



## FRANCHISE DISCLOSURE DOCUMENT

Chicago's Original Italian Beef Franchising  
LLC

An Illinois Limited Liability Company

6801 Roosevelt Road

Berwyn, IL 60402

Phone: 708-749-2333 Ext. 264

[franchise@buona.com](mailto:franchise@buona.com)

[www.buonafranchise.com](http://www.buonafranchise.com) and [www.buona.com](http://www.buona.com)

Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company, offers you the opportunity to own and operate one or more Buona restaurant business(es), which feature Italian beef sandwiches as well as a variety of other sandwiches, pasta, burgers, hot dogs, salads and desserts at the restaurant premises or by delivery service under certain trademarks, trade names, service marks and logos (a "Buona Business" or "Buona Businesses").

The total investment necessary to begin operation of a single brand free standing Buona Business ranges from ~~\$2,705,600~~ \$12,350 to ~~\$5,087,000~~ \$88,350, including ~~\$126,400~~ \$500 to \$175,000 that must be paid to us or our affiliates. The total investment necessary to begin operation of a dual brand free standing Buona Business ranges from ~~\$2,962,000~~ \$3,044,250 to ~~\$5,573,000~~ \$742,350, including \$146,500 to \$195,000 that must be paid to us or our affiliates. The total investment necessary to begin operation of a single brand inline Buona Business ranges from ~~\$1,272,600~~ \$280,350 to ~~\$1,912,950~~ \$809,830, including \$81,500 to \$115,000 that must be paid to us or our affiliates.

The total investment necessary to begin operation as a Developer is the total investment to begin operations of the first Buona Business (described above) plus the Development Fee equal to one-half of the franchise fees due for the additional restaurants to be developed beyond the first. A minimum of 3 Buona Businesses must be developed under the Area Development Agreement.

This Franchise Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English (this "Franchise Disclosure Document"). Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive this Franchise Disclosure Document at least 14 calendar days before you may sign a binding agreement with, or make any payment to, us or our affiliates in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Franchise Disclosure Document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Joe Buonavolanto III, at 6801 Roosevelt Road, Berwyn, IL 60402, (708)749-2333, Ext. 264.

The terms of your contract will govern your franchise relationship. Don't rely on this Franchise Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Franchise Disclosure Document to a trusted advisor, such as a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Franchise Disclosure Document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](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 also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date:** April ~~28, 2023~~22, 2024

## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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 on Item 20 or Exhibit G. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor at the franchisor's discretion. 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 Buona 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 Buona franchisee?</b>                                          | Item 20 or Exhibit 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***

**Continued 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.

**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 franchised 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 on Exhibit A.

### 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 arbitration and/or litigation only in Illinois. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may cost more to arbitrate or litigate with the franchisor in Illinois than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.

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

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding the notice of this Offering should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attn. Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48933  
(517) 335-7567

## TABLE OF CONTENTS

|                                                                                           |      |
|-------------------------------------------------------------------------------------------|------|
| ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....                  | 1    |
| ITEM 2 BUSINESS EXPERIENCE .....                                                          | 3    |
| ITEM 3 LITIGATION.....                                                                    | 6    |
| ITEM 4 BANKRUPTCY .....                                                                   | 6    |
| ITEM 5 INITIAL FRANCHISE FEE.....                                                         | 6    |
| ITEM 6 OTHER FEES.....                                                                    | 8    |
| ITEM 7 ESTIMATED INITIAL INVESTMENT .....                                                 | 16   |
| ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....                              | 25   |
| ITEM 9 FRANCHISEE’S OBLIGATIONS.....                                                      | 28   |
| ITEM 10 FINANCING .....                                                                   | 30   |
| ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....         | 289  |
| ITEM 12 TERRITORY .....                                                                   | 40   |
| ITEM 13 TRADEMARKS .....                                                                  | 41   |
| ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....                              | 45   |
| ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ..... | 46   |
| ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....                                 | 46   |
| ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....                       | 47   |
| ITEM 18 PUBLIC FIGURES.....                                                               | 52   |
| ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....                                       | 56   |
| ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....                                          | 77   |
| ITEM 21 FINANCIAL STATEMENTS .....                                                        | 6669 |
| ITEM 22 CONTRACTS.....                                                                    | 6669 |
| ITEM 23 RECEIPTS .....                                                                    | 6770 |

## EXHIBITS

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement
- B-1. Dual Brand Franchise Agreement
- C. Area Development Agreement
- C-1. Dual Brand Area Development Agreement
- D. Financial Statements
- E. Franchisee Acknowledgement Questionnaire
- F. Table of Contents for Operations Manual
- G. List of Franchisees
- H. State Addenda
- I. State Effective Dates
- J. Receipts



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

To simplify the language in this Franchise Disclosure Document, “we,” “us,” or “our” means Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company, the franchisor. “You” and “your” means the person who buys the franchise from us, the franchisee. You will establish a corporation, partnership, limited liability company or other entity to be the franchisee under the Franchise Agreement. Certain provisions of the Franchise Agreement and related agreements will apply to your owners as well as the franchise entity.

**Franchisor, Predecessors, Parents and Affiliates**

We are a limited liability company organized in Illinois on March 4, 2021. Our principal place of business is 6801 West Roosevelt Road, Berwyn, IL 60402. We do business under our entity name and under the name “Buona” and “Buona Beef.” We ~~are offering~~have offered Buona franchises ~~for the first time under this Disclosure Document~~since May 2021.

We have 3 affiliates that sell products or services to our franchisees. The first affiliate that sells products to our franchisees is The Buona Companies, L.L.C., an Illinois limited liability company. It also manages and operates the Buona businesses owned by another affiliate Buona Beef LLC. The Buona Companies, L.L.C., also owns the Marks and System and licenses them to us. We refer to these affiliate-owned businesses as “Affiliate-Owned Business” in this Disclosure Document. The principal place of business of The Buona Companies, L.L.C. and Buona Beef LLC is 6801 W. Roosevelt Road, Berwyn, IL 60402.

The second affiliate that sells products to our franchisees is Authentic Brands of Chicago LLC, an Illinois limited liability company. The principal place of business of this affiliate is 6410 W. 74<sup>th</sup> Street, Bedford Park, Illinois.

The third affiliate that sells services to our franchisees is Keystone Planning + Design, PLLC, an Illinois professional limited liability company. The principal place of business of this affiliate is 418 Clinton Place, River Forest, IL 60305.

We have one affiliate that offers franchises in a different line of business. Five Flavors Franchising LLC, an Illinois limited liability company, has a principal place of business of 6801 West Roosevelt Road, Berwyn, IL 60402 and offers franchises for The Original Rainbow Cone businesses that feature the sale of ice cream. Five Flavors Franchising LLC (“Five Flavors”) has offered franchises since 2019. As of December 31, ~~2022~~2023, it had ~~0~~2 franchises in operation.

We have no predecessors or parent.

**Agents for Service of Process**

Our agents for service of process are identified by state in Exhibit A to this Franchise Disclosure Document.

**The Business We Offer**

We and our affiliates have developed certain specified and distinct business formats, methods, and procedures, including distinctive exterior and interior design, décor, color scheme and furnishings, uniform standards, specifications and procedures for operations, quality and uniformity of products and services

offered, procedures for management and inventory control, training and assistance, and advertising, marketing and promotional programs (“Systems”) for operating a Buona restaurant (“Buona Business” or “Franchised Business”). The Buona Business offers a menu featuring Italian beef sandwiches as well as a variety of other sandwiches, pasta, burgers, hot dogs, salads and desserts at the restaurant premises or by delivery service. You will also offer catering services to customers from your Buona Business. Buona Businesses are identified by the trademarks and service marks “Buona” and “Buona Beef” and other trademarks, trade names, service marks and logos that our affiliates have developed (the “Marks”).

The Buona Business may be located in a free-standing building or may be in an inline shopping center. The location may or may not provide for one or two drive through windows.

You must sign our franchise agreement (the “Franchise Agreement”), a copy of which is attached as Exhibit B to this Franchise Disclosure Document. We will grant a franchise to qualified candidates for the operation of a Buona Business. We are not presently engaged in business activities other than the development of the System and the offer, sale and support of the franchisees of the System.

In some instances, we along with our affiliate Five Flavors will offer you the right to develop and operate a combined Buona and The Original Rainbow Cone restaurant (“Dual Brand Business”). The decision to offer you a Dual Brand Business is within the sole discretion of Chicago’s Original Italian Beef Franchising LLC and our affiliate Five Flavors. If you are offered this opportunity, you will receive a separate Franchise Disclosure Document from our affiliate Five Flavor Franchising LLC and you will sign the Dual Brand Franchise Agreement that is attached to this Franchise Disclosure Document as Exhibit B-1. The term “Buona Business” as used herein shall include reference to both the single brand and dual brand restaurants unless otherwise specified.

We also allow certain franchisees who meet our criteria to become a Developer. A Developer agrees to establish and operate themselves a minimum of 3 Buona Businesses in a specified Development Area over an agreed upon period of time. The Area Development Agreement is attached to this Franchise Disclosure Document as Exhibit C. The Developer will sign a Franchise Agreement for the first Buona Business at the time the Area Development Agreement is signed. For each future franchise to be developed, the Developer will sign the then current form of Franchise Agreement that may have different terms than the Franchise Agreement contained in this Franchise Disclosure Document.

If a Developer intends to develop all or some Dual Brand Businesses, the Developer will sign the Dual Brand Area Development Agreement that is attached to this Franchise Disclosure Document as Exhibit C-1 with us and our affiliate Five Flavors. For each franchise to be developed under the Dual Brand Area Development Agreement, the Developer will sign either a single restaurant Franchise Agreement with us or a Dual Brand Franchise Agreement with us and Five Flavors.

## **Market Competition**

The market for the products and services such as those offered by Buona Businesses is highly competitive and well-developed. The fast casual restaurant industry is highly competitive and is often affected by current eating habits of the public, by local and national economic conditions affecting spending habits and by population and traffic patterns. Sales are not seasonal. You will face competition from independent businesses, other franchise systems and national companies similar products and services as your franchised Buona Business, and to a lesser extent grocery stores and other food service businesses offering similar products.

## Regulations

In addition to laws and regulations that apply to businesses generally, your Buona Business is subject to federal, state and local laws, regulations and guidelines governing the food service industry. You must be knowledgeable on federal, state and local health and consumer protection laws and regulations concerning food preparation, handling and storage, and laws concerning menu item names and menu labeling and nutritional information. In addition, your state or local governments may require licensing or food handling certification. In addition, you must operate in compliance with Payment Card Industry Data Security Standards and applicable data privacy laws. You must investigate all applicable laws and regulations and are solely responsible for complying with all applicable laws and regulations.

## Prior Business Experience

We have never operated a business similar to the type of business you will operate. We have offered Buona unit franchises and area development franchises since May 2021. We have not offered franchises in any other lines of business.

Our affiliate Buona Beef LLC and its predecessors has owned and operated businesses similar to the type of business you will operate since 1981. Our affiliate The Buona Companies, L.L.C. has managed and operated businesses similar to the type of business you will operate since 1999. As of ~~the date of this Disclosure Document~~ December 31, 2023, our affiliates ~~owned and operate 27~~ operated 28 Buona businesses, including dual brand businesses with The Original Rainbow Cone. They have never offered franchises in any line of business.

Our affiliate Authentic Brands of Chicago LLC has never operated a business similar to the type of business you will operate. It has never offered franchises in any line of business.

Our affiliate Five Flavors has never operated businesses similar to the type of business you will operate. It has sold franchises for The Original Rainbow Cone ice cream restaurants since 2019, but has not offered franchises for the type of business you will operate or in any other line of business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Carlo Buonavolanto – Co-Manager**

Mr. Buonavolanto has served as our Co-Manager since our inception in March 2021. He has been Co-Manager of The Buona Companies, L.L.C. and Buona Catering, L.L.C. since February 1999. He has been Manager of Buona Beef, LLC since December 2011 and was President of its predecessor, Buona Beef Inc. from December 1985 to December 2011. ~~He has been Co-Manager of Five Flavors Franchising LLC since July 2018.~~ He has been Co-Manager of J&P Properties, L.L.C. since May 1996. He has been Co-Manager of Hot Pep LLC since May 2021. He has been Managing Member of BG East LLC from 2023 to the present.

### **Joseph Buonavolanto, Jr. – Co-Manager**

Mr. Buonavolanto has served as our Co-Manager since our inception in March 2021. He has been Co-Manager of The Buona Companies, L.L.C. and Buona Catering, L.L.C. since February 1999. He has been Co-Manager of Buona Beef, LLC since December 2011 and was Vice President of its predecessor, Buona

Beef Inc. from December 1985 to December 2011. He has been Co-Manager of Five Flavors Franchising LLC since July 2018. He has been Co-Manager of J&P Properties, L.L.C. since May 1996. He has been Co-Manager of Hot Pep LLC since May 2021.

### **Joseph Buonavolanto III — Executive Vice President of Franchising**

Joseph Buonavolanto III has served as our Executive Vice President of Franchising since January 2022 and 2024. He previously served as our Vice President of Franchising from January 2022 to January 2024 and as Franchise Operations Manager from March 2021 to December 2021. He has also served as Executive Vice President of Franchising for our affiliate Five Flavors Franchising LLC since January 2024 and its Vice President of Franchising from January 2022 to January 2024. From June 2019 to December 2021, he was Director of People for Buona Companies LLC. From May 2016 to May 2019, he was Director of Operations for Buona Beef LLC.

### **Donald Buonavolanto - Franchise Operations Manager**

Mr. Buonavolanto has served as our Franchise Operations Manager since our inception in March 2021. He has been Operations Manager and Director of Buona Beef, LLC since December 2011 and was in the same role for its predecessor, Buona Beef Inc. from December 1985 to December 2011.

The following individuals are employed by The Buona Companies, L.L.C. or its affiliates but perform services for us in their roles with The Buona Companies, L.L.C.:

### **Steven Felson, Senior Vice President, Operations and Training**

Mr. Felson has served as Senior Vice President, Operations and Training for The Buona Companies, L.L.C. in Berwyn, Illinois since January 2024. From May 2022 to January 2024, he was Vice President, Training for Home Franchise Concepts in Coppell, Texas. From December 2019 to May 2022, he was Vice President, Operations & Training for Bonchon in Dallas, Texas. From March 2016 to October 2019, he worked for BurgerFi in North Palm Beach, Florida as Executive Vice President of Operations and as Vice President of Operations.

### **John Westland, Director of Franchise Operations**

Mr. Westland has served as Director of Franchise Operations for The Buona Companies, L.L.C. in Berwyn, Illinois since March 2024. From August 2020 to February 2024, he was Director of Operations Services for Bonchon in Dallas, Texas. From May 2009 to June 2020 he was International Franchise Business Manager for Front Burner Brands (Melting Pot Restaurants) in Tampa, Florida.

### **Joseph Buonavolanto, Director of Purchasing and Supply Chain**

Mr. Buonavolanto has served as Director of Purchasing and Supply Chain for the Buona Companies, L.L.C. and its affiliates since June 2018. He served as Purchasing Manager for Buona Beef LLC and Buona Catering LLC from January 2007 to June 2018.

### **Tony Scheri, Director of Culinary**

Mr. Scheri is a culinary veteran who joined The Buona Companies L.L.C. in May of 2000 as the Corporate Chef. Since June of 2018 he has served as Director of Culinary for The Buona Companies L.L.C and its affiliates.

### **Scott Evans, Director of Human Resources**

Mr. Evans started with The Buona Companies L.L.C in November of 2010 as a staff accountant in the payroll and compensation department. He has served as Director of Human Resources for The Buona Companies L.L.C since January of 2020.

**Mark Kearins, Director of Information Technology**

Mr. Kearins started with Buona Companies L.L.C in October of 2002 as a staff accountant. He served as an Information Technology support technician from October 2004 to January 2010. Since January of 2010 he has served as Director of Information Technology for the Buona Companies L.L.C.

**Andrew Regalado, Director of Marketing**

Mr. Regalado joined The Buona Companies L.L.C. as the Director of Marketing in July of 2022. From 2015 to 2022, he was Marketing Director for Activate Hype in Chicago, Illinois.

**Christina Noel, ~~Manager~~ Director of Learning & Development**

Christina Noel ~~joined~~ has been the Director of Learning & Development of The Buona Companies L.L.C. as the since January 2024 and was the Manager of Learning & Development from January 2022 to January 2024, and Learning & Development Specialist in from January of 2021. ~~Since to January of 2022 she has served as the Manager of Learning & Development.~~ From 2017 to 2022, she was employed by Lettuce Entertain You in Chicago, Illinois as a Trainer for front of house positions, private events and catering.

**Brie Craft, Franchise Onboarding and Training Manager**

Ms. Craft started with Buona Beef LLC in April of 2016 as an hourly team member. From November 2016 to September 2017 she worked as a Corporate Trainer and from September 2017 to October 2022, she served as the Training department specialist. Since October 2022 she has served as the Franchise Onboarding and Training Manager for The Buona Companies L.L.C.

**Nick Arajuo, Chief Financial Officer**

Nick Arajuo started with Buona Beef LLC in March of 1999. From 1999 to 2001 he worked as a staff accountant for The Buona Companies L.L.C. From 2001-2019 he served as Director of Finance for The Buona Companies L.L.C. Since January 2019, he has served as the Chief Financial Officer of The Buona Companies L.L.C.

**John Kearins, Director of Finance**

John Kearins started with The Buona Companies L.L.C. in January of 2009 as a staff accountant. He was named Director of Finance in January 2019.

**Dominic Fallara, Vice President of Buona Beef LLC**

Dominic Fallara was promoted to Vice President of the Buona restaurants of Buona Beef in January 2022. He started with Buona Beef LLC in 1994 as an hourly team member, was in management roles and served as a field trainer from 1995 to 2013, and served as Director of Training from August 2013 to February 2014. From February 2014 to October 2019, he served as Director of Corporate Administration for The Buona Companies L.L.C.. From October 2019 to January 2022, he served as Director of Operations for Buona Beef LLC.

The following individuals are employed by Five Flavors Franchising LLC but perform services for us in their roles with those companies:

### **Mike Buonavolanto, Manager and Vice President of Real Estate**

Mike Buonavolanto has served a Manager and Vice President of Five Flavors Franchising since August 1, 2018 and served as its Director of Operations from August 2018 to April 2021. He also has also served as Manager of Five Flavors LLC from May 2018 to the present and Manager of Rainbow Cone LLC from June 2018 to the present. From October 2014 to the present, he has served as Director of Real Estate for The Buona Companies, L.L.C, in Berwyn, Illinois.

### **John Carlo Buonavolanto, Director of Sales and Marketing**

John Carlo Buonavolanto has served as Director of Sales and Marketing of Five Flavors Franchising LLC since January 2022. He served as Catering Sales Manager for Rainbow Cone LLC from March 2021 to January 2022. From January 2015 to March 2021, he served as Sales & Marketing Manager for Buona Catering LLC since January 2015.

### **ITEM 3** **LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4** **BANKRUPTCY**

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

### **ITEM 5** **INITIAL FRANCHISE FEE**

#### **Initial Franchise Fee**

The Initial Franchise Fee for a franchise granting the right to open one Buona Business is \$40,000.00. The Initial Franchise Fee is due in full upon your execution of the Franchise Agreement.

The Initial Franchise Fee is non-refundable with one exception. If we terminate your Franchise Agreement for your failure to successfully complete the initial training program, we will refund you 10% of the initial franchise fee paid once you have signed and delivered to us a termination agreement and general release of all claims in a form satisfactory to us.

If you are purchasing a Dual Brand franchise, you will pay us the initial franchise fee above and you will pay Five Flavors the non-refundable initial franchise fee due under its Franchise Disclosure Document. Currently that initial franchise fee is \$20,000 for a Rainbow Kiosk franchise.

#### **On-Site Training Fee Deposit**

You must pay us an on-site training fee for the on-site assistance that we will provide you at your restaurant location before and around the time of the opening of the Buona Business. When you sign the Franchise

Agreement, you must pay a non-refundable on-site training fee deposit in the amount of \$20,000. The balance of the on-site training fee will be paid after training is complete and you have opened for business.

### **Initial Purchases of Products and Services**

Before you open your Buona Business, you must purchase from our affiliate Authentic Brands of Chicago, LLC an initial inventory of proprietary food products. The estimated cost of the initial purchase of inventory products ranges from \$1,500 to \$5,000. Before you open your Buona Business, you may purchase an initial supply of marketing materials from our affiliate The Buona Companies, L.L.C. or another supplier. If you purchase the initial marketing materials from us, the estimated cost is \$100 to \$10,000. Payments made for these purchases are non-refundable.

Before you open your Buona Business, you must purchase from our affiliate Keystone Planning + Design, PLLC design and architectural services relating to the build-out of the restaurant premises. The estimated cost is \$65,000 to \$100,000 for a newly constructed free standing restaurant and \$20,000 to \$40,000 for an inline restaurant in a leased premises. You must pay them a non-refundable \$5,000 deposit on the date that we approve the site for the Buona Business.

### **Area Development Fee**

If you are a Developer, you must sign the Franchise Agreement for your first Buona franchise and pay the initial franchise fee for the first franchise to be developed at the same time as you sign the Area Development Agreement. In addition, you must pay a non-refundable Development Fee when you sign the Area Development Agreement. The Development Fee is one-half of the initial franchise fees that will be due for the additional The Buona Businesses to be developed. The franchise fee for the additional franchises after the first franchise will be discounted by 20%, so the initial franchise fee paid for the additional franchises would be \$32,000.

When you sign the Franchise Agreement for the additional franchises, \$16,000 of the Development Fee paid will be applied against the initial franchise fee for the franchise, and you will pay the balance due of \$16,000.

If you intend to develop one or more Dual Brand Businesses under an Area Development Agreement, you will sign the Dual Brand Area Development Agreement with us and Five Flavors. Upon signing the Dual Brand Area Development Agreement, you must sign the Franchise Agreement for your first franchise – either single brand or dual brand – and pay the franchise fee(s) for that franchise. In addition, you must pay a non-refundable Development Fee when you sign the Dual Brand Area Development Agreement. The Development Fee is one-half of the initial franchise fees that will be due to us for the additional single brand Buona Businesses or due to us and Five Flavors for the franchise for the Dual Brand Business. The franchise fee for the additional franchises after the first franchise will be discounted by 20% so the initial franchise fee paid for a single brand Buona Business franchise would be \$32,000 and the initial franchise fees paid for the Dual Brand Business franchise would be \$32,000 to us plus \$16,000 to Five Flavors. When you sign the Franchise Agreement for the additional franchises, one-half of the franchisee fee(s) paid for the applicable franchise for the Development Agreement will be applied against the initial franchise fee(s) for the franchise being purchased.

For each franchise to be developed under the Area Development Agreement or the Dual Brand Area Development Agreement, you will pay the discounted initial franchise fees unless you fail to meet the Development Schedule in the Area Development Agreement or Dual Brand Area Development Agreement. If you fail to meet the Development Schedule, you will pay the then-current initial franchise fees for restaurant franchises. For example, if you agree to develop 3 single brand franchises, and you have failed to meet the Development Schedule before you sign a franchise agreement for the second franchise, you will pay an

additional \$48,000 in initial franchise fees (\$40,000 times 2, less the \$32,000 applied from the Development Fee previously paid) for the second and third franchises.

In the fiscal year ended December 31, 2023, we charged one Developer a Development Fee based on the fees published in 2022 instead of the fees published in the 2023 Franchise Disclosure Document.

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.

