: Simeon Dimitrov**

Mr. Dimitrov has served as President of Area Franchisor since its inception in August 2007. From November 2018 to the present, he has been President/CEO of Pizza Hunter Inc. in Richfield, Minnesota, a company that has owned and operated a Sarpino's Restaurant since July 2019. From March 2021 to the present, he has been President of Pizza Hunter 1 Inc. that has owned and operated a Sarpino's Restaurant in Oakdale, Minnesota since May 2021. From August 2022 to the present, he has been President of Pizza Hunter 2 Inc. The company has owned and operated a Sarpino's Restaurant in West St. Paul, Minnesota since April 2023. From February 2006 to December 2010, he was Manager of the Sarpino's Restaurant in Oakdale, Minnesota.

##### **Performance Improvement Consultant: Jason Koehn**

Mr. Koehn has served as Performance Improvement Consultant of Area Franchisor since June 2019. Since July 2019, he also has been a manager for Pizza Hunter Inc.'s Sarpino's Restaurant in Richfield, Minnesota. From November 2014 to June 2019, he was a Chef for Wyatt's in Eagan, Minnesota.

## **Item 3**

### **LITIGATION**

#### **AREA FRANCHISOR**

No litigation is required to be disclosed in this Item.

## **Item 4**

### **BANKRUPTCY**

#### **AREA FRANCHISOR**

No bankruptcy is required to be disclosed in this Item.

**Item 11**

**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

Area Franchisor will carry out the obligations of the Franchisor for franchisees in Area Franchisor’s Territory as set out in this Item 11 except for the initial training program and except for administration of the National Advertising Fund.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

**Systemwide Outlet Summary in Area Franchisor’s Territory (Iowa and Minnesota)  
For years ended December 31, ~~2020~~, ~~2021~~, 2022 and ~~2022~~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	<del>2021</del> <u>2020</u>	<del>1</del> <u>9</u>	<del>10</del> <u>8</u>	-1
	<del>2022</del> <u>2021</u>	<del>10</del> <u>8</u>	<del>10</del> <u>8</u>	0
	<del>2023</del> <u>2022</u>	<del>10</del> <u>8</u>	<del>10</del> <u>7</u>	<del>0</del> <u>-1</u>
Affiliate-Owned	<del>2021</del> <u>2020</u>	1	<del>1</del> <u>2</u>	0
	<del>2022</del> <u>2021</u>	<del>1</del> <u>2</u>	2	<del>1</del> <u>0</u>
	<del>2022</del> <u>2023</u>	2	<del>2</del> <u>3</u>	<del>0</del> <u>+1</u>
Total Outlets	<del>2021</del> <u>2020</u>	<del>12</del> <u>10</u>	<del>11</del> <u>10</u>	<del>-1</del> <u>0</u>
	<del>2022</del> <u>2021</u>	<del>11</del> <u>10</u>	<del>12</del> <u>10</u>	<del>+1</del> <u>0</u>
	<del>2022</del> <u>2023</u>	<del>12</del> <u>10</u>	<del>12</del> <u>10</u>	0

Table No. 2

**Transfers of Restaurant Franchises from Franchisees to New Owners  
(other than the Franchisor) in Area Franchisor’s Territory  
For years ending December 31, ~~2020~~, ~~2021~~, 2022 and ~~2022~~2023**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
IA	<del>2021</del> <u>2020</u>	0
	<del>2022</del> <u>2021</u>	0
	<del>2022</del> <u>2023</u>	0
MN	<del>2021</del> <u>2020</u>	<del>1</del> <u>3</u>
	<del>2022</del> <u>2021</u>	<del>3</del> <u>1</u>
	<del>2022</del> <u>2023</u>	1
Total	<del>2021</del> <u>2020</u>	<del>1</del> <u>3</u>
	<del>2022</del> <u>2021</u>	<del>3</del> <u>1</u>
	<del>2022</del> <u>2023</u>	1