## **ITEM 6** **OTHER FEES**

### **Franchise Agreement**

| Type of Fee                 | Amount                                                                  | Due Date                                                     | Remarks                                                                                                                                                                                                                                        |
|-----------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty                     | 4% of Gross Sales <sup>(1)</sup>                                        | Payable each week for Gross Sales during the preceding week. | We will charge this fee via an authorized ACH payment.                                                                                                                                                                                         |
| Marketing Fund contribution | Up to 2.5% of Gross Sales; currently 1.5% of Gross Sales <sup>(1)</sup> | Payable each week for Gross Sales during the preceding week. | We will charge this fee via an authorized ACH payment along with royalties. We will give you 60 days' advance notice before any increase or decrease in the required contribution amount.                                                      |
| Local Advertising           | Minimum of 1% of Gross Sales <sup>(1)</sup>                             | As incurred by you.                                          | Paid to third parties. Upon request, you must submit quarterly reports to us documenting your expenditures for the previous calendar quarter.                                                                                                  |
| Cooperative Advertising     | As determined by a majority of the members of the cooperative.          | As incurred by you.                                          | Payable if a cooperative is established in your area. Amounts paid to the cooperative will be a credit against the local advertising requirement. All Franchised Businesses included in the cooperative will have one vote per Buona business. |



| Type of Fee                                  | Amount                                                                                                                                                                                                                                                                       | Due Date                                                                                                                                             | Remarks                                                                                                                                                                                                                                    |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transfer Fee                                 | 75% of the then-current Initial Franchise Fee if the transfer is to a new franchisee; 50% of the then-current Initial Franchise Fee if the transfer is to an existing franchisee; \$1,500 if the transfer is among existing owners and does not change controlling interest. | \$5,000 non-refundable deposit at the time that franchisee requests approval of transfer. Balance upon the transfer of your Franchise to transferee. | In addition, we will charge your buyer the then-current daily rate for any trainers sent to the site of your Franchised Business to provide any necessary on-site training.                                                                |
| Technology Fee                               | As determined by us based on technology costs for the franchise system. Currently <del>\$150</del> <u>\$100</u> per week                                                                                                                                                     | Payable each week.                                                                                                                                   | We will charge this fee via an authorized ACH payment along with royalties.<br><br>We will give you 60 days prior notice before changing the amount of the fee.                                                                            |
| Renewal Fee                                  | \$7,500                                                                                                                                                                                                                                                                      | 30 days prior to the signing of the renewal franchise agreement                                                                                      |                                                                                                                                                                                                                                            |
| Interest on Late Payments                    | Highest rate of interest permitted by law not to exceed 1.5% per month                                                                                                                                                                                                       | As incurred                                                                                                                                          | This interest rate applies to any money you owe us or our affiliate that is more than 7 days overdue and will accrue until the amounts are paid in full. Interest is in addition to service and NSF charges.                               |
| Service Charges and Non-Sufficient Funds Fee | Currently \$250                                                                                                                                                                                                                                                              | Upon demand                                                                                                                                          | Payable if an ACH transaction is not honored.                                                                                                                                                                                              |
| Customer Satisfaction Reimbursement          | Actual costs incurred by us.                                                                                                                                                                                                                                                 | As incurred                                                                                                                                          | We may, in our sole discretion, remedy any issues with customers of your Buona Business, which may include refunding to the customer any amounts the customer paid to you. You are required to reimburse us for any such refunds we issue. |

| Type of Fee          | Amount                                                                                                                                                                                                                                                                                                         | Due Date                                                                                                                 | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Initial Training     | <p>No charge for the first attendee to the ownership training (the operating owner having at least a 10% interest); No charge for the first 3 managerial owners/employees to the initial manager training.</p> <p>Additional parties pay our then current tuition fee which is currently \$1,500 per week.</p> | As incurred                                                                                                              | The cost of Initial Training (instruction and required materials) is borne by us. All other expenses, including travel, meals and lodging and your employee wages, are your responsibility. Additional owners and managers may attend the initial training program as space in available and for the current tuition fee.                                                                                                                                                                                                                |
| On-Site Training Fee | <p>The then-current daily rate for each trainer on-site to provide the training, <u>plus all travel and living expenses incurred by our representative(s).</u> Currently daily rate per training is <del>\$300</del><u>250</u>.</p>                                                                            | \$20,000 deposit is due upon the execution of the Franchise Fee. The balance is due upon completion of on-site training. | <p>One or more representatives will spend approximately 30 days at the premises of the Franchised Business prior to and immediately following the date of the opening of the Franchised Business to provide on-site training as we deem necessary for the opening and initial period of operation of the Franchised Business. The number of trainers may vary during the on-site training and the length of the training may vary. <del>We will be responsible for payment of the travel and living expenses for our trainers.</del></p> |

| Type of Fee                    | Amount                                                                                                                                                                                                     | Due Date     | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supplemental Training          | Tuition fee; amount not yet determined since we have not yet conducted such training.                                                                                                                      | As incurred. | We may from time to time provide, and may require, that you, your owners and/or managers attend and successfully complete supplemental training, seminars, regional franchise meetings or webinars to be conducted at times and locations designated by us. We may require attendance at such training, seminars and meetings for up to 5 days each calendar year. We may charge a tuition fee for any such training, seminars, meetings or webinars and you will be responsible for all expenses incurred by you and your owners and/or managers in attending these programs. |
| Additional Training Assistance | Then-current training fees for such Additional Training (currently \$300 per day per trainer), plus any travel and living expenses incurred by our representative if travel to your location is necessary. | As incurred  | Paid to us if you request additional training above our normal training offerings and we provide such training in our discretion, or if we require additional training in the event your Franchised Business is operating below required standards.                                                                                                                                                                                                                                                                                                                            |
| Conference Registration Fee    | Not yet determined since we have not held a conference.                                                                                                                                                    | As incurred. | If we hold conferences, your owner(s) may be required to attend any conference for which we determine attendance is mandatory. We may charge you a fee to attend the conference. Any costs or expenses associated with your owner(s)'s attendance of such conferences will be borne solely by you.                                                                                                                                                                                                                                                                             |

| Type of Fee               | Amount                                                                                                                                                                                   | Due Date                                                                                                                                                                                                                                                                                               | Remarks                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indemnification           | Actual costs incurred by us.                                                                                                                                                             | As incurred                                                                                                                                                                                                                                                                                            | You must pay for us for any losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether the same is reduced to judgment) or any settlement thereof, which arises out of, or is based upon any of the items listed in the section of the Franchise Agreement labeled "Indemnification." |
| Supplier Approval Charge  | Will vary under the circumstances; not to exceed our reasonable cost of inspection and the actual cost of testing.                                                                       | 30 days after billing                                                                                                                                                                                                                                                                                  | Payable if you request approval of a supplier. To be paid by you or the supplier.                                                                                                                                                                                                                                                                                                           |
| Costs and Attorney's Fees | Actual costs incurred by us.                                                                                                                                                             | As incurred                                                                                                                                                                                                                                                                                            | You must pay all costs reasonably incurred in enforcing the Franchise Agreement.                                                                                                                                                                                                                                                                                                            |
| Audit Fee                 | Sum equal to the highest rate of interest permitted by law or 1.5%, whichever is lesser, of the understated amount. If any understatement of Gross Sales exceeds 2%, then cost of audit. | The Royalty Fee and Marketing Fund Contribution with respect to the amount understated, in addition to the Late Payment Charge is due immediately. Cost of the audit is due immediately upon your receipt of written notice from us if the audit shows an understatement of Gross Sales of 2% or more. | If we conduct an audit of your books and records and determine that Gross Sales has been underreported by you or if the audit was made necessary by your failure to submit required reports or financial statements.                                                                                                                                                                        |

| Type of Fee                   | Amount                                                                                                                                                                                                                                                                                                               | Due Date            | Remarks                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Cost of re-inspection</u>  | <u>You must reimburse us for our actual costs of conducting a second inspection (compensation and travel expenses of our representative or fees charged to us by a third party service for conducting the re-inspection)..</u>                                                                                       | <u>Upon demand.</u> | <u>If we conduct a quality assurance audit or a mystery shop is conducted and it is determined that you are not in compliance with our specifications, standards or requirements, and we require you to take steps to correct the deficiencies, you must reimburse us for the cost of conducting a subsequent quality assurance audit to determine if the deficiencies have been corrected.</u> |
| Taxes                         | Actual costs incurred by us.                                                                                                                                                                                                                                                                                         | Upon demand         | If any taxes are assessed against us arising from payments you make to us or otherwise from the operation of your business, you shall reimburse us the actual amount of the taxes upon demand and upon receipt of proof of tax assessment                                                                                                                                                       |
| Insurance Requirements        | Cost of insurance plus interest at the maximum rate permitted by law, plus a reasonable administrative fee                                                                                                                                                                                                           | Upon written notice | If you fail to comply with any of the insurance requirements contained in Article XII of the Franchise Agreement, upon written notice to you by us, we may, without any obligation to do so, procure such insurance and you must pay us, upon demand, the cost of the insurance plus interest at the maximum rate permitted by law, plus a reasonable administrative fee designated by us.      |
| Right to Operate Upon Default | The then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it shall be required to enforce compliance with this Agreement. Current management services fee is \$450 per day or 10% of Gross Sales. | As incurred.        | In the event that you have not cured a default under the Franchise Agreement within 14 days after receipt of a written notice of default, our agent or other representative designated by us may take over, control and operate the Franchised Business.                                                                                                                                        |

| Type of Fee                                    | Amount                                                                                                                                                                                                                                                                                                                                                                                         | Due Date                                                                                     | Remarks                                                                                                                                                                                                                                                                                   |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management assistance upon death or incapacity | The then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it shall be required to enforce compliance with this Agreement. Current management services fee is \$450 per day or 10% of Gross Sales.                                                                           | As incurred.                                                                                 | If we provide management services upon the request of the executor, administrator or personal representative in the event of the death or incapacity of your owner until the franchise can be transferred.                                                                                |
| Relocation                                     | 50% of the then-current initial franchise fee                                                                                                                                                                                                                                                                                                                                                  | 50% when we grant you the approval to relocate and 50% upon our acceptance of your new site. | Payable if you request and we approve your request to relocate the Franchised Business.                                                                                                                                                                                                   |
| Liquidated Damages                             | The number of months remaining in the term times the average Gross Sales for the past 36 months (or lesser period if you have not operated for 36 months), times 4% (the royalty rate) times the present value factor based on an interest rate of 4% per year. For a Dual Brand Business, the applicable royalty rate for the Gross Sales from each Brand will be applied in the calculation. | Upon demand                                                                                  | We may impose liquidated damages if you terminate the Franchise Agreement, we terminate you for material breach of the Franchise Agreement, you abandon the Franchised Business or you make an unauthorized transfer of interests in Franchisee or the assets of the Franchised Business. |

| Type of Fee                   | Amount                                                                                                                               | Due Date     | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-Compliance                | \$100 per day or \$1,000 per day, depending on the nature of the default, from the first date of the default until default is cured. | Upon demand  | Payable if you are not in compliance with obligations to submit reports, financial statements or returns; to pay royalties, marketing fund contributions or technology fees; to properly use Trade Secret Products; to comply with mandatory requirements of the Manual; to keep Franchised Business open during the required hours; to provide information or refuse entry for an audit or inspection; or for unauthorized use of the Marks. |
| National Account Services Fee | Actual costs incurred by us.                                                                                                         | Upon demand. | Payable if we provide administrative, billing and/or collection services for any National Account, if we establish a National Accounts program.                                                                                                                                                                                                                                                                                               |

Notes:

All fees described in this Item that are paid to us or our affiliates, are imposed uniformly and are not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. Unless otherwise designated by us, we currently require you to pay fees and other amounts due to us or our affiliates through electronic funds transfer via Automated Clearing House (“ACH”) or similar means. You are required to complete the ACH authorization (in the form attached to the Franchise Agreement). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement.

Gross Sales. “Gross Sales” means all sales generated by the Franchised Business, including fees for any and all services Franchisee performs, whether for cash or credit (regardless of collectability) and revenues of every kind related to the Franchised Business, including but not limited to revenues from the sale of food, beverages, merchandise, proprietary products or clothing, delivery and catering not included in the price of menu items, and other services made and rendered in, on, or from the premises of the Franchised Business, or through any other means, including sales outside of the premises, that are in any way related to the Franchised Business, whether for cash, exchange or credit (and regardless of collection in the case of credit), except that Gross Sales will not include sales, use or services taxes collected from customers and actually paid to the appropriate taxing authority, and tips and gratuities.

**Area Development Agreement.**

| Type of Fee     | Amount                       | Due Date    | Remarks                                                                                                                                             |
|-----------------|------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Indemnification | Actual costs incurred by us. | As incurred | You have to reimburse us if we are held liable for claims arising from your operation of the development business or incur costs in defending them. |

| Type of Fee               | Amount                       | Due Date    | Remarks                                                                                                                                                                                                                     |
|---------------------------|------------------------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Costs and Attorney's Fees | Actual costs incurred by us. | As incurred | You must reimburse us for costs and attorneys' fees for enforcement of covenants, for obtaining specific performance of injunctive relief, and if we are successful in an action to enforce the Area Development Agreement. |

All fees under the Area Development Agreement are imposed uniformly and are non-refundable.

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

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**BUONA FREE STANDING – SINGLE BRAND**

| Type of Expenditure                                   | Amount                     | Method of Payment | When Due                                | To Whom Payment is to be Paid          |
|-------------------------------------------------------|----------------------------|-------------------|-----------------------------------------|----------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>                  | \$40,000                   | Lump Sum          | Upon signing of the Franchise Agreement | Us                                     |
| Land Acquisition <sup>(2)</sup>                       | \$500,000 to \$1,305,000   | As arranged       | When purchased                          | Owner of land                          |
| Site Work <sup>(3)</sup>                              | \$300,000 to \$800,000     | As Incurred       | As Incurred                             | Third Party contractors                |
| Construction of Building <sup>(4)</sup>               | \$1,070,000 to \$1,835,000 | As Incurred       | As Incurred                             | Third Party contractors; our Affiliate |
| Travel and Living Costs While Training <sup>(5)</sup> | \$42,000 to \$59,000       | As incurred       | Before and during training              | Airlines, hotels, restaurants          |



| Type of Expenditure                                                               | Amount                                                                                            | Method of Payment | When Due                                                                   | To Whom Payment is to be Paid                              |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------|------------------------------------------------------------|
| Initial Inventory and supplies <sup>(6)</sup>                                     | \$15,000 to \$40,000                                                                              | Lump Sum          | Prior to opening                                                           | Our Affiliate and Various Approved Suppliers               |
| Furniture, Fixtures and Equipment (excluding Sign Package and POS) <sup>(7)</sup> | \$540,000 to \$640,000                                                                            | As arranged       | Prior to opening                                                           | Suppliers                                                  |
| Sign Package <sup>(8)</sup>                                                       | \$48,000 to \$73,000                                                                              | As arranged       | Prior opening to                                                           | Supplier                                                   |
| POS System <sup>(9)</sup>                                                         | \$40,000 to \$44,000                                                                              | As arranged       | Prior opening to                                                           | Supplier                                                   |
| Miscellaneous expenses <sup>(10)</sup>                                            | \$9,600 to \$40,000                                                                               | As incurred       | Prior to opening                                                           | Attorneys, accountants, government agencies                |
| Grand Opening Advertising and Marketing <sup>(11)</sup>                           | \$20,000 to \$35,000                                                                              | Lump Sum          | 60 days prior to opening and first 90 days of operation                    | Our Affiliate, Approved Suppliers and Advertising Agencies |
| On-Site Training Fee <sup>(12)</sup>                                              | <del>\$41,000</del> 47,750 to <del>\$76,000</del> 77,350                                          | 2 lump sums       | \$20,000 deposit when franchise agreement is executed; balance as incurred | Us                                                         |
| Additional Funds – 3 Months <sup>(13)</sup>                                       | \$40,000 to \$100,000                                                                             | As Incurred       | As Incurred                                                                | Third Parties                                              |
| Estimated Total <sup>(14)</sup>                                                   | <del>\$2,705,600</del> <b><u>712,350</u></b><br>to<br><del>\$5,087,000</del> <b><u>88,350</u></b> |                   |                                                                            |                                                            |

See Notes after Buona/Rainbow Cone Dual Brand Initial Investment Chart

## YOUR ESTIMATED INITIAL INVESTMENT

### BUONA/RAINBOW CONE DUAL BRAND FREE STANDING

| Type of Expenditure                                                               | Amount                                         | Method of Payment | When Due                                | To Whom Payment is to be Paid                |
|-----------------------------------------------------------------------------------|------------------------------------------------|-------------------|-----------------------------------------|----------------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>                                              | \$60,000                                       | Lump Sum          | Upon signing of the Franchise Agreement | Us                                           |
| Land Acquisition <sup>(2)</sup>                                                   | \$500,000 to \$1,305,000                       | As arranged       | When purchased                          | Owner of land                                |
| Site Work <sup>(3)</sup>                                                          | \$400,000 to \$900,000                         | As Incurred       | As Incurred                             | Third Party contractors                      |
| Construction of Building <sup>(4)</sup>                                           | \$1,120,000 to \$2,105,000                     | As Incurred       | As Incurred                             | Third Party contractors; our Affiliate       |
| Travel and Living Costs While Training <sup>(5)</sup>                             | \$49,000 to \$71,000                           | As incurred       | Before and during training              | Airlines, hotels, restaurants                |
| Initial Inventory and supplies <sup>(6)</sup>                                     | \$20,000 to \$45,000                           | Lump Sum          | Prior to opening                        | Our Affiliate and Various Approved Suppliers |
| Furniture, Fixtures and Equipment (excluding Sign Package and POS) <sup>(7)</sup> | <del>\$591,639,000 to \$691,804,000</del>      | As arranged       | Prior to opening                        | Suppliers                                    |
| Sign Package <sup>(8)</sup>                                                       | <del>\$63,000 to \$88,000 to \$150,000</del>   | As arranged       | Prior to opening                        | Supplier                                     |
| POS System <sup>(9)</sup>                                                         | <del>\$43,45,500 to \$50,000 to \$47,000</del> | As arranged       | Prior to opening                        | Supplier                                     |
| Miscellaneous expenses <sup>(10)</sup>                                            | \$15,000 to \$50,000                           | As incurred       | Prior to opening                        | Attorneys, accountants, government agencies  |

| Type of Expenditure                                     | Amount                                                                         | Method of Payment | When Due                                                                   | To Whom Payment is to be Paid                              |
|---------------------------------------------------------|--------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------|------------------------------------------------------------|
| Grand Opening Advertising and Marketing <sup>(11)</sup> | \$20,000 to \$35,000                                                           | Lump Sum          | 60 days prior to opening and first 90 days of operation                    | Our Affiliate, Approved Suppliers and Advertising Agencies |
| On-Site Training Fee <sup>(12)</sup>                    | <del>\$41,000</del> \$47,750 to <del>\$76,000</del> <u>\$77,350</u>            | 2 lump sums       | \$20,000 deposit when franchise agreement is executed; balance as incurred | Us                                                         |
| Additional Funds – 3 Months <sup>(13)</sup>             | \$40,000 to \$100,000                                                          | As Incurred       | As Incurred                                                                | Third Parties                                              |
| Estimated Total <sup>(14)</sup>                         | <del>2,962,000</del> <u>\$3,044,250</u> to <u>\$5,573,000</u> <u>\$752,350</u> |                   |                                                                            |                                                            |

Notes for both Single Brand and Dual Brand Free Standing Restaurants:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Buona Business. We do not offer direct or indirect financing for these items. None of the fees payable to us are refundable. Fees paid to vendors or other suppliers may or may not be refundable depending on their policies or your arrangements with them.

(1) Initial Franchise Fee - Your Initial Franchise Fee is \$40,000 and is payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable, except if we terminate your Franchise Agreement for your failure to successfully complete initial training in which case we will refund 10% of the Initial Franchise Fee paid upon delivery to us of an executed release. If you are signing a Dual Brand Franchise Agreement, you will pay us the \$40,000 initial franchise fee and you will pay our affiliate Five Flavors the initial franchise fee of \$20,000 for a Rainbow Kiosk.

(2) Land – This estimate assumes that you will acquire land and build a building for the restaurant. The estimate covers the cost of acquiring land. Your initial investment will be less if you lease the land upon which your Restaurant sits. The estimated low range for leasing land is \$75,000 annually and the estimate high range for leasing is \$175,000 annually. The cost of purchasing unimproved land or leasing land will vary significantly depending on location, availability of utilities and other factors. Depending on the market conditions and other factors in your geographic area, your land costs may vary from the estimates provided in this Item 7. We estimate that the size of your land will range from 45,000 to 60,000 square feet.

(3) Site Work – This estimate is for the cost of developing the site for constructing a new building. You will not incur this expense if you lease the building for your Restaurant. The site costs for a building will

vary significantly depending on many factors including the difficulty of site work, utilities, site grading, labor costs, local taxes and development fees and the availability of financing. You may also buy land with an existing building to convert into a Buona Restaurant in which case you will likely not incur the expenses associated with site work.

(4) Building - We assume that you will acquire land and build the building for the Restaurant, and this estimate is for the cost of constructing a new building. The Restaurant premises are typically a free standing building. There are 2 approved building styles. One style is 3,920 square feet and the other is 4,200 square feet. The square footage may increase to 4,900 square feet for a Dual Brand Restaurant. We may allow or require variations to this size under certain circumstances. This estimate includes the expense of a new, completely finished building, including carpentry, all interior finishes, mechanical, electrical, and plumbing. This estimate also includes fees for architectural and engineering services such as site planning, state approvals and other permits for building, heating and air conditioning, plumbing, bid review, construction coordination, pay request review, and project closeout. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs, local taxes and development fees and the availability of financing. If you are not building a new building and purchased land with an existing building, you will incur costs to convert the building to be in compliance with the specifications for a Buona Restaurant, but we would expect those costs to be less than the cost of constructing a new building.

(5) Travel and Living Costs While Traveling - We cover the cost of the initial training program, but you will be responsible for the travel, lodging, meals and other living expenses of your owner and managers while attending the initial training program. (See Item 11 for information on the initial training program.) We provide training at our principal place of business located in Chicago, Illinois, or such other location we may select from time to time. These amounts do not include any fees or expenses for training any other personnel. There is no charge for the first 4 attendees; however, there is \$1,500 per week per-attendee initial training charge for each additional attendee. If you are signing a Dual Brand Franchise Agreement, you and your managers will need to attend and successfully complete an additional week of initial training.

(6) Initial Inventory and Supplies - Initial inventory consists of various food products, beverages, paper products, cleaning supplies, and other supplies utilized in operating the Restaurant, as well as other merchandise or products sold in the Restaurant. The initial inventory expenditure could vary due to factors such as anticipated sales volume, commodity costs, distribution fees and inflation.

(7) Furniture, Fixtures, Equipment and Supplies (Excluding Sign Package and POS) - This estimate includes all necessary equipment, furniture, fixtures, beverage systems. The estimate includes equipment and supplies for providing delivery and catering services. We have not included in the estimate any amount for the purchase or lease of a vehicle on the assumption that you either have an existing vehicle to use or you may use third party delivery services. If you wanted to purchase an optional vehicle wrap, the cost would be approximately \$1,500.

(8) Sign Package - The estimate includes the cost to acquire and install all interior and exterior signs for your Restaurant, but it does not include sales tax. Your investment in exterior signs necessary to operate the Restaurant is highly variable. Your exact investment depends on several factors, including the number and size of the proposed exterior signs, local labor costs, prices charged by suppliers, inflation, financing costs and similar factors beyond our or your control. All exterior signs and supplies for your Restaurant must meet our standards and specifications, comply with any state or local government regulations, and must be manufactured by a supplier approved by us.

(9) POS System - The estimate includes the cost to acquire and install the required point of sale system meeting our standards and specifications. The estimate does not include sales tax.

(10) Miscellaneous Expenses - This amount estimates for professional services, such as attorneys' fees, and accounting fees, and license fees such as liquor license fees and business licenses, and utility deposits.

(11) Grand Opening Advertising and Marketing - You must conduct an advertising and marketing campaign to promote the grand opening of your Buona Business and spend a minimum of \$20,000. We may recommend you spend more if you will be the first Buona Business in the market. These amounts must be spent starting 60 days prior to opening and within the first 90 days after opening. If you will be operating a Dual Brand Business, you must spend a minimum of \$25,000 promoting both brands.

(12) On Site Training Fee - This is an estimate of the on-site training fees that you must pay to us for the on-site training we provide to you. You pay us a \$20,000 deposit on this fee when you sign the franchise agreement. The fee is based on a daily rate for each training session on-site, plus the travel and living expenses incurred by our representatives who travel to your site for the training. The fee is based on a daily rate for each training on-site. The number of trainers and the length of training may vary based on the training we deem necessary for you and your operations. ~~We cover the cost of the travel and living expenses of our trainers.~~

(13) Additional Funds (for 3 months of operation) - This is an estimate of your additional funds requirements for the first 3 months of operations, based on our affiliate's experience of opening and operating Buona Businesses. New businesses often generate a negative cash flow. The estimated range for necessary additional funds for the first 3 months is as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses, royalties, advertising, utilities, insurance, pest control, security, repairs, maintenance and complimentary sales and other costs. These figures only are estimates and you may incur additional expenses in starting your Buona Business. Your actual cost will depend on factors including without limitation your management skill, experience and business acumen, local economic conditions, the local market for your Buona Business, wage and labor rates, competition in the marketplace, the local market for your products and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

(14) Totals - We relied on our experience and our owners' experience of over 40 years in the restaurant business to compile these estimates. Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 and/or estimates that we give during any phase of the development process.

## YOUR ESTIMATED INITIAL INVESTMENT

### BUONA INLINE– SINGLE BRAND

| Type of Expenditure                                                                             | Amount                 | Method of Payment | When Due                                 | To Whom Payment is to be Paid                |
|-------------------------------------------------------------------------------------------------|------------------------|-------------------|------------------------------------------|----------------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>                                                            | \$40,000               | Lump Sum          | Upon signing of the Franchise Agreement  | Us                                           |
| Design and Architect Fees <sup>(2)</sup>                                                        | \$20,000 to \$40,000   | As arranged       | Deposit of \$5,000 when site is approved | Affiliate                                    |
| Lease, Utility and Security Deposits <sup>(3)</sup>                                             | \$24,500 to \$38,500   | Lump sum          | Upon signing lease                       | Landlord, Utilities                          |
| Lease Rental Payments – <del>prior to opening and</del> 1 <sup>st</sup> 3 months <sup>(3)</sup> | \$24,500 to \$157,500  | As incurred       | As incurred                              | Landlord                                     |
| Leasehold Improvements <sup>(4)</sup>                                                           | \$491,000 to \$675,000 | As incurred       | As incurred                              | Third parties, contractors                   |
| Travel and Living Costs While Training <sup>(5)</sup>                                           | \$42,000 to \$59,000   | As incurred       | Before and during training               | Airlines, hotels, restaurants                |
| Initial Inventory and supplies <sup>(7)</sup>                                                   | \$15,000 to \$40,000   | Lump Sum          | Prior to opening                         | Our Affiliate and Various Approved Suppliers |
| Furniture, Fixtures and Equipment (excluding Sign Package and POS) <sup>(8)</sup>               | \$430,000 to \$540,000 | As arranged       | Prior to opening                         | Suppliers                                    |
| Sign Package <sup>(9)</sup>                                                                     | \$45,000 to \$67,000   | As arranged       | Prior to opening                         | Supplier                                     |
| POS System <sup>(10)</sup>                                                                      | \$36,000 to \$46,000   | As arranged       | Prior to opening                         | Supplier                                     |
| Miscellaneous expenses <sup>(10)</sup>                                                          | \$9,600 to \$39,950    | As incurred       | Prior to opening                         | Attorneys, accountants, government agencies  |

| Type of Expenditure                                     | Amount                                                                             | Method of Payment | When Due                                                                   | To Whom Payment is to be Paid                              |
|---------------------------------------------------------|------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------|------------------------------------------------------------|
| Grand Opening Advertising and Marketing <sup>(11)</sup> | \$20,000 to \$35,000                                                               | Lump Sum          | 60 days prior to opening and first 90 days of operation                    | Our Affiliate, Approved Suppliers and Advertising Agencies |
| On-Site Training Fee <sup>(12)</sup>                    | <del>\$40,000</del> \$47,750 to <del>\$60,000</del> <u>\$61,880</u>                | 2 lump sums       | \$20,000 deposit when franchise agreement is executed; balance as incurred | Us                                                         |
| Additional Funds – 3 Months <sup>(13)</sup>             | \$35,000 to \$75,000                                                               | As Incurred       | As Incurred                                                                | Third Parties                                              |
| Estimated Total <sup>(14)</sup>                         | <del>\$1,272,600</del> <u>\$280,350</u> to <u>\$1,912,950</u> <del>\$809,830</del> |                   |                                                                            |                                                            |

#### Notes for Buona Inline Single Brand:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Buona Business. We do not offer direct or indirect financing for these items. None of the fees payable to us are refundable. Fees paid to vendors or other suppliers may or may not be refundable depending on their policies or your arrangements with them.

(1) Initial Franchise Fee - Your Initial Franchise Fee is \$40,000 and is payable in full when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable, except if we terminate your Franchise Agreement for your failure to successfully complete initial training in which case we will refund 10% of the Initial Franchise Fee paid upon delivery to us of an executed release.

(2) Design and Architect Fees - You must engage our designated architect to plan the layout and required improvements for the leased premises.

(3) Lease Deposits and Rent - These figures presume that you will be leasing your premises. Generally, you will need to lease a site of approximately 2,800 to 3,700 square feet. We may allow or require variations to typical size parameters under certain circumstances. Your landlord will typically require a security deposit equal to one or two months' rent and may, also, require payment in advance of the first and/or last (or more) month's rent. These figures provide the estimated amount of the security deposit for a location meeting our typical size requirements. The expense of leasing will vary depending upon the size of the premises, its location (for example, downtown, mall, suburban or rural), landlord contributions and the requirements of individual landlords. The low estimate for the lease rental payments shown in the charts above includes 3

months' rent (including CAM, taxes and insurance) for your initial period of operation and assumes that the landlord will not charge rent until the Buona Business opens. The high estimate for lease rental ~~payments~~payment shown in the charts includes 6 months of rent before opening and rent for the first 3 months of operation.

(4) Leasehold Improvements- The cost of leasehold improvements will vary depending on numerous factors including the size and configuration of the premises and pre-construction and construction costs. The low end of this range presumes that (i) the premises was formerly used as a restaurant and therefore the space is finished and outfitted with many of the fixtures necessary for the operation of a Buona Business and/or (ii) your landlord will provide a partial build-out allowance.

(5) Travel and Living Costs While Training - We cover the cost of the initial training program, but you will be responsible for the travel, lodging, meals and other living expenses of your owner and managers while attending the initial training program. At the present time, we provide initial training of approximately 6 days for the operating owner and of approximately 36 days for both your operating owner, general manager and 2 assistant managers. We provide training at our principal place of business located in Chicago, Illinois, or such other location we may select from time to time. These amounts do not include any fees or expenses for training any other personnel. There is no charge for the first 4 attendees; however, there is \$1,500 per week per-attendee initial training charge for each additional attendee.

(6) Initial Inventory and Supplies - Initial inventory consists of various food products, beverages, paper products, cleaning supplies, and other supplies utilized in operating the Restaurant, as well as other merchandise or products sold in the Restaurant. The initial inventory expenditure could vary due to factors such as anticipated sales volume, commodity costs, distribution fees and inflation.

(7) Furniture, Fixtures, Equipment and Supplies (Excluding Sign Package and POS) - This estimate includes all necessary equipment, furniture, fixtures, beverage systems. The estimate includes and supplies for providing delivery and catering services. We have not included in the estimate any amount for the purchase or lease of a vehicle on the assumption that you either have an existing vehicle to use or you may use third party delivery services. We may offer you a vehicle wrap package for certain types of vehicles. The cost of a vehicle wrap package is approximately \$1,500.

(8) Sign Package - The estimate includes the cost to acquire and install all interior and exterior signs for your Restaurant, but it does not include sales tax. Your investment in exterior signs necessary to operate the Restaurant is variable. Your exact investment depends on several factors, including the number and size of the proposed exterior signs, local labor costs, prices charged by suppliers, inflation, financing costs and similar factors beyond BUONA's or your control. All exterior signs and supplies for your Restaurant must meet our standards and specifications, comply with any state or local government regulations, and must be manufactured by a supplier approved by us.

(9) POS System - The estimate includes the cost to acquire and install the required point of sale system meeting our standards and specifications. The estimate does not include sales tax.

(10) Miscellaneous Expenses - This amount estimates for professional services, such as attorneys' fees, and accounting fees, and license fees such as liquor license fees and business licenses, and utility deposits.

(11) Grand Opening Advertising and Marketing - You must conduct an advertising and marketing campaign to promote the grand opening of your Buona Business and spend a minimum of \$20,000. We may recommend you spend more if you will be the first Buona Business in the market. These amounts must be spent starting 60 days prior to opening and within the first 90 days after opening.



(12) Onsite Training Fee - This is an estimate of the on-site training fees that you must pay to us for the on-site training we provide to you. You pay us a \$20,000 deposit on this fee when you sign the franchise agreement. The fee is based on a daily rate for each training on-site- plus the travel costs incurred by our representatives who travel to your site for the training. The number of trainers and the length of training may vary based on the training we deem necessary for you and your operations. ~~We cover the cost of the travel and living expenses of our trainers.~~

(13) Additional Funds - This is an estimate of your additional funds requirements for the first 3 months of operations, based on our experience of opening and operating Buona Businesses. The estimated range for necessary additional funds for the first 3 months is as shown in the charts above, and includes general operating expenses, such as supplies, food and beverage products, packaging, payroll, payroll expenses, royalties, advertising, utilities, insurance, pest control, security, repairs, maintenance and complimentary sales and other costs. These figures are estimates and we cannot assure you that you will not have additional expenses in starting your Buona Business. Your actual cost will depend on factors including without limitation your management skill, experience and business acumen, local economic conditions, the local market for your Buona Business, wage and labor rates, competition in the marketplace, the local market for your products and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

(14) Total - We relied on our experience and our owners' experience of over 40 years in the restaurant business to compile these estimates. Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a Franchise. We do not offer any financing for your initial investment. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

### **Area Development Agreement**

If you sign an Area Development Agreement, you should anticipate the initial costs listed in the chart above for the opening of the first Buona Business plus the Development Fee of one-half times the initial franchise fees for the additional Buona franchises to be developed under the Area Development Agreement after the first one.

## **ITEM 8**

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

#### **Required Purchases and Designated and Approved Suppliers**

You must purchase all Italian beef, Italian sausage and other ingredients and food products, beverages, packaging, equipment, signs, fixtures, point-of-sale system, software, marketing materials, marketing and promotional services, online/gift card/loyalty program services, architectural services, accounting services, construction management services, construction materials, uniforms, cleaning supplies and other materials and supplies required in the operation of the Franchised Business that are or incorporate our trade secrets or confidential information from either suppliers designated by us for some items or from suppliers approved by us, which suppliers may include us or our affiliates.

You must purchase other materials, supplies and services required for the operation of the Franchised Business solely from suppliers who demonstrate the ability to meet our standards and specifications for such item, who possess adequate quality controls and capacity to supply the needs of our franchisees promptly and reliably and who have been approved by us in writing and such approval has not thereafter been revoked, or following our standards and specifications for such items. The Manual will contain a list of designated and approved suppliers as well as other purchasing standards and specifications.

Our affiliate Authentic Brands of Chicago, LLC is currently the only designated supplier for Italian beef and related products. Our affiliate The Buona Companies, L.L.C. is currently an approved supplier, but not the only approved supplier, of marketing materials. Our affiliate, Keystone Planning + Design, PLLC is currently the only designated supplier for design and architectural services.

You must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, other equipment, computer hardware and software, signs, insurance and other products and services that conform to the standards and specifications described in the Manual or otherwise in writing. Other than the requirements above and as more specifically set forth in the Manual, you are not obligated to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate from us or any other specifically designated source.

### **Approval of alternative suppliers**

If you desire to purchase any such items from an unapproved supplier, you or the supplier must submit to us a written request for approval. We may require, as a condition of approval, that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered either to us or an independent laboratory we designate for testing prior to granting approval. Either you or the supplier must pay a charge not to exceed our reasonable cost of inspection and the actual cost of testing. We will notify you of approval or disapproval of a supplier within approximately 30 days. We do not provide our criteria for approving suppliers to our franchisees. We may re-inspect the facilities and products of any approved supplier at any time and revoke our prior approval upon failure of such supplier to continue to meet our criteria for supplier approval.

Other than direct and indirect interest in our affiliates, none of our officers owns an interest in any of the designated or approved suppliers.

### **Insurance Requirements**

You must maintain in force all risk property insurance on contents including improvements and betterments in an amount equal to 100% replacement value; commercial general liability insurance, to include personal injury, property damage and products liability; workers' compensation and employers' liability; comprehensive auto liability; liquor liability insurance if applicable; business interruption insurance (in an amount sufficient to cover the royalty, marketing fees and technology fees due under the Franchise Agreement, for a period of at least 12 months); cyber insurance coverage; PCI DSS liability coverage; and umbrella/excess liability coverage. All insurance policies must be issued by carriers we have approved and who are authorized to do business in the state where your Buona Business is located, must contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time in the Franchise Agreement or in the Manual, must name us as additional insured, must provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and must include all other provisions we may require from time to time.

## Revenue from franchisee purchases

~~We do~~In the year ending December 31, 2023, we did not have any franchises open as of December 31, 2022, and neither we nor any affiliates identified above derived any revenue from franchisees' leases or purchases of products or services. In the year ending December 31, 2022, Our affiliates identified above who are suppliers to 2023, our franchisees will derive revenues affiliate Keystone Planning + Design, PLLC had revenue from franchisees' purchases in the future. franchisee purchases of \$5,000 or less than 1% of its total revenue of \$1,075,000.

In the year ending December 31, 2023, our affiliate The Buona Companies, L.L.C. and our affiliate Authentic Brands of Chicago, LLC had no revenue from franchisee purchases.

We do not currently receive payments from designated or approved suppliers with respect to your purchases, but we and/or our affiliates reserve the right to do so. There are currently no purchasing or distribution cooperatives. We may in the future negotiate purchase arrangements with suppliers. You will receive no material benefits based on your purchases from approved suppliers. However, you must comply with the requirements to purchase from designated or approved suppliers to be in compliance with your Franchise Agreement.

We estimate that the purchase of supplies, equipment, inventory, fixtures, goods, services and products from us or our designated or Approved Suppliers, or those meeting our standards and specifications, will be between 60% to 80% of your total initial cost and between 30% to 45% of the total ongoing costs to operate your Buona Business.

## Cooperatives

We do not have any purchasing or distribution cooperatives as of the date of this Franchise Disclosure Document.

## Negotiated Prices; Rebates

We will negotiate purchase arrangements with other suppliers and distributors for the benefit of our franchisees. Currently, no approved suppliers pay rebates to us based on purchases by franchisee. We may receive rebates from suppliers in the future.

## Material Benefits

We do not provide material benefits, such as renewing or granting additional franchises, to franchisees based on their use of designated or Approved Supplier's products or services.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you to find more detailed information about your obligations in these agreements and in other Items of this Franchise Disclosure Document.**

References to Sections in the Franchise Agreement are the same for the Dual Brand Franchise Agreement unless noted below.

“ADA” as used in this table means Area Development Agreement. All other references are to provisions in the Franchise Agreement.

| Obligation |                                                         | Section in Franchise Agreement                                                                                                     | Disclosure Document Item |
|------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| a.         | Site selection and acquisition/lease                    | Sections 1.1, 6.2, 6.3 9.2(b), and 16.2(a) Exhibit A                                                                               | Item 11                  |
| b.         | Pre-opening purchases/leases                            | Sections 6.3 and 10.3                                                                                                              | Items 5 and 7            |
| c.         | Site development and other pre-opening requirements     | Sections 1.1, 5.5, 6.1 – 6.4, 8.2, and 8.3                                                                                         | Items 5, 6, 7, 8 and 11  |
| d.         | Initial and ongoing training                            | Article VIII                                                                                                                       | Item 11                  |
| e.         | Opening                                                 | Section 6.5 and 16.2(a)                                                                                                            | Items 8 and 11           |
| f.         | Fees                                                    | Sections 2.2, Article III, 4.7, 6.6, 8.2, 8.3, 8.4, 8.5, 8.6, 9.7, 10.3, 12.3, 15.3, 15.4 16.6, 16.9 and 24.11<br><br>ADA – Sec. 2 | Items 5 and 6            |
| g.         | Compliance with standards and policies/Operating Manual | Article VII and Section 10.2                                                                                                       | Items 8 and 11           |
| h.         | Trademarks and proprietary information                  | Article V<br><br>ADA – Sec. 6                                                                                                      | Items 13 and 14          |

| Obligation |                                                     | Section in Franchise Agreement           | Disclosure Document Item |
|------------|-----------------------------------------------------|------------------------------------------|--------------------------|
| i.         | Restrictions on products/services offered           | Section 4.1 and Article X                | Item 16                  |
| j.         | Warranty and customer service requirements          | Section 10.12                            | Item 11                  |
| k.         | Territorial development and sales quotas            | Section 14.1<br>ADA – Sec. 3             | Item 12                  |
| l.         | Ongoing product/service purchases                   | Section 10.3                             | Item 8                   |
| m.         | Maintenance, appearance and remodeling requirements | Sections 10.1 and 10.8                   | Item 11                  |
| n.         | Insurance                                           | Article XII                              | Item 8                   |
| o.         | Advertising                                         | Section 1.6, 10.5 and Article XI         | Item 11                  |
| p.         | Indemnification                                     | Sections 10.1, 12.4, 15.6, 16.8 and 19.3 | Item 6                   |
| q.         | Owner’s participation/management/staffing           | Sections 6.1, 10.6, 10.7, 10.12 and 14.1 | Item 15                  |
| r.         | Records/reports                                     | Article IV                               | Item 11                  |
| s.         | Inspections/audits                                  | Sections 4.7, 9.4, 10.15 and 10.16       | Item 8                   |
| t.         | Transfer                                            | Article XV<br>ADA – Sec. 8               | Item 17                  |
| u.         | Renewal                                             | Sections 2.2 and 2.3                     | Items 6 and 17           |

| Obligation |                              | Section in Franchise Agreement                                  | Disclosure Document Item |
|------------|------------------------------|-----------------------------------------------------------------|--------------------------|
| v.         | Post-termination obligations | Section 17.2<br>ADA - Sec. 7.4                                  | Item 17                  |
| w.         | Non-competition covenants    | Article XIV<br>ADA – Sec. 9                                     | Items 14, 15 and 17      |
| x.         | Dispute resolution           | Article XXIV<br>ADA – Sec. 12                                   | Item 17                  |
| y.         | Other: Guaranty              | Section 6.1(a) and Exhibit F<br><br>ADA – Sec. 15 and Exhibit C |                          |

## **ITEM 10** **FINANCING**

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

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

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

### **Pre-Opening Assistance**

#### **Franchise Agreement**

After the Franchise Agreement is signed and before you open your Buona Business, we or our designees will:

1. Grant you the right to use the Marks in connection with your Buona Business (Franchise Agreement, Section 5.1).
2. Provide you with lists of designated and approved suppliers and other purchasing standards and specifications and guidance on ordering (Franchise Agreement, Section 9.2(a) and Section 10.3)

3. While we provide you location research and assistance in selecting your site as we deem advisable, (including real estate and demographic analysis subject to the availability of our personnel (Franchise Agreement, Section 9.2(b))))), it is your responsibility to decide on the location of your site for the Buona Business, subject to our approval (Franchise Agreement, Section 1.1 and Exhibit A).
4. Designate a Protected Area for your Buona Business (Franchise Agreement, Section 1.3 and Exhibit A).
5. Approve the letter of intent for your lease and your lease before execution by you as further discussed below (Franchise Agreement, Section 6.3)
- ~~5.6.~~ Provide typical floor plans and site build-out specifications for the construction of your Buona Business and further assist you with the design and layout of your Buona Business (Franchise Agreement, Section 9.2(c)).
- ~~6.7.~~ Provide one of our owners and a minimum of 3 managers with initial training. (Franchise Agreement, Section 8.2).
- ~~7.8.~~ Provide pre-opening and grand opening assistance at your Buona Business with one or more of our representatives. (Franchise Agreement, Section 8.3).
- ~~8.9.~~ Give you online access to the Operations Manual. (Franchise Agreement, Section 7.1). The Table of Contents for the Operations Manual is attached Exhibit F to this Franchise Disclosure Document. As of the date of this Disclosure Document, the Operations Manual had a total of 394 pages. Information on the Operations Manual for Five Flavors is disclosed in the Five Flavors Franchise Disclosure Document.
- ~~9.10.~~ Provide you with written consent to open the Buona Business (Franchise Agreement, Section 6.5)

We have no other pre-opening obligations to you.

### **Continuing Assistance**

During your operation of your Buona Business, we or our designees:

1. Will provide you periodic advisory assistance with respect to the operation of the Buona Business. (Franchise Agreement, Section 9.1).
2. Will notify you about changes, additions, deletions and supplements to the Manual, all of which are incorporated into and become a part of the Manual, either in writing or by posting on our intranet or website (Franchise Agreement, Section VII). You are required to follow the Manual in the operation of the Buona Business and implement any changes of which we notify you.
3. May provide additional training, seminars, meeting or webinars for franchisees and managers, and may hold national, regional and local conferences for franchisees to discuss updates to products, services, methods, operational standard, policies and procedures, and marketing and advertising (Franchise Agreement, Sections 8.4, 8.5 and 8.6).

4. May periodically as we deem advisable, conduct directly or through third parties, inspections of your Buona Business and evaluate its operations (Franchise Agreement, Sections 5.11, 10.15 and 10.16).
5. May provide you a page on or link to our Buona website for promotion of the Buona Business (Franchise Agreement, Section 9.6)

### Site Selection

You are responsible for locating a site for your Buona Business, subject to our site approval process. Before leasing or purchasing the site for your Buona Business, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. ~~For a site with ground-up construction, You must submit a proposed site that is acceptable to us within 6 months of signing the franchise agreement. For an existing site, you must submit a proposed site that is acceptable to us within 4 months of signing the franchise agreement.~~ If we disapprove of a proposed site, you must select and submit another site, subject to our consent. If you have not obtained our written approval of a site within these time frames, we may terminate your Franchise Agreement.

The factors we consider in approving sites include but are not limited to location, size, suitability, layout, access and visibility of the proposed location, proximity to other businesses, location and nature of any competitors, population density and demographics, household income, vehicle traffic, pedestrian traffic, existing tenant mix, parking convenience and any other factors that may be relevant to your market. We will endeavor to approve or disapprove the site within 30 days after we receive the information and materials to evaluate the proposed site. Once we have approved your location, we will amend your Franchise Agreement to show the specific location as the only location where you are authorized to operate your Buona Business.

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

~~We must approve the lease for your approved site before you execute it. Once we have approved a site, you will prepare and submit a letter of intent to the landlord for the site and obtain a proposed lease. We must approve the letter of intent for your lease and the lease for your approved site before you execute them.~~ The factors we consider in approving a lease include but are not limited to whether the terms are commercially reasonable based on the current market conditions, the length of the term, and the rights to cure upon default. In addition, a condition of approval of the lease will be the agreement of the landlord to execute our form of Addendum to Lease and Collateral Assignment of Lease that is attached to the Franchise Agreement as Exhibit B, or alternatively providing similar language in the executed lease in a form approved by us. These requirements apply whether the lessor is an unrelated third party or is an affiliate of yours. If the lease is not approved by us, you must locate another site that meets our approval.

You will provide a copy of the executed lease to us. You will provide to us the names and contact information for your landlord and/or management companies of the approved site of your Buona Business. We reserve the right to contact your landlord and/or management company for the purposes of assessing your performance and customer satisfaction.

You may not relocate your Buona Business without first obtaining our prior written consent.



## **Time to Opening**

It is estimated that the length of time between your signing the Franchise Agreement and the opening of the Buona Business will be approximately ~~8~~<sup>12</sup> to ~~12~~ months if your site has ground up construction, and approximately ~~8 to 10~~<sup>15</sup> months for an existing site. In-Line Restaurant and 15 to 24 months for a single brand or dual brand Free Standing Restaurant. Factors affecting this length of time include the time it takes to obtain financing, locate and obtain approval of the leased premises, build-out and equip the leased premises, hire managers, and for you and your managers to successfully complete the initial training program.

You must open your Free Standing Buona Business within 12 months after obtaining our approval of your site for ground up construction ~~and with~~ within ~~6~~<sup>10</sup> months after obtaining our approval of your site for an existing location. You must open your In-Line Buona Business within 12 months after obtaining our approval of your site for ground up construction with within 8 months after obtaining our approval of your site for an existing location. If extenuating circumstances beyond your control exist and you are making reasonable efforts to open the Buona Business, we may (in our sole discretion) agree to extend that time period for an additional reasonable amount of time. Otherwise, we may terminate your Franchise Agreement for your failure to open your Buona Business within the required time period.

## **Advertising**

Once established, we will administer a system-wide brand marketing fund (“Marketing Fund”). You will contribute to the Marketing Fund as described in Item 6. All franchisees will contribute to the Marketing Fund on the same basis. Restaurants owned by our affiliate do not contribute to the Marketing Fund.

We will be entitled to direct all advertising, marketing and promotional programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. You agree that the Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining the Buona Website; internet-based advertising and marketing programs, developing and maintaining other presence on the Internet, including reputation management and system-wide online programs for customer ordering and loyalty rewards program; intranet development supporting public relations; market research and marketing activities; providing advertising, marketing and promotional materials to Buona Businesses; and any and all other activities for the purpose of promoting the Marks and Buona Businesses. The Marketing Fund will furnish you with approved advertising, marketing and promotional materials at its direct cost of producing those materials.

The Marketing Fund will be a separate and distinct account and will be accounted for separately from the our other funds and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs and overhead we may incur in activities reasonably related to the administration of the Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Marketing Fund). We may spend in any fiscal year an amount greater or less than the total contribution of Buona Businesses to the Marketing Fund in that year. We may cause the Marketing Fund to borrow from us or other lenders to cover deficits of the

Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising, marketing and promotional costs of the Marketing Fund before other assets of the Marketing Fund are expended. We will prepare an annual unaudited statement of monies collected and costs incurred by the Marketing Fund and will furnish it to you on written request.

You understand and acknowledge that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Buona Businesses. Although we will endeavor to use the Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all Buona Businesses, we have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Buona Businesses operating in that geographic area or that any Buona Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. We assume no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund. We may terminate or discontinue the Marketing Fund upon 30 days' notice to our franchisees. In that event, we will distribute all unspent monies to our franchisees in proportion to their respective contributions made in the previous 12 months. We have the right thereafter to reinstate the Marketing Fund upon 30 days' notice to our franchisees.

We currently do not have an advertising council composed of franchisees.

If a local advertising co-operative exists or is formed in your area or region consisting of Buona franchisee and/or affiliate-owned restaurants, you agreed to join and participate in the co-operative. The members of the cooperative are responsible for the maintenance, direction and administration of the co-operative. We assume no responsibility for the maintenance, direction or administration of the co-operative, including any failure of franchisees to make contributions to the co-operative. There are no franchisee advertising cooperatives currently in existence.

Starting 60 days prior to the opening of the Buona Business and continuing through the first 90 days of operation, you must conduct an advertising campaign announcing the grand opening of your Buona Business. You must spend a minimum of \$20,000 on grand opening advertising and marketing. Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that you and we agree is best suited for your grand opening campaign.

In addition to your contribution to the Marketing Fund, beginning on the date of opening of your Buona Business, you must spend a minimum of 1% of the Gross Sales during each period of the fiscal year on local advertising, marketing and promotion. You will make these expenditures directly, subject to our approval and direction. At our request, you must furnish to us in a manner approved by us an accurate accounting of your local advertising and marketing expenditures for each calendar quarter.

You must obtain our prior written approval of any marketing materials you use. If you desire to use your own advertising materials, you must obtain our prior approval, which may be withheld in our sole discretion. We will review your request and we will endeavor to respond in writing within 30 days from the date we receive all requested information. Our failure to notify you will be deemed the disapproval of your request. Your use of the Marks and other name identification materials must follow our approved standards. You may not use the Marks or other name identification materials on items to be sold or services to be provided without our prior written approval, which may be withheld in our sole discretion.

You are not required to participate in any local or regional advertising cooperative.

**Computer Systems**

You must purchase and use a computer for use in your business operations and point-of-sale (POS) system and applications for the operation and marketing of the restaurant.

We require you to purchase a POS system that we designate along with various web-based platforms, software and/or applications. We currently require you to purchase and use the Brinks POS system along with software and applications for customer feedback, online ordering, third party delivery, loyalty/gift programs, payment processing, phone support, inventory, labor and accounting, restaurant security, third party delivery, and catering.

As part of the technology fee, you will be provided access to Franconnect training and internet software, Meazure Up for checklists, ~~and~~ ProfitKeeper for financial reporting, and Brainier, a learning management system. For any other software and applications you are required to use, you will pay the providers directly. The estimated monthly cost for required software and applications is \$1,500.

We estimate the initial cost of purchasing the POS system and related software and application, including installation, and the office computer system to be between \$35,000 and \$55,000.

You must install and maintain equipment and a high-speed internet connection to permit your POS to link to the cloud. We have the right to independently access your electronic information through the cloud and to retrieve and use your electronic information and data in any manner we deem necessary or desirable to promote or develop the System and the sale of franchises. There is no contractual limitation on our right to receive or use information we obtain from your Buona Business. (Franchise Agreement, Section 10.8)

To ensure full operational efficiency and optimum communication capability, you must, at your expense, keep your POS and computer systems in good condition, and promptly install all additions, changes, modifications, substitutions or replacements to hardware, software, and other computer-related facilities, as we may direct from time to time. There is no limitation on the frequency or cost of your obligation to upgrade or replace your POS and computer systems. Neither we nor any affiliate have any ongoing obligation to provide ongoing maintenance, upgrades or updates to your computer system. You must obtain and pay for your own technical support for the computer system. The estimated annual cost to maintain the POS and computer systems is \$1,200. You are also responsible for protection your POS and computer systems from virus, computer hackers and other computer-related and technology-related problems.

You must comply with all laws related to the operation of your Buona Business, including those related to data security and privacy and you must comply with all payment card industry (PCI) data security standards. Your estimated cost for this compliance is \$125 per month.