Table No. 3

**Status of Restaurant Franchised Outlets in Area Franchisor's Territory  
(not owned by Area Franchisor or its affiliate)  
For years ending December 31, ~~2020~~, ~~2021~~, 2022 and 2022~~2023~~**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor*	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
IA	<del>2021</del> <u>2020</u>	1	0	0	0	0	0	1
	<del>2022</del> <u>2021</u>	1	0	0	0	0	0	1
	<del>2022</del> <u>2023</u>	1	0	0	0	0	0	1
MN	<del>2021</del> <u>2020</u>	<del>108</del>	0	0	0	<del>0</del> <u>1</u>	<del>10</del>	<del>97</del>
	<del>2022</del> <u>2021</u>	<del>97</del>	0	0	0	0	0	<del>97</del>
	<del>2022</del> <u>2023</u>	<del>97</del>	0	0	0	<del>0</del> <u>1</u>	0	<del>96</del>
Total	<del>2021</del> <u>2020</u>	<del>119</del>	0	0	0	<del>0</del> <u>1</u>	<del>10</del>	<del>108</del>
	<del>2022</del> <u>2021</u>	<del>108</del>	0	0	0	0	0	<del>108</del>
	<del>2022</del> <u>2023</u>	<del>108</del>	0	0	0	<del>0</del> <u>1</u>	0	<del>107</del>

\*The franchised outlets in this column were transferred from a unit franchisee to an affiliate of Area Franchisor.

Table No. 4

**Status of Restaurant Outlets Owned by Area Franchisor or its Affiliate  
For years ending December 31, ~~2020~~, ~~2021~~, 2022 and 2022~~2023~~**

Col.1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
IA	<del>2021</del> <u>2020</u>	0	0	0	0	0	0
	<del>2022</del> <u>2021</u>	0	0	0	0	0	0
	<del>2022</del> <u>2023</u>	0	0	0	0	0	0
MN	<del>2021</del> <u>2020</u>	1	<del>0</del> <u>1</u>	0	0	0	<del>1</del> <u>2</u>
	<del>2022</del> <u>2021</u>	<del>1</del> <u>2</u>	<del>1</del> <u>0</u>	0	0	0	2
	<del>2022</del> <u>2023</u>	2	<del>1</del> <u>0</u>	0	0	0	<del>2</del> <u>3</u>
Total	<del>2021</del> <u>2020</u>	1	<del>0</del> <u>1</u>	0	0	0	<del>1</del> <u>2</u>
	<del>2022</del> <u>2021</u>	<del>1</del> <u>2</u>	<del>1</del> <u>0</u>	0	0	0	2
	<del>2022</del> <u>2023</u>	2	<del>1</del> <u>0</u>	0	0	0	<del>2</del> <u>3</u>

\*Area Franchisor's affiliate entered into a Restaurant Franchise Agreement with Franchisor and purchased the assets of an existing franchised Sarpino's Restaurant in Minnesota on April 27, 2023.

Table No. 5

<b>RESTAURANT FRANCHISE                      PROJECTED OUTLET OPENINGS IN AREA FRANCHISOR'S TERRITORY                      as of January 1, <del>2024</del>2023</b>			
STATE	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED FRANCHISED NEW UNITS IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OR AFFILIATE OWNED OPENINGS IN NEXT FISCAL YEAR
IA	0	0	0
MN	0	<u>10</u>	0
Total	0	<u>10</u>	0

**Item 21**

**FINANCIAL STATEMENTS**

Following this page are the following compiled financial statements of Area Franchisor: Balance Sheet as of December 31, 2023 and Profit and Loss Statement for the year ended December 31, 2023; Balance Sheet as of December 31, 2022 and Profit and Loss Statement for the year ended December 31, 2022; and Balance Sheet as of December 31, 2021 and Profit and Loss Statement for the year ended December 31, 2021; and ~~Balance Sheet as of December 31, 2020 and Profit and Loss Statement for the year ended December 31, 2020.~~

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.**

**A&S Enterprises, Inc**  
**Balance Sheet**  
**As of December 31, 2023**  
**Dec 31, 23**

**ASSETS**

**Current Assets**

**Checking/Savings**

1010 · US Checking xx2582 54,647.25

**Total Checking/Savings** 54,647.25

**Total Current Assets** 54,647.25

**Fixed Assets**

15000 · Furniture and Equipment 1,685.35

1600 · Machinery & Equipment 101,355.72

**Total Fixed Assets** 103,041.07

**TOTAL ASSETS** 157,688.32

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Credit Cards**

1015 · Credit Card

American Express 28,815.23

**Total 1015 · Credit Card** 28,815.23

**Total Credit Cards** 28,815.23

**Other Current Liabilities**

**Total Other Current Liabilities** 0.00

**Total Current Liabilities** 28,815.23

**Long Term Liabilities**

2600 · Shareholder Loan 0.00

**Total Long Term Liabilities** 0.00

**Total Liabilities** 28,815.23

**Equity**

3399 · Retained Earnings 128,873.09

**Total Equity** 128,873.09

**TOTAL LIABILITIES & EQUITY** 157,688.32

**A&S Enterprises, Inc**  
**Profit & Loss**  
**January through December 2023**  
Jan - Dec 23

Ordinary Income/Expense	
Income	
4150 · Sales	
4200 · Accounts	733,050.59
Total 4150 · Sales	<u>733,050.59</u>
Total Income	733,050.59
Cost of Goods Sold	
5440 · Franchise - COS	412,340.96
5520 · Other Costs - COS	1,000.00
5540 · Supplies & Materials - COGS	400.00
Total COGS	<u>413,740.96</u>
Gross Profit	319,309.63
Expense	
Accountant	6,276.45
Fuel	4,688.14
training	9,000.00
Travel Expense	
Flight	16,157.48
Hotels Expense	4,385.21
Lunch	2,385.75
Travel Expense - Other	320.05
Total Travel Expense	<u>23,248.49</u>
6450 · Bank Charges	11,240.62
6550 · Computer and Software Expense	10,238.45
66000 · Payroll Expenses	96,548.30
6850 · Insurance	
6860 · Medica	57,006.48
6850 · Insurance - Other	0.00
Total 6850 · Insurance	<u>57,006.48</u>
7100 · Legal & Professional Fees	1,354.05
7300 · Office Supplies and Expenses	750.48
7550 · Rent Expense	9,960.00
7600 · Repair & Maintenance	14,554.10
7750 · Payroll Taxes & Licenses	6,854.05
7950 · Utilities	
8000 · Electricity	8,985.39
8100 · Internet	743.54
8150 · Phones	4,551.29
7950 · Utilities - Other	4,635.69
Total 7950 · Utilities	<u>18,915.91</u>
Total Expense	<u>270,635.52</u>
Net Ordinary Income	<u>48,674.11</u>
Net Income	<u><u>48,674.11</u></u>