**Training**

Prior to attending in-person training, your operating owner and managers must complete and pass the following pre-training courses on our web-based training system.

| Subject                          | Hours of E-Learning Training |
|----------------------------------|------------------------------|
| Orientation                      | ½                            |
| History/Philosophy of Buona Beef | ½                            |
| Use of the Manual                | 1                            |
| Pre-Opening Procedures           | 1                            |

|                                   |     |
|-----------------------------------|-----|
| Food Safety/Sanitation Procedures | 3 ½ |
| Store Safety and Security         | 3 ½ |
| Product Orientation               | 4   |
| Guest Service Procedures          | 4   |
| Operating CTUIT Platform          | 5 ½ |
| Operating Brink POS form          | 3   |
| Operating Brainier Platform       | 2   |
| Franchise Reporting               | 2   |
| Marketing / Advertising           | 2 ½ |
| Personnel Policy Development      | 7   |
| Total                             | 40  |

Prior to opening the Buona Business, an operating owner having at least 10% ownership in the franchisee entity must attend and complete, to our satisfaction, our initial training program for owners and managers. A general manager and at least two assistant managers must attend and satisfactorily complete initial training with your owner. All personal expenses, including without limitation travel, food and lodging costs, incurred by your owners and managers will be paid by you. Neither your owners nor your employees will receive any compensation from us for services performed during training.

We provide our initial training program to you to protect the System, the Marks and our goodwill, not to control the day-to-day operations of your Buona Business. Initial training will be conducted a minimum of 5 times a year as necessary for new franchisees. Training must be completed 30 days prior to the opening of your Buona Business.

The training materials include online instruction and information and the Manual.

Currently the initial training is conducted by the following individuals who are employed by our affiliates:

- Steve Felson, Senior Vice President, Operations and Training for The Buona Companies, L.L.C.
  - Mr. Felson has been Senior Vice President, Operations and Training since January 2024. He has 40 years of prior experience in franchise operations and training.
- John Westland, Director of Franchise Operations for The Buona Companies, L.L.C
  - Mr. Westland has been Director of Franchise Operations since March 2024. He has 40 years of prior experience in franchise operations.
- Joseph Buonavolanto III
  - Mr. Buonavolanto is currently our Vice President of Franchising and served our affiliate for 15 years as General Manager, Area Coach, and Director of Training.
- Christina Noel
  - Mrs. Noel is the Learning and Development Manager for The Buona Companies LLC. She has been with the company since 2021. During that time, she has built a robust e-learning and hands-on-training program which drives performance in the operation. She has also been involved in numerous store openings.
- Jenifer Navarro
  - Ms. Navarro has been a Learning and Development specialist for The Buona Companies L.L.C. since 2021. She has been a crucial part in the development of the training tools for

Buona Beef and its affiliates. She is tasked with maintaining the e-learning modules and in-store compliance for Buona Beef.

- Brie Craft
  - Ms. Craft is the Franchise Training and Onboarding Manager for The Buona Companies L.L.C. She has been with the company since 2016. During that time, she has opened new locations, updated the e-learning tools, and provided store side support with technology integrations over the past years.
- Holly Szczepanik
  - Ms. Szczepanik has been a Training Partner for The Buona Companies, L.L.C. since 2022. She oversees the training and development of team members and hourly managers for the South Region of The Buona Beef restaurants.
- ~~Noah Mendoza~~
  - ~~Mr. Mendoza has been a Training Partner for The Buona Companies, L.L.C. since 2022. He oversees the training and development of team members and hourly managers for the North region of the Buona Beef restaurants.~~
- Mark Douglas
  - Mr. Douglas has been Director of Operations for The Buona Companies, L.L.C. since 2021. He has been with the company since 2013. Mark oversees the day-to-day operations for Buona Restaurants and Catering events.
- Giovanni Paolinelli
  - Mr. Paolinelli has been the New Store Training Partner for The Buona Companies, L.L.C. since 2022. He has been with the company since 2020.
- Peter Hartman
  - Mr. Hartman is an Area Coach with The Buona Companies LLC and has been with the company since 1991.
- ~~Nicole Hughes~~
  - ~~Mrs. Hughes is an Area Coach with The Buona Companies LLC and has been with the company since 2017.~~
- Joseph Trombino
  - Mr. Trombino is an Area Coach with The Buona Companies LLC and has been with the company since 1996.
- Antonia Garcia
  - Ms. Garcia is a Training General Manager for Buona Beef Restaurants for Buona Beef LLC. She has worked various restaurant roles since 2015 and has trained restaurant managers since 2018.
- Stephanie Venegas
  - Ms. Venegas is a Training General Manger for Buona Beef Restaurants for Buona Beef LLC. She has worked various restaurant roles since 2017 and has trained restaurant managers since 2020.
- Richard Villalobos
  - Mr. Villalobos is a Training General Manager for Buona Beef restaurant. He has worked various restaurant roles since 2013 and has trained restaurant managers since 2016.
- Michael Marin
  - Mr. Marin is a Training General Manager for Buona Beef Restaurants for Buona Beef LLC. He has worked various restaurant roles since 2014 and has trained restaurant managers since 2016.

- Jason Zeller
  - Mr. Zeller is a Training General Manager for Buona Beef Restaurants for Buona Beef LLC. He has worked as a General Manager since 2021 and has trained restaurant managers since 2022.
- Michael Johnson
  - Mr. Johnson is a Training General Manager for Buona Restaurants for Buona Beef LLC. He has worked various restaurant roles since 2016 and has trained restaurant managers since 2020.

Other representatives and members of our operations development and marketing teams, and related personnel, may conduct certain portions of training.

You must replace any manager who fails to successfully complete a training program or who in our opinion is otherwise not qualified to manage your Buona Business. If your designated owner fails to successfully complete the initial training, we reserve the right to terminate your Franchise Agreement.

Our entire training program is subject to change without notice to you due to updates in materials, methods, manuals and personnel. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience of those persons being trained.

The subjects covered and approximate hours of on-the-job training are described below.

## TRAINING PROGRAM

### Owner and Manager for Free Standing and In-Line Franchises

| Subject                                         | House of Classroom Training | Hours of “On-The-Job” Training | Location                                        |
|-------------------------------------------------|-----------------------------|--------------------------------|-------------------------------------------------|
| Orientation: Meet the Team & Tour of Facilities | 0                           | ½                              | Chicago, Illinois at a restaurant we designate. |
| Front of House Position Training                | 0                           | 27                             | Chicago, Illinois at a restaurant we designate. |
| Drive Thru Operations Training                  | 0                           | 18                             | Chicago, Illinois at a restaurant we designate. |
| Brink POS Platform                              | 0                           | 18                             | Chicago, Illinois at a restaurant we designate. |
| Back of House Position Training                 | 0                           | 36                             | Chicago, Illinois at a restaurant we designate. |
| Catering Order Fulfillment                      | 0                           | 7                              | Chicago, Illinois at a restaurant we designate. |
| Train the Trainer: Team Member Development      | 0                           | 9                              | Chicago, Illinois at a restaurant we designate. |
| Money Handling                                  | 0                           | 1                              | Chicago, Illinois at a restaurant we designate. |
| Management Philosophy & Activity Organization   | 0                           | ½                              | Chicago, Illinois at a restaurant we designate. |
| Daily Responsibilities of a Manager             | 0                           | 90                             | Chicago, Illinois at a restaurant we designate. |
| Managing the Guest Experience                   | 0                           | 10                             | Chicago, Illinois at a restaurant we designate. |
| Managing Personnel                              | 0                           | 10                             | Chicago, Illinois at a restaurant we designate. |
| Food Safety / Sanitation Enforcement            | 0                           | 5                              | Chicago, Illinois at a restaurant we designate. |
| Facility Management                             | 0                           | 5                              | Chicago, Illinois at a restaurant we designate. |
| Store Safety and Security                       | 0                           | 5                              | Chicago, Illinois at a restaurant we designate. |
| Operational and Financial Reporting             | 0                           | 8                              | Chicago, Illinois at a restaurant we designate. |
| Labor Cost Control Management                   | 0                           | 4                              | Chicago, Illinois at a restaurant we designate. |
| Food Cost Control and Inventory Management      | 0                           | 4                              | Chicago, Illinois at a restaurant we designate. |
| Franchise Reporting                             | 0                           | 8                              | Chicago, Illinois at a restaurant we designate. |
| Marketing / Advertising                         | 0                           | 4                              | Chicago, Illinois at a restaurant we designate. |
| Total                                           | 0                           | 270 Hours                      |                                                 |

If you are purchasing the Dual Brand franchise, you will attend the training program described above and an additional week of training specifically relating to the operation of the Rainbow Cone business. This additional training will take place following your completion of the Buona training program at the same location.

Following your completion of the initial training program and prior to the opening of the Buona Business, we will send our representatives to your restaurant for onsite training and opening assistance. Our trainers will work with your operating owner and managers. The training will take place approximately 10 days before opening and 3 weeks after opening. However, the length of the training and the number of trainers will vary depending on whether you already own a Buona Business franchise, your prior restaurant business experience, and the quality and experience of the managers and staff that you have hired.

Your designated owner and/or managers of your Buona Business may be required by us to attend additional training programs, meetings, and webinars that we specify for up to 10 days each calendar year. We may charge a tuition fee for attendance at such training, meeting or webinars. You will be responsible for all costs or expenses associated with your owner's and/or managers' attendance at such training programs, meetings and webinars.

We may hold and require all franchisees to attend national, regional or local conferences for Buona franchisees to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If we hold such conferences, your designated owner may be required to attend up to 4 days each calendar year. We may charge you a fee to attend the conference ("Conference Registration Fee"). If your owner fails to attend any conference held during the term of this Agreement for which attendance is mandatory, you remain obligated to pay the Conference Registration Fee. Any costs or expenses associated with your owner's attendance at such conferences will be your responsibility.

You may request and we may provide additional initial or ongoing training beyond the amount normally provided to franchisees for our then-current training fees, plus any travel and living expenses incurred by our representative if travel to your restaurant is necessary to conduct the additional training.

## **ITEM 12** **TERRITORY**

We will grant you the right to operate a Buona Business under the Marks at one specific location approved by us ("Approved Location"). Once a site is selected by you and approved by us, you may not relocate your Buona Business without our prior written approval, which approval will not be unreasonably withheld provided you are not then in default under the Franchise Agreement or any other agreement between you and us or any of our affiliates. Our approval for relocation is based on the same standards we use to approve new Buona Business sites.

For the single brand Buona Business, you will be granted you a protected area. During the term of the Franchise Agreement, provided Franchisee or any of its affiliated companies is not in default of the Franchise Agreement or any agreement with us, a parent, subsidiary or affiliate, we will not establish, nor grant another the right to establish a Buona Restaurant within the protected area that will be described in Exhibit C to the Franchise Agreement (the "Protected Area"). Once the Approved Location has been determined, we shall complete Exhibit A to the Franchise Agreement with the description of the Protected Area. The Protected Area will be a ½ mile radius from the Approved Location in an urban area, and otherwise will have a minimum population of 3560,000.



If you are establishing a Dual Brand Business, you will have a Protected Area of a  $\frac{1}{2}$  mile radius from the Approved Location in an urban area, and otherwise will have a minimum population of 3560,000 for the Buona Business-and-. You will not be granted a Protected Area for The Original Rainbow Cone. For the Original Rainbow Cone business, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of a one mile radius from the Approved Location.distribution or competitive brands that we control.

You may not use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of and apart from your Buona Business without our prior written consent, which we may withhold in our sole discretion. You must focus your marketing and promotion of the Franchised Business within the Protected Area and must not conduct targeted marketing outside of the Protected Area. Otherwise, you are not prohibited from accepting order from customers outside of your Protected Area, except that we will establish guidelines and standards for delivery and catering services, including restricting the area within which these services may be offered. The permitted area for delivery and catering services is not necessarily the same as the Protected Area.

We do not pay compensation for soliciting or accepting orders inside your Protected Area.

We retain the rights, among others, without any compensation to you:

1. To use, and to license others to use, the Marks and the System for the operation of Buona Businesses at any location outside of your Protected Area;
2. To establish ourselves or through an affiliate or grant a franchise for a Buona Business at a Captive Location within your Protected Area; Captive locations include transportation facilities, educational facilities, institutional feeding facilities, government institutions and facilities such as military bases, enclosed shopping malls, entertainment venues, sports stadiums and amusement and/or theme parks;
3. establish company-owned or franchisee-operated businesses that sell similar products and/or services under different trade names or trademarks other than the Marks or System;
4. to sell products or services under the Marks, or any other marks, through any other wholesale or retail outlets;
5. to use the Marks or the System to sell any products, including products that are the same or similar to those which you will sell, within and outside of your Protected Area, through any alternative channels of distribution, regardless of their proximity to your location or their impact on your existing or potential customers. This includes without limitation grocery stores, convenience stores, club or warehouse stores, other retail outlets, direct marketing sales, and other channels of distribution such as television, direct mail, mail order, catalog sales, telemarketing, or over the internet. We exclusively reserve the internet, including computerized or remote entry ordering systems, as a channel of distribution for us, and you may not independently market on the internet or conduct e-commerce unless you have received our prior written permission (which we may withhold in our sole discretion) or unless such activities are expressly authorized by the Manual; and
6. To acquire, merge with, or be acquired by any other business, including a business that operate or license businesses that compete directly with your Buona Business;-.

You will not receive the right to acquire additional franchises or additional Buona Businesses, or a right of first refusal on the sale of existing franchises under the Franchise Agreement.

Continuation of your rights to the Protected Area is not dependent upon achieving a certain sales volume, market penetration or other or market penetration or other contingency.

### **Area Development Agreement**

Under the Area Development Agreement, a geographic area is designated within which it is expected you will develop the multiple Buona Businesses during the term of the Area Development Agreement (“Development Area”). The Development Area will be described in Exhibit A to the Area Development Agreement. The size of the Development Area 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.

As long you are in compliance with the Development Schedule and otherwise in compliance with the Area Development Agreement, during the term of the Area Development Agreement, we will not establish, nor license anyone other than Developer the right to establish any Buona Business in the Development Area. We (and any affiliate) reserve the right:

1. To distribute products and services which are part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks;
2. To establish businesses which are franchised, licensed or owned by us or any affiliate at any locations we deem 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;
3. To acquire or be acquired by another franchisor establishing businesses identical or similar to the Buona Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Development;
4. To implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. We reserve the right to establish mandatory policies and procedures for these multi-area marketing programs;
5. to engage in any other business activities not expressly prohibited by the Area Development Agreement.
6. Your continued exclusive rights to the Development Area are dependent upon you meeting all of the deadlines in the Development Schedule.

If you default in your obligations under the Development Schedule, we may, in our sole discretion, do any one or more of the following: (i) immediately terminate the Area Development Agreement and all rights granted under to you without affording you any opportunity to cure the default effective by delivery to you of a written notice from us; (ii) reduce the number of Buona Restaurants which you have the right to establish and open pursuant to the Development Agreement; or (iii) exercise any other rights and remedies which we may have under applicable law.

As you develop each Buona Business under the Area Development Agreement, the Protected Area granted under each Franchise Agreement will be based on our then-current standards for granting protected areas, which may differ from standards for protected areas granted to franchisees under this Disclosure Document.

**ITEM 13**  
**TRADEMARKS**

We grant you the non-exclusive right and obligation to use the Marks under your Franchise Agreement. You may also use other current or future trademarks to operate your Buona Business as we designate from time to time. Our affiliate The Buona Companies, L.L.C. owns and is using the Marks in connection with Buona Businesses and has granted a license to us to use and sublicense the use of the Marks to our franchisees. The Buona Companies, L.L.C. has applied for and/or obtained a registration for the Marks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

| Mark                                                                                                                    | Registration Date                                    | Registration Number | Filing Date | Serial No. |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------|-------------|------------|
| BUONA CATERING                                                                                                          | December 9, 2003; <u>renewed December 14, 2013</u>   | 2790961             | -           | -          |
| BUONA <sup>1</sup>                                                                                                      | April 6, 2004; <u>renewed April 3, 2014</u>          | 2829484             | -           | -          |
| BUONA BEEF                                                                                                              | July 6, 2004; <u>renewed August 3, 2014</u>          | 2859546             | -           | -          |
| BUONA SALADS SANDWICHES<br>PIZZA<br> | March 27, 2007; <u>renewed May 25, 2017</u>          | 3221609             | -           | -          |
| BUONA-FIED                                                                                                              | February 24, 2009; <u>renewed September 29, 2020</u> | 3578520             | -           | -          |
|                                      | December 19, 2017                                    | 5360143             | -           | -          |

<sup>1</sup> Registration for Italian style roast beef and Italian style sausage and restaurant and catering services.

In addition, our affiliate has a registration on the Supplemental Register of the USPTO for the mark “The Original Italian Beef” which was issued on April 12, 2016, Registration no. 4938814.

Our affiliate will file all required affidavits necessary to maintain these registrations.

The additional Marks that will be used by you if you are purchasing a franchise for a Dual Brand Business are disclosed in Five Flavors' Franchise Disclosure Document.

There is currently no pending material federal or state court litigation regarding our use or ownership rights in any of our Marks. There are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. Before you sign the Franchise Agreement, you should investigate independently whether your use of the Marks in your area might infringe on the rights of any third party, particularly in your intended area of operation.

We have been granted the right to license the Marks and System to our franchisees by a License Agreement between us and our affiliate The Buona Companies L.L.C. dated May 13, 2021. Our License Agreement with The Buona Companies L.L.C. does not materially limit our rights to use or to license our franchisees to use the Marks and System. The agreement is for an initial term of 20 years with successive 5-year automatic renewal options. The agreement includes quality control provisions for the protection of the licensor's trademark rights. The agreement may be terminated by The Buona Companies L.L.C. only for good cause due to a breach by us without cure, change in ownership of us of more than 20%, or our filing bankruptcy, becoming insolvent or being subject to the appointment of a receiver or trustee.

No other agreement significantly limits our right to use or license the Marks in a manner material to your Buona Business.

You must follow our rules, guidelines and requirements when using the Marks. You cannot use our name or the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent, which we may withhold in our sole discretion. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Buona Business that you are an independently owned and operated licensed franchisee of ours. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. All rights and goodwill from the use of the Marks accrue to us.

We have the sole right to control use of the Marks on all websites, social media, digital marketing and mobile applications.

If it becomes necessary or advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must notify us immediately if you learn about an infringing or challenging use of the Marks. If you are in compliance with the Franchise Agreement, we will defend you against any claim brought against you by a third party alleging that your use of the Marks in accordance with the Franchise Agreement infringes upon that party's intellectual property rights. We may require your assistance, but we will control any proceeding or litigation relating to the Marks. We have no obligation to pursue any infringing users of the Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us immediately if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding

involving the Marks. You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

### **Area Development Agreement**

Under the Area 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 Franchise Agreement with us. Under the Area Development Agreement, you will have no right to license others to operate a business using our System or Marks.

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

We do not own any patents or patents pending that are material to Buona Business. We have not filed for any copyrights, but we claim common law copyright rights over the Manual, all advertising and marketing materials, all menus and the Buona website [www.buona.com](http://www.buona.com). You may use the proprietary information in our Manual, so long as you follow all of the restrictions set forth in the Franchise Agreement. Any printed copies of the Manual or any other materials containing proprietary information must be destroyed or returned to us immediately upon the expiration or termination of your Franchise Agreement.

We also consider certain information, knowledge and know-how concerning us and the System to be trade secrets and proprietary information, including the standards, specifications, management systems, recipes, menus, techniques, financial information (such as product costs and sources of supply), the Manual and business operations and procedures that would, if used by others, give others a substantial competitive advantage presently enjoyed by us.

You may not, without our prior written consent, disclose, use, or permit the use of any part of the Manual or the System except as may be required by law or as authorized in the Franchise Agreement. You must use your best efforts to prevent any employee from using the System and any of the Marks, or from operating a restaurant that is substantially similar to a Buona Business. There currently are no effective determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding any copyrighted materials.

Except in connection with the operation of your Buona Business, you must not use any proprietary information or trade secret without our written permission. You must immediately tell us if you learn about unauthorized use of this proprietary information. We are not obligated to take any action, but we will respond to this information as we deem appropriate. We will control any litigation related to the proprietary information. We will indemnify you against losses claimed by a third party concerning your authorized use of this information. Our right to use or license these copyrighted and proprietary materials is not materially limited by any agreement or known infringing use. There are no determinations of any administrative office or any court regarding these copyrighted and proprietary materials.

The Franchise Agreement also requires you to follow all of our security procedures, disclose our proprietary information to your employees only as needed to market our products and services, not use any proprietary information in any other business and exercise the highest degree of diligence to maintain our proprietary information as confidential.

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

We require that one of your principal owners who has at least a 10% ownership interest in Franchisee will have supervisory responsibility over the Franchises Business. Your principal owner or one designated management employee who has attended and successfully completed our training program must devote full time energy and best efforts to the development, promotion, management and operation of the Franchised Business. The designated manager need not have any equity interest in the Franchisee entity.

If at any time you propose that the Franchised Business to be operated or managed by an entity or individual other than Franchisee, we reserve the right to review and approve the operating or managing entity or individual and to require and approve an operating or management agreement prior to such party's assumption of operations. We may reject the operating entity, the individual operator or the operating or management agreement in our discretion. If approved by us, the operating entity and/or individual must agree in writing to comply with all of Franchisee's obligations under the Franchise Agreement as though such party were the franchisee designated therein, on such form as may be designated by us. The operation of the Franchised Business by any party other than Franchisee, without our prior written consent, is a default of the Franchise Agreement for which we may terminate the Franchise Agreement.

If you have entered into an Area Development Agreement, you will be permitted to have multiple managers for each of your Buona Businesses. We recommend that a designated manager devote substantial full-time and best efforts on a daily basis, in person, to the supervision and conduct of a Buona Business. Your designated manager must successfully complete our training program. Your designated manager need not have an ownership interest in the franchisee entity. If you replace a manager, the new manager must satisfactorily complete our training program.

Any manager and any officer or manager of the franchisee entity who does not own an equity interest in the Franchisee entity, must sign a nondisclosure, non-solicitation and noncompetition Agreement in a form acceptable to us and in compliance with your local or state law. All of your employees, independent contractors, agents or representatives who may have access to our confidential information must sign a confidentiality agreement (unless they already signed a nondisclosure, non-solicitation and noncompetition agreement) in a form acceptable to us. Each owner of the Franchisee entity must sign a "Guaranty and Assumption of Franchisee's Obligations," the form of which is attached to the Franchise Agreement.

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

You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services at our discretion with prior notice to you. If we change or add to our required products or services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. Your Buona Business may not offer any products or services that we have not authorized for Buona Businesses without our prior written approval, which we may withhold in our sole discretion. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not use your Buona Business premises for any purpose other than the operation of a Buona Business, in compliance with the Franchise Agreement. You must at all times maintain sufficient inventory, supplies and personnel to operate your Buona Business at its maximum capacity and efficiency.

You will offer third party delivery services (unless third party services are not currently available in your market) and catering services to your customers. We will establish guidelines and standards for delivery and catering services, including restricting the area within which these services may be offered. In addition, if you fail to maintain our then current operational standards and specifications for such services or if you are in default of your franchise agreement, we have the right to require you to cease offering the delivery and/or catering services.

You may not sell products through other channels of distribution such as wholesale, internet or mail order sales. Otherwise, except as provided in Item 12, we place no restrictions upon your ability to serve customers and we do not impose any restrictions limiting your access to customers.

## **ITEM 17** **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

### **THE FRANCHISE RELATIONSHIP**

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

References to Sections in the Franchise Agreement are the same for the Dual Brand Franchise Agreement unless noted below.

| <b>Provision</b>                           | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the Franchise term            | Section 2.1                           | 10 years from the date of the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| b. Renewal or extension of the term        | Sections 2.2-2.3                      | If you are in good standing and you meet defined requirements, including a renewal fee, you may add <u>23</u> additional terms of 5 years.                                                                                                                                                                                                                                                                                                                                         |
| c. Requirements for you to renew or extend | Sections 2.2-2.3                      | You may renew for <u>23</u> additional term of 5 years each at a time if you have complied with the Franchise Agreement during the initial term; provide notice within the time limits set forth in the Franchise Agreement; execute a new Franchise Agreement in the form then in use by us (which may contain terms and conditions materially different from your original Franchise Agreement); execute a general release in a form satisfactory to us; you and your manager(s) |

| Provision                            | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      |                                | comply with our then-current training requirements; maintain possession or secure a substitute location for your Buona Business; pay us a renewal fee of \$7,500.00; update, reimage, renovate, refurbish and modernize your Buona Business to meet the then-current standards, specifications and designs of Buona Businesses; and comply with other conditions. |
| d. Termination by you                | None.                          | You may not terminate the Franchise Agreement.                                                                                                                                                                                                                                                                                                                    |
| e. Termination by us without “cause” | Not Applicable                 | We must have cause to terminate the Franchise Agreement.                                                                                                                                                                                                                                                                                                          |
| f. Termination by us with “cause”    | Sections 16.1-16.5             | We may terminate only if you default as stated in the Franchise Agreement.                                                                                                                                                                                                                                                                                        |



| Provision                                 | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| g. "Cause" defined – curable defaults     | Sections 16.3-16.5, 16.7       | <p>You have 5 days to cure various defaults including failure to <del>pay any money</del> <u>royalties, marketing fund contributions and other amounts</u> owed to us; failure to <u>timely pay for product purchases and other expenses of operating the Business</u>; failure to <u>submit reports or financial statements when due</u>; failure to <u>maintain insurance</u>; failure to <u>cure threats to public health or safety</u>; and failure to <u>cure misuse of the Marks</u>.</p> <p><u>You have 30 days to cure a default under the Franchise Agreement that is not otherwise curable in only 5 days or not curable including your failure to follow the Systems, Manual and the terms of the Franchise Agreement; failure to purchase and sell products and supplies from Approved Suppliers; failure to, including failure to complete your Buona</u> <u>The Original Rainbow Cone Business renovation within the time frame specified in the Franchise Agreement; failure to pay for products within applicable time frames; and failure to submit reports. For all other defaults not listed in Section 16.1, 16.2, or 16.3 under the Franchise Agreement, you have 30 days to cure a default. A default under any other agreement with us or an affiliate is a default under the Franchise Agreement.</u></p> |
| h. "Cause" defined - non-curable defaults | Section 16.1-16.2              | <p>Non-curable defaults include: <del>you become insolvent, adjudicated bankrupt or insolvent, make a general assignment for the benefit of creditors; have an unopposed petition of bankruptcy or proceedings with a composition of creditors filed against you; a receiver or other custodian takes control of your assets; a final judgment against you remains unsatisfied for 30 days or longer; your Buona Business entity is dissolved; execution or foreclosure proceedings are filed against your Buona Business premises or any equipment of the Buona Business and is not dismissed for 30 or more days; or if the real or personal property of the Buona Business is sold after levy by a sheriff or marshal. Further</del></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Provision | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |                                | <p><del>non-curable defaults include:</del> (i) <del>failure to sign a lease for your Buona Business obtain approval of a site by us within 90 days</del> 6 months of executing your Franchise Agreement or (ii) <del>failure to open your Buona Business within 12 months after executing your deadlines for opening in</del> Franchise Agreement; <del>abandoning failing to operate</del> your Buona Business for a period of 48 hours or <del>otherwise abandoning the Business or losing the right to possession or cause the termination of the lease of the premises of your Buona Business;</del> you, or any of your Buona Business' shareholders, members, managers, partners, officers, directors or guarantors are indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on our franchise system; creates a threats or danger to public health as a result from your Buona Business or violate a health or safety law; verbally or physically assaults or abuses us or <del>our</del> of the premises of your Buona Business; criminal conviction; physical or verbal abuse of our employees or any other franchisees; unauthorized transfer of franchisee or customer or employees of any other franchisee; violates the Business; violation of noncompetition and nondisclosure agreements or divulges the contents of the Manual or otherwise participates in the; unauthorized use disclosure of our proprietary or confidential/proprietary information (this also includes acts by your principal employees); transfers or makes an assignment of all or part of the Franchise Agreement not in accordance with the Franchise Agreement; knowingly; failure to transfer after death or incapacity; maintaining false books; <del>you commit</del> your or your affiliates commits any act of default under any agreement with us or our affiliates; more than 1 <del>curable</del> one material default within any 12 months, even if cured; you sell; sale of unapproved products or goods from your Buona Business; you relocate your Buona Business services; relocation without our</p> |

| Provision                                               | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                         |                                | <p><del>consent; you deny our right to inspect the premises of your Buona Business; you fail to maintain insurance in accordance with the Franchise Agreement; you misuse our Marks; you lose possession of the premises of the Buona Business; you fail to deny us access for an inspection of the Business; termination or expiration of lease; failure to timely pay any lender more than 3 times, if cured, or 1 time, if not cured during the term of the loan; you fail to guaranteed or provided by us; failure to timely pay any suppliers or lessor more than landlord more than 3 times; material misrepresentation in the purchase of the Franchise; receipt of 3 times during the franchise term, you have the same default more than 3 times during the franchise term regardless of whether cured; you make misrepresentations in the application for the franchise. Also, the franchise agreement may or more default notices during the term; and bankruptcy.</del></p> <p><u>Your rights to operate the food truck can be terminated without cure if any other if you operate the Food Truck outside your Protected Area without our consent. Your franchise agreement between us or between you and an affiliate is can be terminated- if you operate your food truck in the Protected Area of another franchisee.</u></p> |
| i. Our right to operate your business upon your default | Section 16.8                   | <p>If you have not cured a default under the Franchise Agreement within 14 days after receipt of a written notice of default, we, or our agent or other representative that we designate, may enter your business premises and exercise complete authority with respect to the operation of your Buona Business until we determine that the default has been cured. You must pay us the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by us so</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Provision                                      | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                |                                | long as it shall be required to enforce compliance with the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| j. Your obligations on termination/non-renewal | Section 17.1                   | Obligations include the immediate cessation of operating the Buona Business and use of any of our trade dress, Marks, or advertising materials; the immediate return of the Manual, training and other related materials; a complete de-identification from the Buona Business; assignment of telephone numbers and internet accounts; cancellation of assumed name; the immediate notification of all your suppliers and others with whom you do business; and payment of all amounts due (See also s. below) |
| k. Assignment of contract by us                | Section 15.1                   | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| l. “Transfer” by you – defined                 | Section 15.2                   | You may not assign or transfer any of your interest in the Franchise Agreement or a substantial portion of the assets of the Buona Business without our express written permission, which may be granted or denied at our discretion.                                                                                                                                                                                                                                                                          |
| m. Our approval of transfer by you             | Section 15.2, 15.3 and 15.4    | We have the right to approve all transfers of your Franchise Agreement and your Buona Businesses combined in accordance with the terms and conditions set out in the Franchise Agreement, but will not unreasonably withhold approval.                                                                                                                                                                                                                                                                         |
| n. Conditions for our approval of transfer     | Sections 15.3                  | A potential transfer will be approved if you are not in default under your Franchise Agreement or any other agreement with us; the new franchisee meets our qualifications and agrees to remain obligated under the covenants and various transfer obligations in your Franchise Agreement; you execute a general release in favor of us and our Affiliates, of any claims you may have against us or our Affiliates as well as, at our option, a written assignment to which the                              |

| Provision                                              | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        |                                | new franchisee would assume all of the obligations of you under your Franchise Agreement, or then-current franchise agreement, which may materially differ from your Franchise Agreement; the applicable transfer fee equal to ½ of the then-current Initial Franchise Fee is paid (unless transferred to a new entity of yours or to an existing shareholder partner, or member of your Buona Business entity); the transfer agreement is provided to us at least 15 days prior to the proposed transfer and is approved by us; the training is completed, you sign a general release, the new franchisee signs a then-current franchise agreement; the new franchisee, at its sole cost, agrees to a renovation of the Buona Business within the timeframe specified by us, unless it was renovated within the last 5 years prior to the transfer; the new franchisee's organizational documents (i.e. operating agreement or bylaws) provide that further assignments or transfers are subject to the Franchise Agreement; you execute a guaranty for the new franchisee's obligations under your Franchise Agreement, as requested by us; and you obtain an assignment of the current lease or a new lease for existing premises of the Buona Business for a lease term (including renewal terms) equal to the franchise term. (See also s. below.) |
| o. Our right of first refusal to acquire your business | Section 15.9                   | We can match any bona fide written offer from a qualified third party for all or any part of your Buona Businesses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| p. Our option to purchase your business                | Section 17.2                   | Upon expiration or termination, we have the right to purchase improvements, furniture, fixtures, equipment, advertising and promotional materials, ingredients, products, materials, supplies, paper goods and any items bearing our Marks at the then-current fair market value, but specifically excluding any value for goodwill or going concern value. If you and us cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| Provision                                                                                      | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                |                                | us, and his/her determination of fair market value shall be binding.                                                                                                                                                                                                                                       |
| q. Death or mental incapacity of you                                                           | Section 15.6                   | Upon the death or mental incapacity of any person with an interest in the Franchise Agreement, your designated personal representative must transfer the interest of such person to an approved third party within 12 months after the event.                                                              |
| r. Non-competition and Non-Solicitation covenants during the term of the franchise             | Section 14.2, 14.4             | No involvement in Competitive Business anywhere and no diversion of any business or customers of the Buona Business. No solicitation of our employees or our franchisee' employees.                                                                                                                        |
| s. Non-competition and non-solicitation covenants after the franchise is terminated or expires | Section 14.3 – 14.4            | No involvement in Competitive Business for 2 years within 10 miles of the site of any Buona Business, whether or not formerly owned by you, except owning less than 2% of the outstanding shares of a publicly traded security. No solicitation of our employees or our franchisees' employees for 1 year. |
| t. Modification of agreement                                                                   | Sections 7.1, 23.1, 25.1, 25.8 | No modifications generally without mutual consent, but the Manual is subject to change.                                                                                                                                                                                                                    |
| t. Integration/merger clause                                                                   | Section 23.1                   | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this Franchise Disclosure Document.                            |
| u. Dispute resolution by arbitration                                                           | Sections 24.1 – 24.4           | Illinois (subject to state law).                                                                                                                                                                                                                                                                           |
| v. Choice of forum                                                                             | Sections 24.5                  | Illinois (subject to state law).                                                                                                                                                                                                                                                                           |
| w. Choice of law                                                                               | Sections 24.5                  | Illinois (subject to state law).                                                                                                                                                                                                                                                                           |

**This table lists certain important provisions of the Area Development Agreement. You should read these provisions in the agreements attached to this disclosure document.**

References to Sections in the Area Development Agreement are the same for the Dual Brand Area Development Agreement unless noted below.

| Provision                                              | Section in ADA | Summary                                                                                                                                                           |
|--------------------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of term of the agreement                     | Section 4      | 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                                                                                                                                                    |
| 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 7      | We can terminate if you commit a listed violation.                                                                                                                |
| g. "Cause" defined - defaults which can be cured       | Section 7      | Not applicable                                                                                                                                                    |
| h. "Cause" defined - defaults which cannot be cured    | Section 7      | Bankruptcy or similar proceeding, failure to comply with development schedule, breach of the agreement, unauthorized transfer, breach of any Franchise Agreement. |
| i. Your obligations on termination/non-renewal         | Section 7.4    | No further right to develop; however, termination does not affect existing franchise agreements.                                                                  |
| j. Assignment of contract by us.                       | Section 8.1    | We have an unrestricted right to assign.                                                                                                                          |
| k. "Transfer" by you – definition                      | Section 8.2    | Include transfer of any interest in the ADA or in the Developer.                                                                                                  |
| l. Our approval of transfer by you                     | Section 8.2    | You have no right to transfer any interest in the ADA or Developer. Any attempted transfer will be null and void.                                                 |
| m. Conditions for our approval of transfer             | Not applicable | Not applicable                                                                                                                                                    |
| n. Our right of first refusal to acquire your business | Not applicable | Not applicable                                                                                                                                                    |
| o. Our option to purchase your business                | Not applicable | Not applicable                                                                                                                                                    |

| Provision                                                                 | Section in ADA | Summary                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| p. Your death or disability                                               | Not applicable | Not applicable                                                                                                                                                                                                                                                                                                                                                                               |
| q. Non-competition covenants during the term of the agreement             | Section 6.4    | No involvement in a similar business or with a business granting franchises for similar businesses; subject to applicable state law.                                                                                                                                                                                                                                                         |
| r. Non-competition covenants after the agreement is terminated or expires | Section 9      | For 2 years after termination or expiration of the ADA you will not have any interest in a similar business with the Development Area or within 10 miles of any existing Buona Business except under a Franchise Agreement with us. For 2 years, you will not divert customers to competitive businesses or employ any of our or our affiliates' employees, subject to applicable state law. |
| s. Modification of the Agreement                                          | Section 13.4   | No modifications unless in writing and signed.                                                                                                                                                                                                                                                                                                                                               |
| t. Integration/merger clause                                              | Section 13.4   | Only the terms of the ADA are binding (subject to state law). Any representations or promises outside of the disclosure document <del>and</del> may not be enforceable.                                                                                                                                                                                                                      |
| u. Dispute resolution by arbitration or mediation                         | Section 12     | Except for certain claims, mandatory mediation before initiating an arbitration proceeding; subject to applicable state law.                                                                                                                                                                                                                                                                 |
| v. Choice of forum                                                        | Section 12.4   | Arbitration must be in the Chicago, Illinois metropolitan area. Litigation must be in any state court of general jurisdiction or a federal court in Illinois (subject to state law).                                                                                                                                                                                                         |
| w. Choice of law                                                          | Section 12.4   | Except for applicable federal law, Illinois law applies (subject to state law).                                                                                                                                                                                                                                                                                                              |

## **ITEM 18** **PUBLIC FIGURES**

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

## **ITEM 19** **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 by this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This Item 19 presents the following historical results of ~~13~~17 affiliate-owned Buona restaurants located in the Chicago metropolitan area that are owned and operated solely by companies affiliated with us and are similar to the Buona Business offered in this Disclosure Document. The Buona brand has been established in the Chicago metropolitan area since 1981. Beginning in July 2021, we began adding the Rainbow Cone brand to certain existing affiliate-owned Buona restaurants. The Original Rainbow Cone brand was established in the Chicago metropolitan area over 90 years ago.

~~All of the data shown on the tables below covers the 12 months period March 28, 2022 through March 26, 2023.~~

As of the date of this Disclosure Document, we do not have any franchised Buona restaurants.

~~Buona restaurants operated by our affiliates so no data is included in this statement have offered substantially the same products and services that will be offered by new from franchised Buona Businesses, except that the affiliate owned units sell pizza, and the new franchised Buona Businesses will not sell pizza. Information is provided below on what percentage of total sales of the affiliate owned units was derived from the sale of pizza products businesses.~~

All of the data shown on the tables below covers the 12 month period January 2, 2023 through December 31, 2023, except for one table for Store #17 which covers the period April 12, 2023 (opening date) through March 24, 2024.

The data of the 17 Buona restaurants included in this statement are broken down into the following categories:

- 9 Single Brand Free Standing Restaurants
- 1 Single Brand Inline Restaurant
- 6 Dual Brand Free Standing Restaurants for the period January 2, 2023 through December 31, 2023
- 1 Dual Brand Free Standing Restaurant for the period April 12, 2023 (date of opening) through March 24, 2024.

Beginning in 2013, our affiliates launched a new prototype for Buona restaurants going forward that is similar to the Buona Business franchise offered to franchisees under this Disclosure Document. This new prototype restaurant included changes in kitchen layout, square footage, trade dress, trademarks and signage, menu, seating, access to parking and the addition of a drive through window. For that reason, we have not included in this Item 19 the data from 10 existing affiliate-owned Buona restaurants that were opened before January 2013 and are still in operation but have not remodeled to meet the new prototype.

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

~~Beginning in July 2021, we began adding the Rainbow Cone brand to existing affiliate-owned Buona restaurants. Buona restaurants that currently operate as a dual brand restaurant with Rainbow Cone are reported separately from single brand restaurants in this Item 19.~~

~~3 affiliate-owned restaurants operating during the period March 28, 2022 through March 26, 2023 are not included in this Item 19 because they have been converted to dual brand restaurants but they have less than 12 months of operational experience as a dual brand restaurant.~~

**STATEMENT OF HISTORICAL RESULTS FOR**  
**109 AFFILIATE-OWNED SINGLE BRAND FREE STANDING RESTAURANTS**  
**WITH DRIVE THROUGH**

The ~~109~~ Buona restaurants included in the 3 tables below are single brand free standing restaurants with a drive through. ~~All 10 (identified in the tables below as Stores #1 through #9).~~ All 9 of the Buona restaurants opened on or after January 2013 and were in operation for the full 52 operating weeks ~~between March 28, 2022 and March 26, 2023.~~ from January 2, 2023 through December 31, 2022 and March 26, 2023.

The length of time the ~~109~~ restaurants have been in operation as of ~~March 26, 2023~~ December 31, 2023 ranged from ~~1011 years, to 2 years, 7 months to 1 year, 9 months.~~

The operations of the ~~109~~ affiliate-owned units included in 3 tables below do not differ materially from those of a new franchised Buona Business that is a free standing location with a drive through window except that the affiliate-owned units sell pizza, and the new franchised Buona Businesses will not sell pizza. Information is provided below ~~on~~ what percentage of total sales of the affiliate-owned units was derived from the sale of pizza products.

If you will be establishing an inline location without a drive through window, you should not rely on these numbers and should review the data below regarding our one affiliate-owned unit that is an inline location.

The 3 tables below show the Gross Sales and certain specified expenses as listed and defined below of the ~~109~~ Buona affiliate-owned restaurants included in this statement. This does not include all expenses incurred by a Buona restaurant.

The source of this data is income statements for each individual restaurant prepared internally by our affiliates consistent with generally accepted accounting principles. The same accounting system is used for each restaurant. The information has not been audited.

~~The rest of this page has been left blank intentionally.~~

---

| <del>3/28/22 - 3/26/23</del>  | -                         | -                         | -                         | -                         |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>BUONA Drive-Thru</b>       | <b>Store-1</b>            | <b>Store-2</b>            | <b>Store-3</b>            | <b>Store-4</b>            |
| <b>Gross Sales (1)</b>        | <b>\$3,763,373 100.0%</b> | <b>\$3,137,198 100.0%</b> | <b>\$4,076,014 100.0%</b> | <b>\$3,420,309 100.0%</b> |
| Food Cost (2)                 | 1,179,459 31.3%           | 977,562 31.2%             | 1,212,848 29.8%           | 1,038,535 30.4%           |
| Packaging Cost (3)            | 152,375 4.0%              | 127,302 4.1%              | 153,439 3.8%              | 133,280 3.9%              |
| <b>Gross Profit (4)</b>       | <b>2,431,539 64.6%</b>    | <b>2,032,334 64.8%</b>    | <b>2,709,727 66.5%</b>    | <b>2,248,494 65.7%</b>    |
| Salaries & Wages (5)          | 836,791 22.2%             | 734,093 23.4%             | 940,634 23.1%             | 809,490 23.7%             |
| Employee Benefits (6)         | 93,745 2.5%               | 85,883 2.7%               | 101,743 2.5%              | 92,775 2.7%               |
| Direct Operating Expenses (7) | 26,348 0.7%               | 26,753 0.9%               | 25,213 0.6%               | 27,196 0.8%               |
| Supplies & Chemicals (8)      | 31,539 0.8%               | 30,895 1.0%               | 43,866 1.1%               | 30,160 0.9%               |
| Utilities (9)                 | 71,346 1.9%               | 62,584 2.0%               | 60,026 1.5%               | 62,806 1.8%               |
| General & Administrative (10) | 123,618 3.3%              | 117,528 3.7%              | 115,675 2.8%              | 114,608 3.4%              |
| Repairs & Maintenance (11)    | 61,159 1.6%               | 87,078 2.8%               | 62,340 1.5%               | 55,026 1.6%               |
| Sales Incentives (12)         | 122,407 3.3%              | 112,490 3.6%              | 211,457 5.2%              | 154,770 4.5%              |
| Tech Fee (13)                 | 7,800 0.2%                | 7,800 0.2%                | 7,800 0.2%                | 7,800 0.2%                |
| Local Advertising (14)        | 37,634 1.0%               | 31,372 1.0%               | 40,760 1.0%               | 34,203 1.0%               |
| Brand Marketing Fund (15)     | 94,084 2.5%               | 78,430 2.5%               | 101,900 2.5%              | 85,508 2.5%               |
| Royalty (16)                  | 150,535 4.0%              | 125,488 4.0%              | 163,041 4.0%              | 136,812 4.0%              |
| <b>Income (17)</b>            | <b>774,533 20.6%</b>      | <b>531,940 17.0%</b>      | <b>835,272 20.5%</b>      | <b>637,340 18.6%</b>      |

| <del>3/28/22 - 3/26/23</del>  | -                         | -                         | -                         | -                         |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>BUONA Drive-Thru</b>       | <b>Store-5</b>            | <b>Store-6</b>            | <b>Store-7</b>            | <b>Store-8</b>            |
| <b>Gross Sales (1)</b>        | <b>\$3,646,296 100.0%</b> | <b>\$3,527,758 100.0%</b> | <b>\$4,166,063 100.0%</b> | <b>\$3,721,987 100.0%</b> |
| Food Cost (2)                 | 1,098,951 30.1%           | 1,079,433 30.6%           | 1,263,799 30.3%           | 1,137,069 30.6%           |
| Packaging Cost (3)            | 140,830 3.9%              | 132,917 3.8%              | 162,084 3.9%              | 144,569 3.9%              |
| <b>Gross Profit (4)</b>       | <b>2,406,515 66.0%</b>    | <b>2,315,408 65.6%</b>    | <b>2,740,180 65.8%</b>    | <b>2,440,349 65.6%</b>    |
| Salaries & Wages (5)          | 822,822 22.6%             | 785,078 22.3%             | 929,322 22.3%             | 875,697 23.5%             |
| Employee Benefits (6)         | 93,843 2.6%               | 89,734 2.5%               | 103,572 2.5%              | 93,384 2.5%               |
| Direct Operating Expenses (7) | 24,893 0.7%               | 22,351 0.6%               | 27,257 0.7%               | 23,240 0.6%               |
| Supplies & Chemicals (8)      | 32,197 0.9%               | 37,955 1.1%               | 33,425 0.8%               | 42,317 1.1%               |
| Utilities (9)                 | 57,128 1.6%               | 55,590 1.6%               | 65,736 1.6%               | 79,004 2.1%               |
| General & Administrative (10) | 117,350 3.2%              | 108,644 3.1%              | 118,556 2.8%              | 108,564 2.9%              |
| Repairs & Maintenance (11)    | 54,569 1.5%               | 46,053 1.3%               | 45,603 1.1%               | 44,263 1.2%               |
| Sales Incentives (12)         | 133,002 3.6%              | 178,363 5.1%              | 190,106 4.6%              | 175,318 4.7%              |
| Tech Fee (13)                 | 7,800 0.2%                | 7,800 0.2%                | 7,800 0.2%                | 7,800 0.2%                |
| Local Advertising (14)        | 36,463 1.0%               | 35,278 1.0%               | 41,661 1.0%               | 37,220 1.0%               |
| Brand Marketing Fund (15)     | 91,157 2.5%               | 88,194 2.5%               | 104,152 2.5%              | 93,050 2.5%               |
| Royalty (16)                  | 145,852 4.0%              | 141,110 4.0%              | 166,643 4.0%              | 148,879 4.0%              |
| <b>Income (17)</b>            | <b>789,439 21.7%</b>      | <b>719,258 20.4%</b>      | <b>906,348 21.8%</b>      | <b>711,613 19.1%</b>      |

~~The rest of this page has been left blank intentionally.~~

| <del>3/28/22 – 3/26/23</del>  | -                  |               | -                  |               |
|-------------------------------|--------------------|---------------|--------------------|---------------|
| <b>BUONA Drive Thru</b>       | <b>Store 9</b>     |               | <b>Store 10</b>    |               |
| <b>Gross Sales (1)</b>        | <b>\$2,687,236</b> | <b>100.0%</b> | <b>\$3,191,776</b> | <b>100.0%</b> |
| Food Cost (2)                 | 822,254            | 30.6%         | 970,349            | 30.4%         |
| Packaging Cost (3)            | 103,720            | 3.9%          | 123,072            | 3.9%          |
| <b>Gross Profit (4)</b>       | <b>1,761,262</b>   | <b>65.5%</b>  | <b>2,098,355</b>   | <b>65.7%</b>  |
| Salaries & Wages (5)          | 659,594            | 24.5%         | 734,384            | 23.0%         |
| Employee Benefits (6)         | 78,714             | 2.9%          | 87,311             | 2.7%          |
| Direct Operating Expenses (7) | 25,120             | 0.9%          | 26,531             | 0.8%          |
| Supplies & Chemicals (8)      | 28,196             | 1.0%          | 29,301             | 0.9%          |
| Utilities (9)                 | 54,404             | 2.0%          | 73,880             | 2.3%          |
| General & Administrative (10) | 109,462            | 4.1%          | 112,108            | 3.5%          |
| Repairs & Maintenance (11)    | 31,136             | 1.2%          | 21,771             | 0.7%          |
| Sales Incentives (12)         | 105,773            | 3.9%          | 101,898            | 3.2%          |
| Tech Fee (13)                 | 7,800              | 0.3%          | 7,800              | 0.2%          |
| Local Advertising (14)        | 26,872             | 1.0%          | 31,918             | 1.0%          |
| Brand Marketing Fund (15)     | 67,181             | 2.5%          | 79,794             | 2.5%          |
| Royalty (16)                  | 107,489            | 4.0%          | 127,671            | 4.0%          |
| <b>Income (17)</b>            | <b>459,520</b>     | <b>17.1%</b>  | <b>663,988</b>     | <b>20.8%</b>  |

**Definitions for Single Brand.** The terms used in the ~~above table~~ tables below for the Single Brand Buona Businesses (both Free Standing and Inline) are defined for purposes of this Item 19 statement of financial performance representation as follows:

(1) “BUONA Restaurant Sales” are defined follows: as the portion of total revenue received from the sale of goods and services, whether by cash or by check or credit card, for BUONA Restaurant Menu Items, less sales tax.

“Gross

(2) “BUONA Catering Sales” are defined as the portion of total revenue received from the sale of goods and services, whether by cash or by check or credit card, for BUONA Catering Menu Items, less sales tax, tips and gratuities.

(3) “Food Cost” includes costs of food and beverage items.

(4) “Packaging Cost” includes paper and plastic product expenses.

(5) “Gross Profit” is Gross Sales less Food, Cost and Packaging, and Retail Costs. Cost.

(6) “Salaries and Wages” include wages paid to Company-Owned Restaurant managers and crew. Salaried Manager wages range from \$4850,000/year to \$8580,000/year. Crew wages range from \$14.00/hour to \$2223.00/hour.

(7) “Employee Benefits” includes Payroll Taxes, Workers Compensation contributions, and Health, Dental, and Vision Insurance.

(8) “Direct Operating Expenses” include in-store marketing, signage, uniforms, telephone, internet, permits, door and fire alarm monitoring, music, pest control, fuel, and vehicle insurance.

(9) “Supplies & Chemicals” include supplies and chemicals ~~used at the restaurants.~~

(10) “Utilities” includes electricity, gas, water and sewer, and garbage collection.

(11) “General & Administrative” include bank charges, credit card fees, office supplies, freight, postage, payroll service, team recruitment, liability insurance, and dues and subscriptions.

(12) “Repairs & Maintenance” include building, equipment, and vehicle repairs, as well as ~~expenses for~~ grease trap, hood cleaning, knife sharpening, and landscaping services.

(13) “Sales Incentives” include commissions paid to third party delivery services, POS discounts related to the loyalty program, and POS discounts related to guest satisfaction/resolutions.

(14) “Tech Fee” represents the ~~represents the \$150~~\$100/week ~~technology fee~~charge that a Franchised ~~Buona Business~~Restaurant will currently pay to usChicago’s Original Italian Beef Franchising LLC under the Franchise Agreement.

(15) “Local Advertising” represents the minimum percentage of ~~gross~~sales (1.0%) that a Franchised ~~Buona Business~~Restaurant must spend on local advertising expenses under the Franchise Agreement.

(16) “Brand Marketing Fund” represents the maximum percentage of ~~gross~~sales (2.5%) that a Franchised ~~Buona Business~~may be required to Restaurant would pay to the ~~Brand~~Marketing Fund under the Franchise Agreement.

(17) “Royalty” represents the percentage of ~~gross~~sales (4.0%) that a Franchised ~~Buona Business~~Restaurant will pay to usChicago’s Original Italian Beef Franchising LLC as a royalty under the Franchise Agreement.