# A&S Enterprises, Inc

## Balance Sheet

As of December 31, 2022  
Dec 31, 22

### ASSETS

#### Current Assets

##### Checking/Savings

1010 - US Checking xx2582 40,370.33

Total Checking/Savings 40,370.33

Total Current Assets 40,370.33

#### Fixed Assets

15000 - Furniture and Equipment 4,685.00

1600 - Machinery & Equipment 114,278.32

Total Fixed Assets 118,963.32

**TOTAL ASSETS 154,648.65**

### LIABILITIES & EQUITY

#### Liabilities

##### Current Liabilities

##### Credit Cards

##### 1015 - Credit Card

American Express 19,889.13

Total 1015 - Credit Card 19,889.13

Total Credit Cards 19,889.13

##### Other Current Liabilities

Total Other Current Liabilities 0.00

Total Current Liabilities 19,889.13

##### Long Term Liabilities

2600 - Shareholder Loan 0.00

Total Long Term Liabilities 0.00

Total Liabilities 19,889.13

#### Equity

3399 - Retained Earnings 134,759.52

Total Equity 134,759.52

**TOTAL LIABILITIES & EQUITY 154,648.65**

**A&S Enterprises, Inc**  
**Profit & Loss**  
January through December 2022  
Jan - Dec 22

Ordinary Income/Expense	
Income	
4150 · Sales	
4200 · Accounts	664,244.28
4150 · Sales - Other	28.19
<b>Total 4150 · Sales</b>	<u>664,272.47</u>
<b>Total Income</b>	664,272.47
Cost of Goods Sold	
5440 · Franchise - COS	422,700.57
5520 · Other Costs - COS	3,500.00
5540 · Supplies & Materials - COGS	250.00
<b>Total COGS</b>	<u>426,450.57</u>
<b>Gross Profit</b>	237,821.90
Expense	
Accountant	5,076.25
Fuel	3,318.14
training	8,000.00
Travel Expense	
Flaght	14,047.56
Hotels Expense	3,147.11
Lunch	7.95
Travel Expense - Other	425.05
<b>Total Travel Expense</b>	<u>17,627.67</u>
6450 · Bank Charges	13,249.61
6550 · Computer and Software Expense	12,289.01
66000 · Payroll Expenses	98,769.28
6850 · Insurance	
6860 · Medica	0.00
6850 · Insurance - Other	0.00
<b>Total 6850 · Insurance</b>	<u>0.00</u>
7100 · Legal & Professional Fees	550.00
7300 · Office Supplies and Expenses	1,134.99
7550 · Rent Expense	14,568.39
7600 · Repair & Maintenance	20,830.12
7750 · Payroll Taxes & Licenses	7,966.05
7950 · Utilities	
8000 · Electricity	9,036.41
8100 · Internet	863.40
8150 · Phones	4,551.29
7950 · Utilities - Other	5,531.70
<b>Total 7950 · Utilities</b>	<u>19,982.80</u>
<b>Total Expense</b>	<u>223,362.31</u>
<b>Net Ordinary Income</b>	14,459.59
<b>Net Income</b>	<u><u>14,459.59</u></u>

**A&S Enterprises, Inc**  
**Balance Sheet**  
As of December 31, 2021

	<u>Dec 31, 21</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
1010 · US Checking xx2582	47,519.23
<b>Total Checking/Savings</b>	<u>47,519.23</u>
<b>Total Current Assets</b>	47,519.23
<b>Fixed Assets</b>	
1600 · Machinery & Equipment	54,062.33
<b>Total Fixed Assets</b>	<u>54,062.33</u>
<b>TOTAL ASSETS</b>	<b><u>101,581.56</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Credit Cards</b>	
1015 · Credit Card	
American Express	-14,676.73
CARDMEMBER SVC	-7,850.00
Chase Credit	-29,595.67
<b>Total 1015 · Credit Card</b>	<u>-52,122.40</u>
<b>Total Credit Cards</b>	-52,122.40
<b>Other Current Liabilities</b>	
Loan #8905	46,779.00
<b>Total Other Current Liabilities</b>	<u>46,779.00</u>
<b>Total Current Liabilities</b>	-5,343.40
<b>Long Term Liabilities</b>	
Affinity	-11,262.00
BMO Harris Bank	-5,941.47
Loan xx5511	-29,539.23
Loan xx9552	32,066.45
US Bank	-20,012.64
2600 · Shareholder Loan	44,206.89
<b>Total Long Term Liabilities</b>	<u>9,518.00</u>
<b>Total Liabilities</b>	4,174.60
<b>Equity</b>	
3300 · Opening Balance Equity	142,803.49
Net Income	-45,396.53
<b>Total Equity</b>	<u>97,406.96</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>101,581.56</u></b>