(18) “Income” is Sales less the expenses listed above ~~the Income line. Income as used herein.~~ The income above is before deductions for Rent, Real Estate Taxes, Personal Property Taxes, Interest Costs, Depreciation and Amortization or Income Tax. The statements shown in the tables DO NOT include the following expense items, which must be calculated and included separately for every Buona ~~Business~~Restaurant:

- Actual Local Advertising, including promotional discounts done at the POS.
- ~~▪ Depreciation of property and equipment.~~
- ~~▪ Rent, interest or other financing cost for land, buildings, equipment and inventory.~~
- ~~▪ Initial franchise fee and organization costs.~~
- ~~▪ Any management fees.~~
- ~~▪ Income taxes and property taxes.~~
- ~~▪ Other Employee benefits, such as bonus incentives, meal discounts, other team member compensation.~~
- ~~▪ Other expenses, such as furniture and equipment, technology software and equipment, meeting expense, cash over/short, credit card chargebacks, armored car, and window washing services.~~

*~~The rest of this page has been left blank intentionally.~~*

The table below shows the high-low range, average, and median for each entry for the historical results of all 10 single-brand free-standing Buona restaurants with drive-through windows included in tables above.

~~The same definitions listed above apply to the table below. Additional defined terms for the table below are:~~

~~“Average” is the sum of all data points, divided by the number of data points.~~

~~“Median” is the data point that is in the center of all data points used.~~

| 3/28/22 - 3/26/23             |             | -      |             | -      |             | -       |             | -      |  |
|-------------------------------|-------------|--------|-------------|--------|-------------|---------|-------------|--------|--|
| BUONA Drive-Thru              |             | High   |             | Low    |             | Average |             | Median |  |
| Gross Sales (1)               | \$4,166,063 | 100.0% | \$2,687,236 | 100.0% | \$3,521,302 | 100.0%  | \$3,527,758 | 100.0% |  |
| Food Cost (2)                 | 1,263,799   | 30.3%  | 822,254     | 30.6%  | 1,075,701   | 30.5%   | 1,079,433   | 30.6%  |  |
| Packaging Cost (3)            | 162,084     | 3.9%   | 103,720     | 3.9%   | 136,973     | 3.9%    | 133,280     | 3.8%   |  |
| Gross Profit (4)              | 2,740,180   | 65.8%  | 1,761,262   | 65.5%  | 2,308,628   | 65.6%   | 2,315,408   | 65.6%  |  |
| Salaries & Wages (5)          | 929,322     | 22.3%  | 659,594     | 24.5%  | 811,676     | 23.1%   | 809,490     | 22.9%  |  |
| Employee Benefits (6)         | 103,572     | 2.5%   | 78,714      | 2.9%   | 91,873      | 2.6%    | 92,775      | 2.6%   |  |
| Direct Operating Expenses (7) | 27,257      | 0.7%   | 25,120      | 0.9%   | 25,557      | 0.7%    | 26,348      | 0.7%   |  |
| Supplies & Chemicals (8)      | 33,425      | 0.8%   | 28,196      | 1.0%   | 34,184      | 1.0%    | 31,539      | 0.9%   |  |
| Utilities (9)                 | 65,736      | 1.6%   | 54,404      | 2.0%   | 65,042      | 1.8%    | 62,806      | 1.8%   |  |
| General & Administrative (10) | 118,556     | 2.8%   | 109,462     | 4.1%   | 114,307     | 3.2%    | 114,608     | 3.2%   |  |
| Repairs & Maintenance (11)    | 45,603      | 1.1%   | 31,136      | 1.2%   | 50,492      | 1.4%    | 46,053      | 1.3%   |  |
| Sales Incentives (12)         | 190,106     | 4.6%   | 105,773     | 3.9%   | 150,287     | 4.3%    | 154,770     | 4.4%   |  |
| Tech Fee (13)                 | 7,800       | 0.2%   | 7,800       | 0.3%   | 7,800       | 0.2%    | 7,800       | 0.2%   |  |
| Local Advertising (14)        | 41,661      | 1.0%   | 26,872      | 1.0%   | 35,213      | 1.0%    | 35,278      | 1.0%   |  |
| Brand Marketing Fund (15)     | 104,152     | 2.5%   | 67,181      | 2.5%   | 88,033      | 2.5%    | 88,194      | 2.5%   |  |
| Royalty (16)                  | 166,643     | 4.0%   | 107,489     | 4.0%   | 140,852     | 4.0%    | 141,110     | 4.0%   |  |
| Income (17)                   | 906,348     | 21.8%  | 459,520     | 17.1%  | 693,312     | 19.7%   | 711,613     | 20.2%  |  |

### ~~STATEMENT OF HISTORICAL RESULTS FOR~~ ~~2 AFFILIATE OWNED DUAL BRAND FREE STANDING RESTAURANTS~~ ~~WITH DRIVE THROUGH~~

~~The 2 Buona restaurants included in the table below are free standing restaurants with a drive through operating under the dual brands of “Buona” and “The Original Rainbow Cone.”~~

~~As of March 26, 2023, Store 11 has been in operation for a total of 15 years, 9 months, and has operated as a Dual Brand restaurant since July 2021, and Store 12 has been in operation for a total of 1 year, 1 months and has operated as a Dual Brand restaurant since its opening. Store 12 is a seasonal kiosk open from May 2022 to September 2022 and has a more limited The Original Rainbow Cone menu than will be typical for a Dual Brand Business.~~

~~The operations of the 2-affiliate owned Dual Brand restaurants included in the table below do not differ materially from those of a new franchised Dual Brand Business that is a free-standing location with a drive through window, except that the affiliate owned units sell pizza, and the new franchised Buona Businesses will not sell pizza. Information is provided below on what percentage of total sales of the affiliate owned units was derived from the sale of pizza products.~~

~~If you will be establishing a single brand franchised restaurant, you should not rely on these numbers and should~~

~~review the data in the other tables.~~

~~The tables below show the Gross Sales and certain specified expenses as listed and defined below of the 2 Buona affiliate owned dual brand restaurants included in this statement. This does not include all expenses incurred by a Dual Brand Business.~~

~~The source of this data is income statements for each individual restaurant prepared internally by our affiliates consistent with generally accepted accounting principles. The same accounting system is used for each restaurant. The information has not been audited.~~

| <del>3/28/22 - 3/26/23</del>                | -                |               | -                |               |
|---------------------------------------------|------------------|---------------|------------------|---------------|
| Dual Brand Restaurants                      | Store 11         |               | Store 12         |               |
| BUONA Restaurant Sales (1)                  | \$3,175,967      | 79.1%         | \$4,673,852      | 91.7%         |
| BUONA Catering Sales (2)                    | 386,847          | 9.6%          | 269,528          | 5.3%          |
| Rainbow Cone Sales (3)                      | 450,921          | 11.2%         | 155,888          | 3.1%          |
| <b>Total Gross Sales</b>                    | <b>4,013,735</b> | <b>100.0%</b> | <b>5,099,268</b> | <b>100.0%</b> |
| Food Cost (4)                               | 1,164,333        | 29.0%         | 1,521,471        | 29.8%         |
| Packaging Cost (5)                          | 153,828          | 3.8%          | 182,585          | 3.6%          |
| <b>Gross Profit (6)</b>                     | <b>2,695,574</b> | <b>67.2%</b>  | <b>3,395,212</b> | <b>66.6%</b>  |
| Salaries & Wages (7)                        | 955,534          | 23.8%         | 1,168,337        | 22.9%         |
| Employee Benefits (8)                       | 103,597          | 2.6%          | 131,338          | 2.6%          |
| Direct Operating Expenses (9)               | 25,124           | 0.6%          | 26,382           | 0.5%          |
| Supplies & Chemicals (10)                   | 39,690           | 1.0%          | 53,505           | 1.0%          |
| Utilities (11)                              | 68,599           | 1.7%          | 105,110          | 2.1%          |
| General & Administrative (12)               | 139,380          | 3.5%          | 138,357          | 2.7%          |
| Repairs & Maintenance (13)                  | 41,763           | 1.0%          | 53,129           | 1.0%          |
| Sales Incentives (14)                       | 128,953          | 3.2%          | 190,386          | 3.7%          |
| Tech Fee (15)                               | 7,800            | 0.2%          | 7,800            | 0.2%          |
| Local Advertising (16)                      | 40,137           | 1.0%          | 50,993           | 1.0%          |
| 2.5% BUONA Brand Marketing Fund (17)        | 89,070           | 2.2%          | 123,585          | 2.4%          |
| 4.0% BUONA Royalty (18)                     | 142,513          | 3.6%          | 197,735          | 3.9%          |
| 3.0% Rainbow Cone Brand Marketing Fund (19) | 13,528           | 0.3%          | 4,677            | 0.1%          |
| 7.0% Rainbow Cone Royalty (20)              | 31,564           | 0.8%          | 10,912           | 0.2%          |
| <b>Income (21)</b>                          | <b>868,322</b>   | <b>21.6%</b>  | <b>1,132,967</b> | <b>22.2%</b>  |

~~The terms used in the above tables are defined for purposes of this Item 19 statement of financial performance representation are defined follows:~~

(3) —“BUONA Restaurant Sales” is defined as the portion of the total gross sales received from the sale of goods and services, whether by cash or by check or credit card, for BUONA Restaurant Menu Items, less sales tax, tip and gratuities.—

(4) —“BUONA Catering Sales” is defined as the portion of the total gross sales received from the sale of goods and services, whether by cash or by check or credit card, for BUONA Catering Menu Items, less sales tax, tip and gratuities.—

~~(5) “Rainbow Cone Sales” is defined as the portion of the total gross sales received from the sale of goods and services, whether by cash or by check or credit card, for Rainbow Cone Menu Items, less sales tax, tip and gratuities.—~~

~~(6) “Food Cost” includes costs of food and beverage items.~~

~~(7) “Packaging Cost” includes paper and plastic product expenses.~~

~~(8) “Gross Profit” is Gross Sales less Food, Packaging, and Retail Costs.~~

~~(9) “Salaries and Wages” include wages paid to restaurant managers and crew. Salaried Manager wages range from \$48,000/year to \$85,000/year Crew wages range from \$14.00/hour to \$22.00/hour.—~~

~~(10) “Employee Benefits” includes Payroll Taxes, Workers Compensation contributions, and Health, Dental, and Vision Insurance.—~~

~~(11) “Direct Operating Expenses” include in-store marketing, signage, uniforms, telephone, internet, permits, door and fire alarm monitoring, music, pest control, fuel and vehicle insurance.~~

~~(12) “Supplies & Chemicals” include supplies and chemicals used at the restaurants.~~

~~(13) “Utilities” includes electricity, gas, water and sewer, and garbage collection.—~~

~~(14) “General & Administrative” include bank charges, credit card fees, office supplies, freight, postage, payroll service, team recruitment, liability insurance, and dues and subscriptions.~~

~~(15) “Repairs & Maintenance” include building, equipment and vehicle repairs as well as expenses for grease trap, hood cleaning, knife sharpening and landscaping services.~~

~~(16) “Sales Incentives” include commissions paid to third party delivery services, POS discounts related to the loyalty program, and POS discounts related to guest satisfaction/resolutions.~~

~~(17) “Tech Fee” represents the represents the \$150/week technology fee that a franchised Dual Brand Business will pay to us under the Franchise Agreement.~~

~~(18) “Local Advertising” represents the minimum percentage of gross sales (1.0%) that a franchised Dual Brand Business must spend on local advertising expenses under the Franchise Agreement.~~

~~(19) “BUONA Brand Marketing Fund” represents the percentage of gross sales from BUONA Menu Items (2.5%) that a franchised Dual Brand Business will pay to us under the Franchise Agreement.~~

~~(20) “BUONA Royalty” represents the percentage of gross sales from Buona Menu Items (4.0%) that a franchised Buona Business will pay to us as a royalty under the Franchise Agreement.~~

~~(21) “Rainbow Cone Brand Marketing Fund” represents the percentage of gross sales from Rainbow Cone Menu Items (3.0%) that a franchised Dual Brand Business will pay to the Five Flavors Brand Marketing Fund under the Franchise Agreement.—~~

~~“Rainbow Cone Royalty” represents the percentage of gross sales from Rainbow Cone Menu Items (7.0%) that a franchised Dual Brand Business will pay to Five Flavors as a royalty under the Franchise Agreement. “Income” is Sales less the expenses listed above the Income line. Income as used herein is before deductions for Rent, Real Estate Taxes, Personal Property Taxes, Interest Costs, Depreciation and~~



~~Amortization or Income Tax. The statements shown in the tables DO NOT include the following expense items, which must be calculated and included separately for every Dual Brand Business:~~

- ~~Actual Local Advertising, including promotional discounts done at the POS.~~ Depreciation of property and equipment.
  - Rent, interest or other financing cost for land, buildings, equipment and inventory.
  - Initial franchise fee and organization costs.
  - Any management fees.
  - Income taxes and property taxes.
  - Other Employee benefits, such as bonus incentives, meal discounts, other team member compensation.
  - Other expenses, such as furniture and equipment, technology software and equipment, meeting expense, cash over/short, credit card chargebacks, armored car, and window washing services.
-

| <u>1/2/23 - 12/31/23</u>                 | -                       |                      | -                       |                      | -                       |                      | -                       |                      | -                       |                      |
|------------------------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| <u>BUONA Drive Thru</u>                  | <u>Store 1</u>          |                      | <u>Store 2</u>          |                      | <u>Store 3</u>          |                      | <u>Store 4</u>          |                      | <u>Store 5</u>          |                      |
| <u>BUONA Restaurant Sales (1)</u>        | <u>3,441,200</u>        | <u>91.6%</u>         | <u>2,597,808</u>        | <u>89.7%</u>         | <u>3,737,486</u>        | <u>94.0%</u>         | <u>2,988,606</u>        | <u>90.3%</u>         | <u>3,278,547</u>        | <u>90.8%</u>         |
| <u>BUONA Catering Sales (2)</u>          | <u>316,765</u>          | <u>8.4%</u>          | <u>297,523</u>          | <u>10.3%</u>         | <u>237,642</u>          | <u>6.0%</u>          | <u>319,927</u>          | <u>9.7%</u>          | <u>333,493</u>          | <u>9.2%</u>          |
| <b><u>Total Gross Sales</u></b>          | <b><u>3,757,965</u></b> | <b><u>100.0%</u></b> | <b><u>2,895,331</u></b> | <b><u>100.0%</u></b> | <b><u>3,975,128</u></b> | <b><u>100.0%</u></b> | <b><u>3,308,533</u></b> | <b><u>100.0%</u></b> | <b><u>3,612,040</u></b> | <b><u>100.0%</u></b> |
| <u>Food Cost (3)</u>                     | <u>1,119,157</u>        | <u>29.8%</u>         | <u>860,390</u>          | <u>29.7%</u>         | <u>1,127,609</u>        | <u>28.4%</u>         | <u>973,700</u>          | <u>29.4%</u>         | <u>1,057,458</u>        | <u>29.3%</u>         |
| <u>Packaging Cost (4)</u>                | <u>128,786</u>          | <u>3.4%</u>          | <u>101,364</u>          | <u>3.5%</u>          | <u>131,341</u>          | <u>3.3%</u>          | <u>110,273</u>          | <u>3.3%</u>          | <u>122,893</u>          | <u>3.4%</u>          |
| <b><u>Gross Profit (5)</u></b>           | <b><u>2,510,022</u></b> | <b><u>66.8%</u></b>  | <b><u>1,933,577</u></b> | <b><u>66.8%</u></b>  | <b><u>2,716,178</u></b> | <b><u>68.3%</u></b>  | <b><u>2,224,560</u></b> | <b><u>67.2%</u></b>  | <b><u>2,431,689</u></b> | <b><u>67.3%</u></b>  |
| <u>Salaries &amp; Wages (6)</u>          | <u>824,048</u>          | <u>21.9%</u>         | <u>721,478</u>          | <u>24.9%</u>         | <u>918,446</u>          | <u>23.1%</u>         | <u>782,674</u>          | <u>23.7%</u>         | <u>836,127</u>          | <u>23.1%</u>         |
| <u>Employee Benefits (7)</u>             | <u>94,212</u>           | <u>2.5%</u>          | <u>86,909</u>           | <u>3.0%</u>          | <u>103,064</u>          | <u>2.6%</u>          | <u>93,614</u>           | <u>2.8%</u>          | <u>96,236</u>           | <u>2.7%</u>          |
| <u>Direct Operating Expenses (8)</u>     | <u>26,647</u>           | <u>0.7%</u>          | <u>26,486</u>           | <u>0.9%</u>          | <u>25,478</u>           | <u>0.6%</u>          | <u>24,448</u>           | <u>0.7%</u>          | <u>25,207</u>           | <u>0.7%</u>          |
| <u>Supplies &amp; Chemicals (9)</u>      | <u>38,930</u>           | <u>1.0%</u>          | <u>36,172</u>           | <u>1.2%</u>          | <u>39,247</u>           | <u>1.0%</u>          | <u>33,389</u>           | <u>1.0%</u>          | <u>34,856</u>           | <u>1.0%</u>          |
| <u>Utilities (10)</u>                    | <u>64,351</u>           | <u>1.7%</u>          | <u>63,245</u>           | <u>2.2%</u>          | <u>56,358</u>           | <u>1.4%</u>          | <u>55,260</u>           | <u>1.7%</u>          | <u>52,721</u>           | <u>1.5%</u>          |
| <u>General &amp; Administrative (11)</u> | <u>117,507</u>          | <u>3.1%</u>          | <u>107,457</u>          | <u>3.7%</u>          | <u>107,219</u>          | <u>2.7%</u>          | <u>104,893</u>          | <u>3.2%</u>          | <u>112,857</u>          | <u>3.1%</u>          |
| <u>Repairs &amp; Maintenance (12)</u>    | <u>42,439</u>           | <u>1.1%</u>          | <u>66,862</u>           | <u>2.3%</u>          | <u>55,345</u>           | <u>1.4%</u>          | <u>56,270</u>           | <u>1.7%</u>          | <u>54,941</u>           | <u>1.5%</u>          |
| <u>Sales Incentives (13)</u>             | <u>117,212</u>          | <u>3.1%</u>          | <u>98,581</u>           | <u>3.4%</u>          | <u>182,107</u>          | <u>4.6%</u>          | <u>136,893</u>          | <u>4.1%</u>          | <u>123,366</u>          | <u>3.4%</u>          |
| <u>Tech Fee (14)</u>                     | <u>5,200</u>            | <u>0.1%</u>          | <u>5,200</u>            | <u>0.2%</u>          | <u>5,200</u>            | <u>0.1%</u>          | <u>5,200</u>            | <u>0.2%</u>          | <u>5,200</u>            | <u>0.1%</u>          |
| <u>Local Advertising (15)</u>            | <u>37,580</u>           | <u>1.0%</u>          | <u>28,953</u>           | <u>1.0%</u>          | <u>39,751</u>           | <u>1.0%</u>          | <u>33,085</u>           | <u>1.0%</u>          | <u>36,120</u>           | <u>1.0%</u>          |
| <u>Brand Marketing Fund (16)</u>         | <u>93,949</u>           | <u>2.5%</u>          | <u>72,383</u>           | <u>2.5%</u>          | <u>99,378</u>           | <u>2.5%</u>          | <u>82,713</u>           | <u>2.5%</u>          | <u>90,301</u>           | <u>2.5%</u>          |
| <u>Royalty (17)</u>                      | <u>150,319</u>          | <u>4.0%</u>          | <u>115,813</u>          | <u>4.0%</u>          | <u>159,005</u>          | <u>4.0%</u>          | <u>132,341</u>          | <u>4.0%</u>          | <u>144,482</u>          | <u>4.0%</u>          |
| <b><u>Income (18)</u></b>                | <b><u>897,629</u></b>   | <b><u>23.9%</u></b>  | <b><u>504,037</u></b>   | <b><u>17.4%</u></b>  | <b><u>925,579</u></b>   | <b><u>23.3%</u></b>  | <b><u>683,779</u></b>   | <b><u>20.7%</u></b>  | <b><u>819,275</u></b>   | <b><u>22.7%</u></b>  |

| <u>1/2/23 - 12/31/23</u>                 | -                       |                      | -                       |                      | -                       |                      | -                       |                      |
|------------------------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| <u>BUONA Drive Thru</u>                  | <u>Store 6</u>          |                      | <u>Store 7</u>          |                      | <u>Store 8</u>          |                      | <u>Store 9</u>          |                      |
| <u>BUONA Restaurant Sales (1)</u>        | <u>3,240,255</u>        | <u>92.9%</u>         | <u>2,894,899</u>        | <u>87.8%</u>         | <u>2,380,507</u>        | <u>90.8%</u>         | <u>2,916,592</u>        | <u>90.6%</u>         |
| <u>BUONA Catering Sales (2)</u>          | <u>245,924</u>          | <u>7.1%</u>          | <u>403,762</u>          | <u>12.2%</u>         | <u>240,167</u>          | <u>9.2%</u>          | <u>302,047</u>          | <u>9.4%</u>          |
| <b><u>Total Gross Sales</u></b>          | <b><u>3,486,179</u></b> | <b><u>100.0%</u></b> | <b><u>3,298,661</u></b> | <b><u>100.0%</u></b> | <b><u>2,620,674</u></b> | <b><u>100.0%</u></b> | <b><u>3,218,639</u></b> | <b><u>100.0%</u></b> |
| <u>Food Cost (3)</u>                     | <u>1,024,676</u>        | <u>29.4%</u>         | <u>981,167</u>          | <u>29.7%</u>         | <u>772,746</u>          | <u>29.5%</u>         | <u>960,769</u>          | <u>29.9%</u>         |
| <u>Packaging Cost (4)</u>                | <u>113,943</u>          | <u>3.3%</u>          | <u>113,700</u>          | <u>3.4%</u>          | <u>89,990</u>           | <u>3.4%</u>          | <u>109,487</u>          | <u>3.4%</u>          |
| <b><u>Gross Profit (5)</u></b>           | <b><u>2,347,560</u></b> | <b><u>67.3%</u></b>  | <b><u>2,203,794</u></b> | <b><u>66.8%</u></b>  | <b><u>1,757,938</u></b> | <b><u>67.1%</u></b>  | <b><u>2,148,383</u></b> | <b><u>66.7%</u></b>  |
| <u>Salaries &amp; Wages (6)</u>          | <u>796,034</u>          | <u>22.8%</u>         | <u>779,841</u>          | <u>23.6%</u>         | <u>661,713</u>          | <u>25.2%</u>         | <u>765,404</u>          | <u>23.8%</u>         |
| <u>Employee Benefits (7)</u>             | <u>93,221</u>           | <u>2.7%</u>          | <u>86,514</u>           | <u>2.6%</u>          | <u>82,520</u>           | <u>3.1%</u>          | <u>90,963</u>           | <u>2.8%</u>          |
| <u>Direct Operating Expenses (8)</u>     | <u>26,693</u>           | <u>0.8%</u>          | <u>27,469</u>           | <u>0.8%</u>          | <u>25,704</u>           | <u>1.0%</u>          | <u>24,074</u>           | <u>0.7%</u>          |
| <u>Supplies &amp; Chemicals (9)</u>      | <u>41,708</u>           | <u>1.2%</u>          | <u>40,090</u>           | <u>1.2%</u>          | <u>28,905</u>           | <u>1.1%</u>          | <u>29,518</u>           | <u>0.9%</u>          |
| <u>Utilities (10)</u>                    | <u>48,867</u>           | <u>1.4%</u>          | <u>79,943</u>           | <u>2.4%</u>          | <u>50,420</u>           | <u>1.9%</u>          | <u>58,367</u>           | <u>1.8%</u>          |
| <u>General &amp; Administrative (11)</u> | <u>102,069</u>          | <u>2.9%</u>          | <u>100,984</u>          | <u>3.1%</u>          | <u>99,194</u>           | <u>3.8%</u>          | <u>109,614</u>          | <u>3.4%</u>          |
| <u>Repairs &amp; Maintenance (12)</u>    | <u>48,565</u>           | <u>1.4%</u>          | <u>53,729</u>           | <u>1.6%</u>          | <u>40,363</u>           | <u>1.5%</u>          | <u>31,301</u>           | <u>1.0%</u>          |
| <u>Sales Incentives (13)</u>             | <u>155,550</u>          | <u>4.5%</u>          | <u>155,472</u>          | <u>4.7%</u>          | <u>99,763</u>           | <u>3.8%</u>          | <u>91,352</u>           | <u>2.8%</u>          |
| <u>Tech Fee (14)</u>                     | <u>5,200</u>            | <u>0.1%</u>          | <u>5,200</u>            | <u>0.2%</u>          | <u>5,200</u>            | <u>0.2%</u>          | <u>5,200</u>            | <u>0.2%</u>          |
| <u>Local Advertising (15)</u>            | <u>34,862</u>           | <u>1.0%</u>          | <u>32,987</u>           | <u>1.0%</u>          | <u>26,207</u>           | <u>1.0%</u>          | <u>32,186</u>           | <u>1.0%</u>          |
| <u>Brand Marketing Fund (16)</u>         | <u>87,154</u>           | <u>2.5%</u>          | <u>82,467</u>           | <u>2.5%</u>          | <u>65,517</u>           | <u>2.5%</u>          | <u>80,466</u>           | <u>2.5%</u>          |
| <u>Royalty (17)</u>                      | <u>139,447</u>          | <u>4.0%</u>          | <u>131,946</u>          | <u>4.0%</u>          | <u>104,827</u>          | <u>4.0%</u>          | <u>128,746</u>          | <u>4.0%</u>          |
| <b><u>Income (18)</u></b>                | <b><u>768,190</u></b>   | <b><u>22.0%</u></b>  | <b><u>627,152</u></b>   | <b><u>19.0%</u></b>  | <b><u>467,605</u></b>   | <b><u>17.8%</u></b>  | <b><u>701,192</u></b>   | <b><u>21.8%</u></b>  |

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

The table below shows the high-low range, average, and median for each entry for the historical results of all 9 single brand free standing Buona restaurants with drive through windows included in tables above.

The same definitions listed above apply to the table below. Additional defined terms for the table below are:

“Average” is the sum of all data points, divided by the number of data points.

“Median” is the data point that is in the center of all data points used.

| <u>1/2/23 - 12/31/23</u>            | <u>High</u>      |               | <u>Low</u>       |               | <u>Average</u>   |               | <u>Median</u>    |               |
|-------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| <b>BUONA Drive Thru</b>             |                  |               |                  |               |                  |               |                  |               |
| <b>BUONA Restaurant Sales</b>       |                  |               |                  |               |                  |               |                  |               |
| (1)                                 | 3,737,486        | 94.0%         | 2,380,507        | 90.8%         | 3,052,878        | 91.1%         | 2,988,606        | 90.3%         |
| <b>BUONA Catering Sales (2)</b>     | 237,642          | 6.0%          | 240,167          | 9.2%          | 299,694          | 8.9%          | 302,047          | 9.1%          |
| <b>Total Gross Sales</b>            | <b>3,975,128</b> | <b>100.0%</b> | <b>2,620,674</b> | <b>100.0%</b> | <b>3,352,572</b> | <b>100.0%</b> | <b>3,308,533</b> | <b>100.0%</b> |
| Food Cost (3)                       | 1,127,609        | 28.4%         | 772,746          | 29.5%         | 986,408          | 29.4%         | 981,167          | 29.7%         |
| Packaging Cost (4)                  | 131,341          | 3.3%          | 89,990           | 3.4%          | 113,531          | 3.4%          | 113,700          | 3.4%          |
| <b>Gross Profit (5)</b>             | <b>2,716,178</b> | <b>68.3%</b>  | <b>1,757,938</b> | <b>67.1%</b>  | <b>2,252,633</b> | <b>67.2%</b>  | <b>2,224,560</b> | <b>67.2%</b>  |
| Salaries & Wages (6)                | 918,446          | 23.1%         | 661,713          | 25.2%         | 787,307          | 23.5%         | 782,674          | 23.7%         |
| Employee Benefits (7)               | 103,064          | 2.6%          | 82,520           | 3.1%          | 91,917           | 2.7%          | 93,221           | 2.8%          |
| <b>Direct Operating Expenses</b>    |                  |               |                  |               |                  |               |                  |               |
| (8)                                 | 25,478           | 0.6%          | 25,704           | 1.0%          | 25,801           | 0.8%          | 25,704           | 0.8%          |
| Supplies & Chemicals (9)            | 39,247           | 1.0%          | 28,905           | 1.1%          | 35,868           | 1.1%          | 36,172           | 1.1%          |
| Utilities (10)                      | 56,358           | 1.4%          | 50,420           | 1.9%          | 58,837           | 1.8%          | 56,358           | 1.7%          |
| <b>General &amp; Administrative</b> |                  |               |                  |               |                  |               |                  |               |
| (11)                                | 107,219          | 2.7%          | 99,194           | 3.8%          | 106,866          | 3.2%          | 107,219          | 3.2%          |
| <b>Repairs &amp; Maintenance</b>    |                  |               |                  |               |                  |               |                  |               |
| (12)                                | 55,345           | 1.4%          | 40,363           | 1.5%          | 49,979           | 1.5%          | 53,729           | 1.6%          |
| Sales Incentives (13)               | 182,107          | 4.6%          | 99,763           | 3.8%          | 128,922          | 3.8%          | 123,366          | 3.7%          |
| Tech Fee (14)                       | 5,200            | 0.1%          | 5,200            | 0.2%          | 5,200            | 0.2%          | 5,200            | 0.2%          |
| Local Advertising (15)              | 39,751           | 1.0%          | 26,207           | 1.0%          | 33,526           | 1.0%          | 33,085           | 1.0%          |
| Brand Marketing Fund (16)           | 99,378           | 2.5%          | 65,517           | 2.5%          | 83,814           | 2.5%          | 82,713           | 2.5%          |
| Royalty (17)                        | 159,005          | 4.0%          | 104,827          | 4.0%          | 134,103          | 4.0%          | 132,341          | 4.0%          |
| <b>Income (18)</b>                  | <b>925,579</b>   | <b>23.3%</b>  | <b>467,605</b>   | <b>17.8%</b>  | <b>710,493</b>   | <b>21.2%</b>  | <b>701,192</b>   | <b>21.2%</b>  |

### **STATEMENT OF HISTORICAL RESULTS FOR** **1 AFFILIATE-OWNED SINGLE BRAND INLINE RESTAURANT**

The data provided in this section in the table below is based on the historical performance of 1 single brand Buona restaurant in an inline location in the Chicago metropolitan area that is owned and operated by a company affiliated with us. This restaurant has been in operation since November 2017.

~~The Buona Business operated by our affiliate included in the table below offered substantially the same products and services that will be offered by new franchised Buona Businesses, except that the affiliate-owned units sell pizza, and the new franchised Buona Businesses will not sell pizza. Information is provided below on what percentage of total sales of the affiliate-owned unit was derived from the sale of pizza products.~~

The operations of the affiliate-owned unit included in the table below do not differ materially from those of a new franchised Buona Business established in an inline shopping center location without a drive through window.

As noted above, in this Item 19, we have only included Buona restaurants that have been opened in January

2013 or after due to the fact that our affiliates launched a new prototype for Buona restaurants going forward beginning in January 2013 that is similar to the Buona Business franchise offered to franchisees under this Disclosure Document. Only one Buona restaurant established by an affiliate on or after January 2013 is located in an inline shopping center and was in operation for the full 52 operating weeks ~~between March 28, from January 2, 2023 through December 31, 2022 and March 26, 2023.~~

The table below shows the Sales and certain specified expenses as listed below and defined above of the 1 Buona affiliate-owned single brand inline restaurant. This does not include all expenses incurred by a Buona restaurant.

The source of this data is the income statement for this restaurant prepared internally by our affiliate consistent with generally accepted accounting principles. The information has not been audited.

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

See definitions above.

| <del>3/28/22 - 3/26</del> 1/2/23 - 12/31/23 | Store <del>13</del> 10 |               |
|---------------------------------------------|------------------------|---------------|
| BUONA In-Line                               |                        |               |
| BUONA Restaurant Sales (1)                  | 2,008,947              | 76.0%         |
| BUONA Catering Sales (2)                    | 635,936                | 24.0%         |
| <b>Total Gross Sales (4)</b>                | <b>\$2,479,685</b>     | <b>100.0%</b> |
| Food Cost (23)                              | 751,158                | 30.3%         |
| Packaging Cost (34)                         | 107,156                | 4.3%          |
| <b>Gross Profit (45)</b>                    | <b>1,621,371</b>       | <b>65.4%</b>  |
| Salaries & Wages (56)                       | 611,083                | 24.6%         |
| Employee Benefits (67)                      | 75,912                 | 3.1%          |
| Direct Operating Expenses (78)              | 33,787                 | 1.4%          |
| Supplies & Chemicals (89)                   | 28,843                 | 1.2%          |
| Utilities (910)                             | 36,897                 | 1.5%          |
| General & Administrative (1011)             | 101,901                | 4.1%          |
| Repairs & Maintenance (1112)                | 89,991                 | 3.6%          |
| Sales Incentives (1213)                     | 153,091                | 6.2%          |
| Tech Fee (1314)                             | 7,800                  | 0.3%          |
| Local Advertising (1415)                    | 24,797                 | 1.0%          |
| Brand Marketing Fund (1516)                 | 61,992                 | 2.5%          |
| Royalty (1617)                              | 99,187                 | 4.0%          |
| <b>Income (1718)</b>                        | <b>296,090</b>         | <b>11.9%</b>  |

See DefinitionsExplanatory Notes below.

*The rest of terms used in the table provided above this page has been left blank intentionally.*

**STATEMENT OF HISTORICAL FOOD AND PACKAGING COSTS**  
**BY MONTH RESULTS FOR 13**  
**6 AFFILIATE-OWNED DUAL BRAND FREE STANDING RESTAURANTS**  
**WITH DRIVE THROUGH**

The data provided in this section in the table below is based on the historical performance of all 13 affiliate-owned

**FOR THE PERIOD JANUARY 2, 2023 THROUGH DECEMBER 31, 2023**

The 6 Buona restaurants included in the table below are free standing restaurants with a drive through operating under the dual brands of “Buona” and “The Original Rainbow Cone.”

As of December 31, 2023, the period of time the 6 stores included in this statement have been in operation as a Dual Brand restaurant (some stores were originally a single brand and added the Original Rainbow Cone concept later) ranges from 16 years, 6 months to 1 year, 10 months.

Stores #11 and #12 have a seasonal The Original Rainbow Cone kiosk that operates from May to September only of each year and has a more limited The Original Rainbow Cone menu than will be typical for a Dual Brand Business.

The operations of the 6 affiliate-owned Dual Brand restaurants included in the table below do not differ materially from those of a new franchised Dual Brand Business that is a free standing location with a drive through window, except that the affiliate-owned units sell pizza, and the new franchised Buona Businesses will not sell pizza. Information is provided below on what percentage of total sales of the affiliate-owned units was derived from the sale of pizza products.

If you will be establishing a single brand franchised restaurant, you should not rely on these numbers and should review the data in the other tables.

The tables below show the Gross Sales and certain specified expenses as listed and defined below of the 6 Buona affiliate-owned dual brand restaurants included in this statement. This does not include all expenses incurred by a Dual Brand Business.

The source of this data is income statements for each individual restaurant prepared internally by our affiliates consistent with generally accepted accounting principles. The same accounting system is used for each restaurant. The information has not been audited.

**Definitions for Dual Brand.** The terms used in the tables for Dual Brand restaurants are defined for purposes of this Item 19 and described above. The statement shows of financial performance representation are defined follows:

- (1) “BUONA Restaurant Sales” are defined as the portion of total of food costs and packaging costs as a percentage of Gross Sales revenue received from the sale of goods and services, whether by cash or by check or credit card, for each month BUONA Restaurant Menu Items, less sales tax.
- (2) “BUONA Catering Sales” are defined as the portion of total revenue received from the sale of goods and services, whether by cash or by check or credit card, for BUONA Catering Menu Items, less sales tax.

(3) “Rainbow Cone the period March 28, Sales” are defined as the portion total revenue received from the sale of goods and services, whether by cash or by check or credit card, for Rainbow Cone Menu Items, less sales tax.

(4) 2022 through March 26, 2023. As noted above, “Food Cost” includes costs of food and beverage items and.

(5) “Packaging Cost” includes paper and plastic product expenses.

(6) “Gross Profit” is Gross Sales less Food Cost and Packaging Cost.

(7) “Salaries and Wages” include wages paid to managers and crew. Salaried Manager wages range from \$47,000/year to \$80,000/year. Crew wages range from \$12.50/hour to \$22.00/hour.

(8) “Employee Benefits” includes Payroll Taxes, Workers Compensation contributions, and Health, Dental, and Vision Insurance.

(9) “Direct Operating Expenses” include in-store marketing, signage, uniforms, telephone, internet, permits, door & fire alarm monitoring, music, pest control, fuel, and vehicle insurance.

(10) “Supplies & Chemicals” include supplies and chemicals used at Company-Owned Restaurants.

(11) “Utilities” includes electricity, gas, water and sewer, and garbage collection.

(12) “General & Administrative” include bank charges, credit card fees, office supplies, freight, postage, payroll service, team recruitment, liability insurance, and dues and subscriptions.

(13) “Repairs & Maintenance” include building, equipment, and vehicle repairs as well as grease trap, hood cleaning, knife sharpening, and landscaping services.

(14) “Sales Incentives” include commissions paid to third party delivery services, POS discounts related to the loyalty program, and POS discounts related to guest satisfaction/resolutions.

(15) “Tech Fee” represents the \$100/week charge that a Franchised Restaurant will currently pay to Chicago’s Original Italian Beef Franchising LLC under the Franchise Agreement.

(16) “Local Advertising” represents the minimum percentage of sales (1.0%) that a Franchised Restaurant must spend on local advertising expenses under the Franchise Agreement.

(17) “BUONA Brand Marketing Fund” represents the maximum percentage of BUONA sales (2.5%) that a Franchised Restaurant would pay to Chicago’s Original Italian Beef Franchising LLC under the Franchise Agreement.

(18) “BUONA Royalty” represents the percentage of BUONA sales (4.0%) that a Franchised Restaurant will pay to Chicago’s Original Italian Beef Franchising LLC as a service royalty under the Franchise Agreement.

(19) “Rainbow Cone Brand Marketing Fund” represents the percentage of sales (3.0%) that a Franchised Restaurant will pay to the Five Flavors Franchising Marketing Fund under the Franchise Agreement.

(20) “Rainbow Cone Royalty” represents the percentage of sales (6.0%) that a Franchised Restaurant will pay to Five Flavors Franchising LLC as a royalty under the Franchise Agreement.

(21) “Income” is Sales less the expenses listed above. The income above is before deductions for Rent, Real Estate Taxes, Personal Property Taxes, Interest Costs, Depreciation and Amortization or Income Tax.

The statements shown in the tables DO NOT include the following expense items, which must be calculated and included separately for every Buona Restaurant:

- Actual Local Advertising, including promotional discounts done at the POS.
- Depreciation of property and equipment.
- Rent, interest or other financing cost for land, buildings, equipment and inventory.
- Initial franchise fee and organization costs.
- Any management fees.
- Income taxes and property taxes.
- Other Employee benefits, such as bonus incentives, meal discounts, other team member compensation.
- Other expenses, such as furniture & equipment, technology software & equipment, meeting expense, cash over/short, credit card chargebacks, armored car, & window washing services.

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

---

| <u>1/2/23 - 12/31/23</u><br><u>Dual Brand (The Original Rainbow Cone</u><br><u>Seasonal - May thru Sept)</u> | -                |               | -                |               |
|--------------------------------------------------------------------------------------------------------------|------------------|---------------|------------------|---------------|
|                                                                                                              | <u>Store 11</u>  |               | <u>Store 12</u>  |               |
| BUONA Restaurant Sales (1)                                                                                   | 4,042,819        | 93.2%         | 4,105,468        | 90.6%         |
| BUONA Catering Sales (2)                                                                                     | 191,823          | 4.4%          | 278,998          | 6.2%          |
| Rainbow Cone Sales (3)                                                                                       | 103,035          | 2.4%          | 147,518          | 3.3%          |
| <b>Total Gross Sales</b>                                                                                     | <b>4,337,677</b> | <b>100.0%</b> | <b>4,531,984</b> | <b>100.0%</b> |
| Food Cost (4)                                                                                                | 1,254,362        | 28.9%         | 1,315,282        | 29.0%         |
| Packaging Cost (5)                                                                                           | 150,754          | 3.5%          | 146,341          | 3.2%          |
| <b>Gross Profit (6)</b>                                                                                      | <b>2,932,561</b> | <b>67.6%</b>  | <b>3,070,361</b> | <b>67.7%</b>  |
| Salaries & Wages (7)                                                                                         | 1,004,809        | 23.2%         | 1,046,941        | 23.1%         |
| Employee Benefits (8)                                                                                        | 111,853          | 2.6%          | 121,119          | 2.7%          |
| Direct Operating Expenses (9)                                                                                | 30,556           | 0.7%          | 34,300           | 0.8%          |
| Supplies & Chemicals (10)                                                                                    | 39,554           | 0.9%          | 46,593           | 1.0%          |
| Utilities (11)                                                                                               | 53,302           | 1.2%          | 70,200           | 1.5%          |
| General & Administrative (12)                                                                                | 116,572          | 2.7%          | 128,611          | 2.8%          |
| Repairs & Maintenance (13)                                                                                   | 80,524           | 1.9%          | 46,227           | 1.0%          |
| Sales Incentives (14)                                                                                        | 173,844          | 4.0%          | 151,175          | 3.3%          |
| Tech Fee (15)                                                                                                | <b>5,200</b>     | <b>0.1%</b>   | <b>5,200</b>     | <b>0.1%</b>   |
| Local Advertising (16)                                                                                       | 43,377           | 1.0%          | 45,320           | 1.0%          |
| 2.5% BUONA Brand Marketing Fund (17)                                                                         | 105,866          | 2.4%          | 109,612          | 2.4%          |
| 4.0% BUONA Royalty (18)                                                                                      | 169,386          | 3.9%          | 175,379          | 3.9%          |
| 3.0% Rainbow Cone Brand Marketing Fund (19)                                                                  | 3,091            | 0.1%          | 4,426            | 0.1%          |
| 6.0% Rainbow Cone Royalty (20)                                                                               | 6,182            | 0.1%          | 8,851            | 0.2%          |
| <b>Income (21)</b>                                                                                           | <b>988,445</b>   | <b>22.8%</b>  | <b>1,076,408</b> | <b>23.8%</b>  |

| <u>1/2/23 - 12/31/23</u><br><u>Dual Brand</u> | -                |               | -                |               | -                |               | -                |               |
|-----------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                                               | <u>Store 13</u>  |               | <u>Store 14</u>  |               | <u>Store 15</u>  |               | <u>Store 16</u>  |               |
| BUONA Restaurant Sales (1)                    | 3,096,886        | 79.4%         | 2,436,639        | 87.1%         | 2,300,451        | 83.6%         | 2,138,592        | 86.5%         |
| BUONA Catering Sales (2)                      | 388,002          | 9.9%          | 218,363          | 7.8%          | 270,012          | 9.8%          | 158,061          | 6.4%          |
| Rainbow Cone Sales (3)                        | 415,835          | 10.7%         | 142,429          | 5.1%          | 180,701          | 6.6%          | 177,118          | 7.2%          |
| <b>Total Gross Sales</b>                      | <b>3,900,723</b> | <b>100.0%</b> | <b>2,797,431</b> | <b>100.0%</b> | <b>2,751,164</b> | <b>100.0%</b> | <b>2,473,771</b> | <b>100.0%</b> |
| Food Cost (4)                                 | 1,100,424        | 28.2%         | 811,370          | 29.0%         | 798,186          | 29.0%         | 672,725          | 27.2%         |
| Packaging Cost (5)                            | 135,123          | 3.5%          | 93,788           | 3.4%          | 94,370           | 3.4%          | 76,080           | 3.1%          |
| <b>Gross Profit (6)</b>                       | <b>2,665,176</b> | <b>68.3%</b>  | <b>1,892,273</b> | <b>67.6%</b>  | <b>1,858,608</b> | <b>67.6%</b>  | <b>1,724,966</b> | <b>69.7%</b>  |
| Salaries & Wages (7)                          | 915,824          | 23.5%         | 672,136          | 24.0%         | 681,667          | 24.8%         | 636,670          | 25.7%         |
| Employee Benefits (8)                         | 102,079          | 2.6%          | 83,530           | 3.0%          | 84,896           | 3.1%          | 80,402           | 3.3%          |
| Direct Operating Expenses (9)                 | 25,054           | 0.6%          | 26,867           | 1.0%          | 27,264           | 1.0%          | 28,068           | 1.1%          |
| Supplies & Chemicals (10)                     | 41,654           | 1.1%          | 36,860           | 1.3%          | 32,940           | 1.2%          | 29,257           | 1.2%          |
| Utilities (11)                                | 62,965           | 1.6%          | 52,169           | 1.9%          | 58,679           | 2.1%          | 64,220           | 2.6%          |
| General & Administrative (12)                 | 129,420          | 3.3%          | 95,370           | 3.4%          | 104,195          | 3.8%          | 96,106           | 3.9%          |
| Repairs & Maintenance (13)                    | 61,315           | 1.6%          | 41,987           | 1.5%          | 60,847           | 2.2%          | 67,809           | 2.7%          |
| Sales Incentives (14)                         | 120,663          | 3.1%          | 107,547          | 3.8%          | 95,027           | 3.5%          | 104,357          | 4.2%          |
| Tech Fee (15)                                 | <b>5,200</b>     | <b>0.1%</b>   | <b>5,200</b>     | <b>0.2%</b>   | <b>5,200</b>     | <b>0.2%</b>   | <b>5,200</b>     | <b>0.2%</b>   |
| Local Advertising (16)                        | 39,007           | 1.0%          | 27,974           | 1.0%          | 27,512           | 1.0%          | 24,738           | 1.0%          |
| 2.5% BUONA Brand Marketing Fund (17)          | 87,122           | 2.2%          | 66,375           | 2.4%          | 64,262           | 2.3%          | 57,416           | 2.3%          |
| 4.0% BUONA Royalty (18)                       | 139,396          | 3.6%          | 106,200          | 3.8%          | 102,819          | 3.7%          | 91,866           | 3.7%          |
| 3.0% Rainbow Cone Brand Marketing Fund (19)   | 12,475           | 0.3%          | 4,273            | 0.2%          | 5,421            | 0.2%          | 5,314            | 0.2%          |
| 6.0% Rainbow Cone Royalty (20)                | 24,950           | 0.6%          | 8,546            | 0.3%          | 10,842           | 0.4%          | 10,627           | 0.4%          |
| <b>Income (21)</b>                            | <b>898,052</b>   | <b>23.0%</b>  | <b>557,239</b>   | <b>19.9%</b>  | <b>497,038</b>   | <b>18.1%</b>  | <b>422,916</b>   | <b>17.1%</b>  |



See Explanatory Notes below.

The table below shows the high-low range, average, and median for each entry for the historical results of all 6 free standing restaurants with a drive through operating under the dual brands of “Buona” and “The Original Rainbow Cone.”

The same definitions listed above apply to the table below. Additional defined terms for the table below are:

“Average” is the sum of all data points, divided by the number of data points.

“Median” is the data point that is in the center of all data points used.

| <u>1/2/23 - 12/31/23</u>                    | -                |               | -                |               | -                |               | -                |               |
|---------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Dual Brand                                  | High             |               | Low              |               | Average          |               | Median           |               |
| BUONA Restaurant Sales (1)                  | 4,042,819        | 93.2%         | 2,138,592        | 86.5%         | 3,020,143        | 87.1%         | 2,766,763        | 82.6%         |
| BUONA Catering Sales (2)                    | 191,823          | 4.4%          | 158,061          | 6.4%          | 250,877          | 7.2%          | 244,188          | 7.3%          |
| Rainbow Cone Sales (3)                      | 103,035          | 2.4%          | 177,118          | 7.2%          | 194,439          | 5.6%          | 162,318          | 4.8%          |
| <b>Total Gross Sales</b>                    | <b>4,337,677</b> | <b>100.0%</b> | <b>2,473,771</b> | <b>100.0%</b> | <b>3,465,458</b> | <b>100.0%</b> | <b>3,349,077</b> | <b>100.0%</b> |
| Food Cost (4)                               | 1,254,362        | 28.9%         | 672,725          | 27.2%         | 992,058          | 28.6%         | 955,897          | 28.5%         |
| Packaging Cost (5)                          | 150,754          | 3.5%          | 76,080           | 3.1%          | 116,076          | 3.3%          | 114,747          | 3.4%          |
| <b>Gross Profit (6)</b>                     | <b>2,932,561</b> | <b>67.6%</b>  | <b>1,724,966</b> | <b>69.7%</b>  | <b>2,357,324</b> | <b>68.0%</b>  | <b>2,278,725</b> | <b>68.0%</b>  |
| Salaries & Wages (7)                        | 1,004,809        | 23.2%         | 636,670          | 25.7%         | 826,341          | 23.8%         | 798,746          | 23.8%         |
| Employee Benefits (8)                       | 111,853          | 2.6%          | 80,402           | 3.3%          | 97,313           | 2.8%          | 93,488           | 2.8%          |
| Direct Operating Expenses (9)               | 30,556           | 0.7%          | 28,068           | 1.1%          | 28,685           | 0.8%          | 27,666           | 0.8%          |
| Supplies & Chemicals (10)                   | 39,554           | 0.9%          | 29,257           | 1.2%          | 37,810           | 1.1%          | 38,207           | 1.1%          |
| Utilities (11)                              | 53,302           | 1.2%          | 64,220           | 2.6%          | 60,256           | 1.7%          | 60,822           | 1.8%          |
| General & Administrative (12)               | 116,572          | 2.7%          | 96,106           | 3.9%          | 111,712          | 3.2%          | 110,384          | 3.3%          |
| Repairs & Maintenance (13)                  | 80,524           | 1.9%          | 67,809           | 2.7%          | 59,785           | 1.7%          | 61,081           | 1.8%          |
| Sales Incentives (14)                       | 173,844          | 4.0%          | 104,357          | 4.2%          | 125,436          | 3.6%          | 114,105          | 3.4%          |
| Tech Fee (15)                               | 5,200            | 0.1%          | 5,200            | 0.2%          | 5,200            | 0.2%          | 5,200            | 0.2%          |
| Local Advertising (16)                      | 43,377           | 1.0%          | 24,738           | 1.0%          | 34,655           | 1.0%          | 33,491           | 1.0%          |
| 2.5% BUONA Brand Marketing Fund (17)        | 105,866          | 2.4%          | 57,416           | 2.3%          | 81,775           | 2.4%          | 76,749           | 2.3%          |
| 4.0% BUONA Royalty (18)                     | 169,386          | 3.9%          | 91,866           | 3.7%          | 130,841          | 3.8%          | 122,798          | 3.7%          |
| 3.0% Rainbow Cone Brand Marketing Fund (19) | 3,091            | 0.1%          | 5,314            | 0.2%          | 5,833            | 0.2%          | 4,870            | 0.1%          |
| 6.0% Rainbow Cone Royalty (20)              | 6,182            | 0.1%          | 10,627           | 0.4%          | 11,666           | 0.3%          | 9,739            | 0.3%          |
| <b>Income (21)</b>                          | <b>988,445</b>   | <b>22.8%</b>  | <b>422,916</b>   | <b>17.1%</b>  | <b>740,016</b>   | <b>21.4%</b>  | <b>727,645</b>   | <b>21.7%</b>  |

### STATEMENT OF HISTORICAL RESULTS FOR

| Food & Packaging Costs |       |       |       |       |       |       |        |        |        |        |       |       |       |
|------------------------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|-------|-------|-------|
| Store                  | Per-4 | Per-5 | Per-6 | Per-7 | Per-8 | Per-9 | Per-10 | Per-11 | Per-12 | Per-13 | Per-1 | Per-2 | Per-3 |
| #1                     | 35.2% | 36.3% | 35.2% | 36.5% | 37.5% | 35.8% | 36.3%  | 36.0%  | 35.3%  | 36.7%  | 33.7% | 32.7% | 32.0% |
| #2                     | 36.1% | 37.5% | 37.1% | 35.7% | 36.0% | 36.8% | 35.3%  | 35.3%  | 33.5%  | 35.3%  | 33.1% | 32.8% | 31.9% |
| #3                     | 34.1% | 34.2% | 33.7% | 34.5% | 34.8% | 34.6% | 34.0%  | 33.9%  | 33.2%  | 34.5%  | 31.6% | 31.0% | 30.9% |
| #4                     | 34.6% | 35.6% | 34.0% | 34.9% | 35.1% | 35.7% | 35.2%  | 34.7%  | 33.5%  | 35.4%  | 31.8% | 32.3% | 31.8% |
| #5                     | 35.3% | 34.4% | 34.0% | 33.4% | 35.1% | 35.0% | 35.3%  | 34.5%  | 33.8%  | 34.5%  | 32.4% | 32.2% | 31.8% |

|     |       |       |       |       |       |       |       |       |       |       |       |       |       |
|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| #6  | 35.0% | 35.0% | 34.9% | 34.1% | 35.4% | 35.3% | 34.9% | 35.2% | 34.1% | 35.1% | 32.9% | 32.0% | 32.2% |
| #7  | 34.2% | 34.4% | 34.3% | 34.6% | 36.0% | 35.6% | 35.0% | 35.0% | 34.2% | 34.3% | 33.3% | 31.3% | 32.3% |
| #8  | 34.6% | 35.3% | 35.0% | 34.5% | 35.4% | 35.2% | 35.2% | 34.6% | 33.8% | 35.0% | 33.4% | 32.3% | 31.9% |
| #9  | 34.5% | 34.8% | 35.4% | 34.8% | 35.6% | 36.3% | 35.1% | 34.5% | 33.2% | 35.7% | 33.0% | 32.1% | 31.8% |
| #10 | 34.0% | 34.3% | 34.7% | 34.4% | 36.0% | 35.4% | 34.4% | 34.9% | 33.3% | 35.4% | 33.4% | 32.6% | 32.1% |
| #11 | 33.9% | 33.1% | 31.6% | 31.6% | 32.4% | 32.0% | 35.4% | 33.4% | 34.1% | 33.9% | 33.4% | 31.6% | 31.3% |
| #12 | 34.3% | 33.5% | 33.5% | 33.1% | 33.2% | 34.2% | 35.2% | 34.5% | 32.4% | 33.7% | 32.8% | 31.8% | 31.3% |
| #13 | 34.9% | 35.5% | 34.7% | 34.6% | 35.8% | 36.2% | 35.7% | 35.0% | 36.1% | 34.8% | 31.7% | 32.0% | 31.9% |

**1 AFFILIATE-OWNED DUAL BRAND FREE STANDING RESTAURANT**  
**WITH DRIVE THROUGH**  
**FOR THE PERIOD APRIL 12, 2023 THROUGH MARCH 24, 2024**

The 1 Buona restaurant included in the table below is free standing restaurants with a drive through operating under the dual brands of “Buona” and “The Original Rainbow Cone.” This restaurant opened on April 12, 2023.