**A&S Enterprises, Inc**  
**Profit & Loss**  
 January through December 2021

	Jan - Dec 21
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4150 · Sales	
4200 · Accounts	681,294.23
<b>Total 4150 · Sales</b>	681,294.23
<b>Total Income</b>	681,294.23
<b>Cost of Goods Sold</b>	
5100 · Cost of Labor - COS	
5220 · Wages & Salaries - COS	206,376.98
<b>Total 5100 · Cost of Labor - COS</b>	206,376.98
5440 · Franchise - COS	357,365.49
<b>Total COGS</b>	563,742.47
<b>Gross Profit</b>	117,551.76
<b>Expense</b>	
Accountant	1,162.80
Fuel	2,414.19
Owner Draw	33,045.50
<b>Travel Expense</b>	
Flaght	2,704.36
Hotels Expense	539.68
<b>Total Travel Expense</b>	3,244.04
6350 · Auto Expense	
Repairs	1,743.73
<b>Total 6350 · Auto Expense</b>	1,743.73
6450 · Bank Charges	58.13
6550 · Computer and Software Expense	65.62
6850 · Insurance	
6860 · Medica	5,686.41
6850 · Insurance - Other	43,758.48
<b>Total 6850 · Insurance</b>	49,444.89
7300 · Office Supplies and Expenses	955.25
7550 · Rent Expense	15,566.88
7600 · Repair & Maintenance	2,233.39
7750 · Taxes & Licenses	35,029.38
7950 · Utilities	
8000 · Electricity	11,224.49
8100 · Internet	777.66
8150 · Phones	5,982.34
<b>Total 7950 · Utilities</b>	17,984.49
<b>Total Expense</b>	162,948.29
<b>Net Ordinary Income</b>	-45,396.53
<b>Net Income</b>	-45,396.53

**EXHIBIT I**  
**TRANSFER ADDENDUM**

**TRANSFER ADDENDUM  
TO RESTAURANT FRANCHISE AGREEMENT**

This Transfer Addendum is to a Restaurant Franchise Agreement between Sarpino's USA, Inc., an Illinois corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee") executed contemporaneously with this Addendum.

**WITNESSETH THAT:**

WHEREAS, Franchisee has entered into an agreement with an Selling Franchisee of Franchisor, namely \_\_\_\_\_ ("Selling Franchisee") for the purchase of the franchise rights of Selling Franchisee and of the assets of Selling Franchisee's currently operating SARPINO'S PIZZERIA Restaurant at the location set forth in Attachment A ("Selling Franchisee's Franchise Restaurant");

WHEREAS, Selling Franchisee and Franchisee have submitted a written request of the Franchisor to approve Selling Franchisee's assignment of Selling Franchisee's franchise rights and assets of an existing SARPINO'S PIZZERIA franchise business to Franchisee; Franchisee acknowledges that such assignment cannot take place without Franchisor's written consent and until all of the conditions set forth in Selling Franchisee's Franchise Agreement have been met by both Selling Franchisee and Franchisee and accepts the related risks of such assignment not taking place;

WHEREAS, Franchisee acknowledges that, as of this date, Franchisee is not the current owner of the assets of Selling Franchisee's SARPINO'S PIZZERIA franchise business, but that Franchisee and Franchisor have entered into the Franchise Agreement in anticipation of Franchisee's purchase of assets from Selling Franchisee and prior to the commencement of the initial franchise training program that must be completed by Franchisee in order for Franchisor to give its final consent to the assignment of the franchise rights from Selling Franchisee to Franchisee;

NOW THEREFORE, in consideration of the mutual and several covenants herein contained, the parties hereto do freely and voluntarily agree among themselves as follows:

1. The preambles are incorporated herein by reference and made a part hereof.
2. This Addendum shall amend and supplement the Franchise Agreement simultaneously executed by the parties herein. The terms, covenants and conditions of this Addendum are incorporated into the Franchise Agreement, and with respect to any conflict between the two (2) agreements, the terms of this Addendum shall be controlling with respect to the subject matter thereof. Except as expressly set forth in this Addendum, the rights, duties and obligations of the parties shall be the same as the rights, duties and obligations of the parties described in the Franchise Agreement.

3. Paragraph 1.1 of the Franchise Agreement is amended by the addition of the following:

Notwithstanding anything to the contrary in this Franchise Agreement, Franchisee's right to operate Selling Franchisee's Franchise Restaurant and rights to the Protected Area described in Attachment A are contingent upon Selling Franchisee meeting all conditions for assignment under its Restaurant Franchise Agreement, the closing of the purchase and sale of the franchise rights and restaurant assets by Franchisee and Selling Franchisee, an Assignment of Franchise Rights and Consent to Assignment in a form approved by Franchisor being executed by Franchisee, Selling Franchisee and Franchisor, and a Termination Agreement and Release in a form approved by Franchisor being executed by Franchisor and Selling Franchisee.

4. Paragraph 4.1 on Initial Franchise Fee is hereby deleted and replaced by the following:

**Transfer Fee.** Upon the execution of this Agreement, Franchisee shall pay to Franchisor a Transfer Fee in the amount of Thirty Thousand Dollars (\$30,000.00). Franchisee acknowledges that Franchisor has advised Franchisee that the contract between Franchisee should account for the Franchisee's payment of the Transfer Fee prior to the closing on the assignment, which payment is in lieu of any assignment or transfer fee due to Franchisor by Selling Franchisee under Selling Franchisee's Franchise Agreement. Such Transfer Fee shall be deemed fully earned and non-refundable in consideration for expenses incurred by Franchisor in connection with the proposed assignment.

5. Paragraph 6.4(b) on the On-Site Launch Support Fee is hereby deleted and replaced by the following:

**On-Site Launch Support.** Upon the closing on the purchase and sale of the franchise, one or more of the Franchisor's representatives will spend up to thirty (30) days at Franchisee's SARPINO'S PIZZERIA Restaurant to provide the on-site portion of the initial training program (on-site launch support) to Franchisee and the Designated Manager, to assist Franchisee in training Franchisee's employees, and to assist in the opening of the SARPINO'S PIZZERIA Restaurant. The actual length of the on-site launch support may be less than thirty (30) days if Franchisor, in its discretion, determines that adequate support has been provided to Franchisee. Upon the execution of the Franchise Agreement and Transfer Addendum, proposed assignee shall pay an on-site launch support fee of up to Twenty-Five Thousand Dollars (\$25,000.00). Franchisee shall pay to Franchisor an on-site launch support deposit in the amount of Twenty Thousand Dollars (\$20,000.00) upon the execution of this Agreement. Once the final fee has been determined following completion of the on-site launch support, Franchisor will notify Franchisee whether the fee exceeds or is less than the on-site launch support deposit. If the fee is greater than the deposit paid, Franchisee shall promptly pay to Franchisor the balance due. If the fee is less than the deposit paid, Franchisor will disburse to Franchisee the difference between the deposit paid and the actual fee due, but by no means shall the on-site launch support fee be greater than Twenty-Five Thousand Dollars (\$25,000.00). The on-site launch support deposit is non-refundable

once the on-site launch support is scheduled. If the on-site launch support is never scheduled, the on-site launch support deposit will be refunded.

If Franchisee is a current franchisee of Franchisor, Franchisor may, in its sole discretion, based on its evaluation of operations of the Restaurant and other SARPINO'S PIZZERIA Restaurant(s) you currently own and operate, reduce the amount of the on-site launch support deposit due upon the execution of this Agreement.

6. Paragraphs 2.1 (Construction of the Restaurant), 5.1 (Plans and Specifications), 6.2 (Opening) 6.4(a) (Pre-Opening), and 10.4 (Opening Advertising) of the Restaurant Franchise Agreement are hereby deleted as inapplicable to an existing SARPINO'S PIZZERIA franchise restaurant.

7. Except in the event Franchisee fails to successfully complete the initial franchise training program, if the closing between Franchisee and Selling Franchisee does not occur for any reason, Franchisee shall have the right to establish a new SARPINO'S PIZZERIA restaurant under this Franchise Agreement (and in such case, Paragraph 5 herein shall not be applicable).

8. If the closing between Franchisee and Selling Franchisee does not occur due to Selling Franchisee's failure or refusal to complete the transaction for the sale and purchase of the franchise rights and franchise assets, Franchisee shall have the right to terminate the Restaurant Franchise Agreement upon delivery of written notice of termination to Franchisor. In the event of such termination, all obligations upon termination under the Restaurant Franchise Agreement shall apply. In the event that Franchisee does not terminate the Restaurant Franchise Agreement, Franchisee will be required to secure its own location for a new SARPINO'S PIZZERIA Restaurant and the following provisions of the Restaurant Franchise Agreement shall be reinstated and shall apply: Paragraphs 2.1 (Construction of the Restaurant), 5.1 (Plans and Specifications), 6.2 (Opening) 6.4 (Pre-Opening), and 10.4 (Opening Advertising).

*[Signature Page Follows.]*

In witness whereof, the parties hereto, intending to be legally bound, hereby have duly executed, sealed and delivered this Transfer Addendum on the dates set forth below their signatures.

**FRANCHISOR:  
SARPINO'S USA, INC.**

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

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

Dated: \_\_\_\_\_

**FRANCHISEE:**

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

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

Dated: \_\_\_\_\_

**EXHIBIT J**  
**RENEWAL ADDENDUM**

**SARPINO'S USA, INC.**  
**RENEWAL ADDENDUM TO THE FRANCHISE AGREEMENT**

This Addendum is to a Restaurant Franchise Agreement by and between Sarpino's USA, Inc., an Illinois corporation (hereinafter Franchisor), and \_\_\_\_\_ (hereafter Franchisee) to amend said Restaurant Franchise Agreement as follows:

WHEREAS, Franchisee has owned and operated a Sarpino's Restaurant located at \_\_\_\_\_ pursuant to a Restaurant Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ ("Initial Franchise Agreement");

WHEREAS, the Initial Franchise Agreement was for a term of five (5) years from the date of the opening of Franchisee's Restaurant, and expired on \_\_\_\_\_;

WHEREAS, the Initial Franchise Agreement provided for additional options to extend the franchise relationship for five (5) years each beyond the initial term provided that certain terms and conditions were met by Franchisee; and

WHEREAS, Franchisee desires to continue to own and operate a Sarpino's Restaurant and to extend the franchise relationship;

WHEREAS, by the terms of the Initial Franchise Agreement, in order to extend the franchise term, Franchisee must execute the standard form of Restaurant Franchise Agreement currently being offered by Franchisor which agreement is being executed contemporaneously with this Renewal Addendum ("Restaurant Franchise Agreement") and must meet certain conditions as set forth in the Initial Franchise Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

1. The above recitals are incorporated herein and made a part of this Renewal Addendum to the Restaurant Franchise Agreement.

2. Paragraph 3.1 (Initial Term) is revised to read as follows:

Except as otherwise provided herein, the term of this Agreement shall expire \_\_\_\_\_ (\_\_\_\_) years from the date of execution of this Agreement

3. Paragraph 4.1. (Initial Franchise Fee) is deleted in its entirety. Upon the execution of this Agreement, Franchisee shall pay to Franchisor a renewal fee in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

4. Paragraphs 5.2 (Training) and 6.4 (a) and (b) (Initial Training) are hereby deleted as inapplicable. ***[Address here if there is any refresher training that the franchisee must take in connection with the renewal requirements that won't be completed prior to the expiration date.]***

5. Paragraphs 2.1 (Construction of the Restaurant) and 6.2 (Opening) of the Restaurant Franchise Agreement are hereby deleted as inapplicable

6. Paragraph 10.4. (Opening Advertising) is hereby deleted.

7. *[Include this as applicable and if not completed before signing]* On or before \_\_\_\_\_, 20\_\_\_\_, Franchisee must complete the following regarding the premises of the Restaurant:

**INSERT LIST**

All of the above repairs, redecoration and remodeling shall be done following Franchisor's standards and specifications and are subject to the inspection and approval of the Franchisor. Failure to complete the foregoing repairs, redecoration and remodeling shall be a material default under the Franchise Agreement.

8. In all other respects, the Restaurant Franchise Agreement shall be construed and enforced as it is written.

9. In consideration of the mutual and several agreements recited above and the renewal of Franchisee's Initial Franchise Agreement, Franchisee does forever release and discharge Franchisor, its officers, directors, shareholders, agents and employees, in that capacity and individually, its guarantors, successors, and assigns on behalf of its successors and assigns from all manner of actions, cause, causes of action, suits, debts, sums of money, accounts, promises, variances, trespasses, damages, judgments, execution, claims and demands, whatsoever, in law or in equity, arising out of any relationship between Franchisee and Franchisor whether contractual or otherwise which it now has, or has had, or which its successors and assigns hereafter can, shall or may have, for upon or by reason of any matter, cause or thing whatsoever at any time prior to the date of this Agreement.

In witness whereof, the parties hereto, intending to be legally bound, hereby have duly executed, sealed and delivered this Renewal Addendum on the date set forth below each signature.

**FRANCHISOR:  
SARPINO'S USA, INC.**

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

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

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

**FRANCHISEE:**

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

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

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

## EXHIBIT K

### STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Not registered
Hawaii	Not registered
Illinois	<del>April 28, 2023</del> <u>May 13, 2024</u>
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Pending
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	Not registered

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.

COPY FOR YOU

**Item 23**  
**RECEIPT**

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

If Sarpino’s USA, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding Agreement with, or make a payment to us or an affiliate in connection with the proposed franchise sale.

If Sarpino’s USA, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise: David Chatkin, at 200 Tri-State International, Suite 550, Lincolnshire, IL 60069, 847-374-6300 and **[mark if applicable]**

- ~~James Byehowski, above address and phone number~~
- Igor Dymo, above address and phone number
- Rebecca Kroupa, above address and phone number
- Tetyana Yermolayeva, above address and phone number
- Alex Abramovitz, above address and phone number
- ~~Ronald D. Burrows, Jr., 3 Glen Burnie Court, Sicklerville, NJ 08081, 856-534-6727~~
- Vladimir Shmytov, above address and phone number
- Cassandra Alvarez, above address and phone number
- Daniel Alfaro, above address and phone number
- Aimee L. Kirvan, 3 Glen Burnie Court, Sicklerville, NJ 08081, 856-534-6727
- Gary Occhiogrosso, 700-76 Broadway, Suite 108, Westwood, NJ 07675, 917-991-2465
- [Area Franchisor – fill in name, address, phone]** \_\_\_\_\_
- [Broker – fill in name, address, phone]** \_\_\_\_\_

Issuance date: ~~April 28, 2023~~ May 10, 2024  
See Exhibit E for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated ~~April 28, 2023~~ May 10, 2024 that included the following Exhibits:

- Exhibit A State Addendum to Franchise Disclosure Document (if applicable)
- Exhibit B Restaurant Franchise Agreement
- Exhibit C Multi-Unit Development Agreement
- Exhibit D Financial Statements
- Exhibit E List of State Administrators and Agents for Service of Process
- Exhibit F Table of Contents from Operating Manuals
- Exhibit G Lists of Franchisees and Former Franchisees
- Exhibit H Area Franchisor Rider (if applicable)
- Exhibit I Transfer Addendum
- Exhibit J Renewal Addendum
- Exhibit K State Effective Dates

DATE \_\_\_\_\_

Print Name: \_\_\_\_\_  
Authorized Representative of Franchisee: \_\_\_\_\_  
Telephone #: \_\_\_\_\_

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DATE \_\_\_\_\_

Print Name: \_\_\_\_\_  
Authorized Representative of Franchisee:  
\_\_\_\_\_

Telephone #: \_\_\_\_\_

**Once this receipt is signed and dated, return it to Sarpino's USA, Inc. by mail at 200 Tri-State International, Suite 550, Lincolnshire, IL 60069 or by email to us@gosarpinos.com.**