The operations of this affiliate-owned Dual Brand restaurants included in the table below do not differ materially from those of a new franchised Dual Brand Business that is a free standing location with a drive through window. This restaurant does not offer pizza.

If you will be establishing a single brand franchised restaurant, you should not rely on these numbers and should review the data in the other tables.

The table below show the Gross Sales and certain specified expenses as listed and defined below of the 1 Buona affiliate-owned Dual Brand Business included in this statement. This does not include all expenses incurred by a Dual Brand Business.

The source of this data is the income statement for this restaurant prepared internally by our affiliate consistent with generally accepted accounting principles. The same accounting system is used for each restaurant. The information has not been audited.

See above Dual Brand definitions above for table below.

| <b><u>4/12/23 (Opening Date) - 3/24/24</u></b> | <b>-</b>               |               |
|------------------------------------------------|------------------------|---------------|
| <b><u>Dual Brand</u></b>                       | <b><u>Store 17</u></b> |               |
| BUONA Restaurant Sales (1)                     | 3,963,625              | 85.1%         |
| BUONA Catering Sales (2)                       | 250,363                | 5.4%          |
| Rainbow Cone Sales (3)                         | 441,328                | 9.5%          |
| <b>Total Gross Sales</b>                       | <b>4,655,316</b>       | <b>100.0%</b> |
| Food Cost (4)                                  | 1,350,488              | 29.0%         |
| Packaging Cost (5)                             | 133,877                | 2.9%          |
| <b>Gross Profit (6)</b>                        | <b>3,170,951</b>       | <b>68.1%</b>  |
| Salaries & Wages (7)                           | 1,120,403              | 24.1%         |
| Employee Benefits (8)                          | 123,696                | 2.7%          |
| Direct Operating Expenses (9)                  | 31,314                 | 0.7%          |
| Supplies & Chemicals (10)                      | 56,277                 | 1.2%          |
| Utilities (11)                                 | 87,754                 | 1.9%          |
| General & Administrative (12)                  | 141,161                | 3.0%          |
| Repairs & Maintenance (13)                     | 39,326                 | 0.8%          |
| Sales Incentives (14)                          | 137,503                | 3.0%          |

|                                             |                         |                     |
|---------------------------------------------|-------------------------|---------------------|
| Tech Fee (15)                               | <u>5,000</u>            | <u>0.1%</u>         |
| Local Advertising (16)                      | <u>46,553</u>           | <u>1.0%</u>         |
| 2.5% BUONA Brand Marketing Fund (17)        | <u>105,350</u>          | <u>2.3%</u>         |
| 4.0% BUONA Royalty (18)                     | <u>168,560</u>          | <u>3.6%</u>         |
| 3.0% Rainbow Cone Brand Marketing Fund (19) | <u>13,240</u>           | <u>0.3%</u>         |
| 6.0% Rainbow Cone Royalty (20)              | <u>26,480</u>           | <u>0.6%</u>         |
| <b>Income (21)</b>                          | <b><u>1,068,335</u></b> | <b><u>22.9%</u></b> |

#### Explanatory Notes for all Tables Above

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

- 1) ~~4)~~—Characteristics of the ~~13~~17 units in this Item 19 may differ materially from those of any franchised outlets being offered under this Franchise Disclosure Document include:
  - The ~~13~~17 affiliate-owned restaurants included in this Item 19 are located in a market where there has been recognition of the Buona name and brand for 40 years. The Original Rainbow Cone name and brand was established in the market over 90 years ago. Franchisees establishing a unit in a new market without brand recognition may not perform as well, especially in the initial phase of the new business.
  - Food and product costs for all existing affiliate-owned restaurants have been negotiated by our affiliates with manufacturers and distributors on a consolidated basis and have the benefit of volume costs for units all located within one region. New franchisees in new markets may not have the volume to negotiate favorable prices with manufacturers and distributors serving the franchisee's region which would result in higher costs for these products.
  - The affiliate-owned restaurants do not pay royalties or other ongoing fees to that you will pay to us under the Franchise Agreement. However, as noted in the tables above, we have imputed the fees that a franchisee would be required to pay.
  - Affiliate-owned restaurants sell pizza, but the franchised restaurants will not sell pizza. The table below shows what percentage of total sales of the affiliate-owned units was derived from the sale of pizza products for each of the affiliate-owned restaurants. It is anticipated that customers who might have ordered pizza at an affiliate-owned restaurant will order other menu items at the Franchised Restaurant.

| Store #<br>(corresponds to numbers in above-tablesTable 1) | Pizza Sales as a percentage of Total Gross Sales |
|------------------------------------------------------------|--------------------------------------------------|
| 1                                                          | <del>6.07</del> <u>5.73</u> %                    |
| 2                                                          | <del>4.64</del> <u>60</u> %                      |
| 3                                                          | <del>5.29</del> <u>41</u> %                      |
| 4                                                          | <del>4.13</del> <u>3.97</u> %                    |
| 5                                                          | <del>4.95</del> <u>65</u> %                      |
| 6                                                          | <del>4.74</del> <u>69</u> %                      |
| 7                                                          | 5.28%                                            |
| <u>87</u>                                                  | <u>3.77</u> <u>90</u> %                          |

|                                     |                  |
|-------------------------------------|------------------|
| <u>98</u>                           | <u>4.3318%</u>   |
| <u>109</u>                          | <u>3.4941%</u>   |
| <u>11 (Dual-Brand)</u><br><u>10</u> | <u>64.71%</u>    |
| <u>11</u>                           | <u>5.23%</u>     |
| <u>12 (Dual-Brand)</u>              | <u>3.6632%</u>   |
| <u>13 (Inline-Restaurant)</u>       | <u>5.584.98%</u> |
| <u>14</u>                           | <u>4.92%</u>     |
| <u>15</u>                           | <u>3.87%</u>     |
| <u>16</u>                           | <u>3.61%</u>     |
| <u>17</u>                           | <u>0.00%</u>     |

2) This financial performance representation does not reflect all costs or expenses that must be deducted from the Gross Sales figures to obtain a net income or profit number resulting from the operation of a Buona Business. Net profits in the operation of Buona Businesses will vary from franchisee to franchisee and from location to location and are dependent upon numerous factors beyond our control.

3) Factors which may cause the annual gross sales of Buona Businesses to vary include but are not necessarily limited to the following:

- \* Management, business, and marketing experience of the owners and managers
- \* Personality and attitude of the manager and the employees in dealing with customers
- \* Quality of customer service
- \* Quality of products prepared by unit
- \* Prices charged to customers
- \* Location, visibility and accessibility of the unit
- \* Square footage of the restaurant premises
- \* Demographic factors, including population density and household income
- \* Local competition
- \* Economic conditions
- \* Food trends
- \* Marketing and promotional efforts
- \* Length of time in operation
- \* Weather
- \* Ongoing property acquisition and maintenance expenses.

4) Cost of food, beverages, and labor costs will vary from business to business. Factors which may cause material differences in these costs include but are not necessarily limited to the following:

- \* Chosen supplier or distributor of products and pricing
- \* Shipping costs
- \* Local prevailing wage rates, including local minimum wage
- \* Availability of labor
- \* State laws concerning employee costs

You should carefully consider the above Explanatory Notes ~~below~~ and other factors in evaluating this information and in making any decision to purchase a franchise.

You should make your own independent investigation into the possible revenue, costs and profit potential of the Franchised Business. You should seek the advice of appropriate financial, business and legal advisors in connection with the use of the information contained in this financial performance representation and in considering what your experience may be in operating a Buona Business.

The above data reflects the operation of ~~13~~17 specific affiliate-owned units, and should not be considered as the actual or probable results that will be realized by any given franchise.

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

Written substantiation for this statement will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representations, 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 Joseph Buonavolanto III at 6801 Roosevelt Road, Berwyn, IL 60402, (708) 749-2333 Ext. 264, the Federal Trade Commission and the appropriate state regulatory agencies.

## **ITEM 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System-wide Outlet Summary  
For Years ~~2020 – 2022~~ 2021 – 2023

| Outlet Type     | Year                 | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change       |
|-----------------|----------------------|----------------------------------|--------------------------------|------------------|
| Franchised      | <del>2021</del> 2020 | 0                                | 0                              | 0                |
|                 | <del>2021</del> 2022 | 0                                | 0                              | 0                |
|                 | <del>2022</del> 2023 | 0                                | 0                              | 0                |
| Affiliate-Owned | <del>2021</del> 2020 | <del>26</del> 24                 | <del>24</del> 25               | <del>-2</del> +1 |
|                 | <del>2021</del>      | 24                               | 25                             | +1               |
|                 | 2022                 | 25                               | 26                             | +1               |
| Total Outlets   | 2020                 | 26                               | 24                             | -2               |
|                 | <del>2021</del>      | 24                               | 25                             | +1               |
|                 | 2022                 | 25                               | 26                             | +1               |
|                 | 2023                 | 26                               | 28                             | +2               |
| Total Outlets   | 2021                 | 24                               | 25                             | +1               |
|                 | 2022                 | 25                               | 26                             | +1               |
|                 | 2023                 | 26                               | 28                             | +2               |

Table No. 2  
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)  
For Years ~~2020-2021~~– 2022

| State  | Year                 | Number of Transfers |
|--------|----------------------|---------------------|
| Total* | <del>2021</del> 2020 | 0                   |
|        | <del>2021</del> 2022 | 0                   |
|        | <del>2022</del> 2023 | 0                   |

Table No. 3  
Status of Franchised Outlets  
For Years ~~2020 – 2022~~ 2021 – 2023

| State | Year                 | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|-------|----------------------|------------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
|       | <del>2021</del> 2020 | 0                            | 0              | 0            | 0            | 0                        | 0                               | 0                          |

| State | Year                 | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|-------|----------------------|------------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| Total | <del>2021</del> 2022 | 0                            | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|       | <del>2022</del> 2023 | 0                            | 0              | 0            | 0            | 0                        | 0                               | 0                          |

Table No. 4  
Status of Affiliate-Owned Outlets  
For Years ~~2020~~—~~2022~~2021 – 2023

| State         | Year                            | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---------------|---------------------------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| Illinois      | <del>2020</del> 2021            | <del>25</del> 23         | 1              | 0                                  | <del>3</del> 0 | 0                          | <del>23</del> 25       |
|               | <del>2022</del> <del>2021</del> | <del>23</del> 25         | 1              | 0                                  | 0              | 0                          | <del>25</del> 26       |
|               | <del>2022</del> 2023            | <del>25</del> 26         | 1              | 0                                  | 0              | 0                          | <del>26</del> 27       |
| Indiana       | <del>2020</del> 2021            | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|               | <del>2021</del> 2022            | 1                        | 0              | 0                                  | 0              | 0                          | 1                      |
|               | <del>2022</del> 2023            | 1                        | <del>0</del> 1 | 0                                  | 0              | 0                          | <del>1</del> 2         |
| Total Outlets | <del>2020</del> 2021            | <del>26</del> 24         | 1              | 0                                  | 3              | 0                          | <del>24</del> 25       |
|               | <del>2022</del> <del>2021</del> | <del>24</del> 25         | 1              | 0                                  | 0              | 0                          | <del>25</del> 26       |
|               | <del>2022</del> 2023            | <del>25</del> 26         | <del>1</del> 2 | 0                                  | 0              | 0                          | <del>26</del> 28       |

Notes:

8 of the 28 affiliate-owned outlets in operation as of December 31, 2023 are dual branded with a The Original Rainbow Cone kiosk operating with the Buona Beef restaurant.

Table No. 5  
Projected Openings as of

January 1, ~~2023~~2024

| State                       | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|-----------------------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| <u>Arizona</u>              | <u>0</u>                                          | <u>1</u>                                                 | <u>0</u>                                                    |
| Florida                     | 1                                                 | <del>6</del> 1                                           | 0                                                           |
| Illinois                    | 0                                                 | 0                                                        | <del>0</del> 1                                              |
| <del>Indiana</del> Michigan | 0                                                 | 1                                                        | <del>1</del> 0                                              |

| State        | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|--------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Tennessee    | 1                                                 | 1                                                        | 0                                                           |
| <u>Texas</u> | <u>1</u>                                          | <u>2</u>                                                 | <u>0</u>                                                    |
| Wisconsin    | 0                                                 | 1                                                        | <u>0</u>                                                    |
| Total        | <u>13</u>                                         | <u>97</u>                                                | <u>13</u>                                                   |

A list of the names of all franchisees and the addresses and telephone numbers of their franchises is attached to this Franchise Disclosure Document as Exhibit G. There were no franchisees that have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our last fiscal year ending ~~January 1~~ December 31, 2023, or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this Franchise, your contact information may be disclosed to other potential buyers when you leave the System.

We currently have one Developer as noted on the franchisee list.

We have not required any franchisees to sign a confidentiality agreement or provision with us that would restrict your ability to speak openly about your experience with the System.

As of the date of this Franchise Disclosure Document, there is no (i) trademark-specific franchisee organization associated with the System being offered that we have created, sponsored or endorsed or (ii) independent franchisee organizations that have asked to be included in this Franchise Disclosure Document.

## **ITEM 21** **FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as Exhibit D is our audited financial statements which include the balance sheet as of December 31, 2023 and January 1, 2023 and the related statements of operations, changes in members' equity, and cash flows for the years ending December 31, 2023 and January 1, 2023; and our audited financial statements which include the balance sheet as of January 1, 2023 and the related statements of operations, changes in members' equity, and cash flows for the period from inception to January 1, 2023. The 2022 fiscal year began at inception (March 4, 2021) and ended on January 1, 2023.

Our fiscal year ends on the Sunday nearest to December 31 each year.

## **ITEM 22** **CONTRACTS**

The following agreements regarding the offering of a Franchise are attached as exhibits to this Franchise Disclosure Document.

1. Franchise Agreement (Exhibit B)
2. Dual Brand Franchise Agreement (Exhibit B-1)
3. Area Development Agreement (Exhibit C)
4. Dual Brand Area Development Agreement (Exhibit C-1)

You must complete and sign the Exhibit E Franchisee Acknowledgement Questionnaire before you sign the Franchise Agreement. No statement, questionnaire, or acknowledgment signed or agreed to by a



franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ITEM 23**  
**RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

**EXHIBIT A**  
**LIST OF STATE AGENCIES/**  
**AGENTS FOR SERVICE OF PROCESS**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b><u>CALIFORNIA</u></b><br/> Commissioner<br/> Department of Financial<br/> Protection and Innovation<br/> 320 West 4<sup>th</sup> Street, #750<br/> Los Angeles, CA 90013<br/> (213) 576-7500<br/> 1-866-275-2677</p> <p><b><u>HAWAII</u></b><br/> Commissioner of Securities of<br/> the State of Hawaii<br/> 335 Merchant Street, Room 205<br/> Honolulu, Hawaii 96813<br/> (808) 586-2722<br/> <u>Agents for Service of Process:</u><br/> Commissioner of Securities of<br/> the State of Hawaii<br/> Department of Commerce and<br/> Consumer Affairs<br/> Business Registration Division<br/> 335 Merchant Street, Room 205<br/> Honolulu, Hawaii 96813<br/> (808) 586-2722</p> <p><b><u>ILLINOIS</u></b><br/> Illinois Attorney General<br/> Chief, Franchise Division<br/> 500 South Second Street<br/> Springfield, IL 62706<br/> (217) 782-4465</p> <p><b><u>INDIANA</u></b><br/> Secretary of State<br/> Securities Division<br/> Room E-111<br/> 302 West Washington Street<br/> Indianapolis, IN 46204<br/> (317) 232-6681</p> | <p><b><u>MARYLAND</u></b><br/> Office of the Attorney General<br/> Division of Securities<br/> 200 St. Paul Place<br/> Baltimore, Maryland 21202-2020<br/> (410) 576-6360<br/> <u>Agent for Service of Process:</u><br/> Maryland Securities Commissioner<br/> 200 St. Paul Place<br/> Baltimore, Maryland 21202-2020</p> <p><b><u>MICHIGAN</u></b><br/> MI Department of Attorney General.<br/> Consumer Protection Division<br/> Franchise Section<br/> G. Mennen Williams Building, 1<sup>st</sup><br/> Floor<br/> 525 West Ottawa Street<br/> P.O. Box 30212<br/> Lansing, MI 48909<br/> (517) 373-7117</p> <p><b><u>MINNESOTA</u></b><br/> Department of Commerce<br/> Commissioner of Commerce<br/> 85 Seventh Place East, Suite 280<br/> St. Paul, MN 55101-3165<br/> (651) 539-1638</p> <p><b><u>NEW YORK</u></b><br/> Administrator:<br/> Office of the New York State Attorney<br/> General<br/> Investor Protection Bureau<br/> Franchise Section<br/> 28 Liberty Street, 21<sup>st</sup> Floor<br/> New York, NY 10005<br/> (212) 416-8222 Phone<br/> (212) 416-6042 Fax</p> <p>Agent for Service:<br/> New York Department of State<br/> One Commerce Plaza,<br/> 99 Washington Avenue, 6<sup>th</sup> Floor<br/> Albany, NY 12231-0001<br/> (518)-473-2492</p> <p><b><u>NORTH DAKOTA</u></b><br/> North Dakota Securities Department<br/> State Capitol, Fifth Floor, Dept. 414<br/> 600 East Boulevard Avenue<br/> Bismarck, North Dakota 58505-0510<br/> (701) 328-4712</p> | <p><b><u>RHODE ISLAND</u></b><br/> Department of Franchise<br/> Regulation<br/> 1511 Pontiac Avenue<br/> John O. Pastore Complex<br/> Bldg. 69-1<br/> Cranston, Rhode Island 02920<br/> (401) 222-3048</p> <p><b><u>SOUTH DAKOTA</u></b><br/> Department of Labor and<br/> Regulation, Division of Insurance,<br/> Securities Regulation<br/> 124 South Euclid, Suite 104<br/> Pierre, South Dakota 57501<br/> (605) 773-3652</p> <p><b><u>VIRGINIA</u></b><br/> State Corporation<br/> Commission<br/> Division of<br/> Securities and Retail<br/> Franchising<br/> 1300 East Main<br/> Street, 9<sup>th</sup> Floor<br/> Richmond, Virginia<br/> 23219<br/> <u>Agent for Service of<br/> Process:</u><br/> Clerk of the State<br/> Corporation<br/> Commission<br/> 1300 East Main<br/> Street<br/> 1<sup>st</sup> Floor<br/> Richmond, Virginia 23219</p> <p><b><u>WASHINGTON</u></b><br/> Department of Financial<br/> Institutions<br/> Securities Division<br/> 150 Israel Road SW<br/> Tumwater, WA 98501<br/> (360) 902-8760</p> <p><b><u>WISCONSIN</u></b><br/> Department of Financial<br/> Institutions<br/> Division of Securities<br/> 201 West Washington Avenue<br/> Suite 300<br/> Madison, WI 53703<br/> (608) 267-9140</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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



BUONA  
FRANCHISE  
AGREEMENT

## Contents

|        |                                                      |    |
|--------|------------------------------------------------------|----|
| I.     | APPOINTMENT.....                                     | 3  |
| II.    | TERM.....                                            | 4  |
| III.   | FEES.....                                            | 6  |
| IV.    | ACCOUNTING AND RECORDS.....                          | 7  |
| V.     | PROPRIETARY MARKS AND SYSTEM.....                    | 9  |
| VI.    | BUSINESS DEVELOPMENT AND OPENING; RELOCATION.....    | 12 |
| VII.   | CONFIDENTIAL OPERATIONS STANDARDS MANUAL.....        | 16 |
| VIII.  | TRAINING.....                                        | 16 |
| IX.    | DUTIES OF FRANCHISOR.....                            | 18 |
| X.     | DUTIES OF FRANCHISEE.....                            | 20 |
| XI.    | MARKETING.....                                       | 29 |
| XII.   | INSURANCE.....                                       | 30 |
| XIII.  | CONFIDENTIAL INFORMATION.....                        | 33 |
| XIV.   | COVENANTS.....                                       | 33 |
| XV.    | TRANSFERABILITY OF INTEREST.....                     | 35 |
| XVI.   | DEFAULT AND TERMINATION.....                         | 39 |
| XVII.  | EFFECT OF TERMINATION OR EXPIRATION.....             | 44 |
| XVIII. | TAXES AND PERMITS.....                               | 47 |
| XIX.   | RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION..... | 47 |
| XX.    | APPROVALS; WAIVERS; VARIATION OF STANDARDS.....      | 48 |
| XXI.   | NOTICES.....                                         | 49 |
| XXII.  | SEVERABILITY AND CONSTRUCTION.....                   | 49 |
| XXIII. | ENTIRE AGREEMENT; SURVIVAL.....                      | 50 |
| XXIV.  | DISPUTE RESOLUTION; APPLICABLE LAW; VENUE.....       | 51 |
| XXV.   | MISCELLANEOUS.....                                   | 54 |
| I.     | APPOINTMENT.....                                     | 4  |
| II.    | TERM.....                                            | 5  |
| III.   | FEES.....                                            | 7  |
| IV.    | ACCOUNTING AND RECORDS.....                          | 8  |
| V.     | PROPRIETARY MARKS AND SYSTEM.....                    | 10 |
| VI.    | BUSINESS DEVELOPMENT AND OPENING; RELOCATION.....    | 13 |
| VII.   | CONFIDENTIAL OPERATIONS STANDARDS MANUAL.....        | 17 |
| VIII.  | TRAINING.....                                        | 18 |
| IX.    | DUTIES OF FRANCHISOR.....                            | 19 |
| X.     | DUTIES OF FRANCHISEE.....                            | 21 |
| XI.    | MARKETING.....                                       | 30 |
| XII.   | INSURANCE.....                                       | 32 |
| XIII.  | CONFIDENTIAL INFORMATION.....                        | 34 |
| XIV.   | COVENANTS.....                                       | 35 |
| XV.    | TRANSFERABILITY OF INTEREST.....                     | 36 |

|               |                                                             |           |
|---------------|-------------------------------------------------------------|-----------|
| <u>XVI.</u>   | <u>DEFAULT AND TERMINATION.....</u>                         | <u>40</u> |
| <u>XVII.</u>  | <u>EFFECT OF TERMINATION OR EXPIRATION.....</u>             | <u>46</u> |
| <u>XVIII.</u> | <u>TAXES AND PERMITS .....</u>                              | <u>48</u> |
| <u>XIX.</u>   | <u>RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION.....</u> | <u>49</u> |
| <u>XX.</u>    | <u>APPROVALS; WAIVERS; VARIATION OF STANDARDS.....</u>      | <u>50</u> |
| <u>XXI.</u>   | <u>NOTICES.....</u>                                         | <u>51</u> |
| <u>XXII.</u>  | <u>SEVERABILITY AND CONSTRUCTION.....</u>                   | <u>51</u> |
| <u>XXIII.</u> | <u>ENTIRE AGREEMENT; SURVIVAL .....</u>                     | <u>52</u> |
| <u>XXIV.</u>  | <u>DISPUTE RESOLUTION; APPLICABLE LAW; VENUE .....</u>      | <u>53</u> |
| <u>XXV.</u>   | <u>MISCELLANEOUS.....</u>                                   | <u>56</u> |

|            |                                                        |
|------------|--------------------------------------------------------|
| EXHIBIT A: | APPROVED LOCATION AND PROTECTED AREA ADDENDUM          |
| EXHIBIT B: | ADDENDUM TO LEASE AND COLLATERAL ASSIGNMENT OF LEASE   |
| EXHIBIT C: | AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION<br>FORM |
| EXHIBIT D: | STATEMENT OF OWNERSHIP                                 |
| EXHIBIT E: | GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS    |
| EXHIBIT F: | SECURITY AGREEMENT                                     |

**BUONA  
FRANCHISE  
AGREEMENT**

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made by and between Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 (“**Franchisor**”) and the franchisee named on the signature page of this Agreement (“**Franchisee**”).

**WITNESSETH**

WHEREAS, Franchisor and its affiliates have developed and own a unique system (the “**System**”) for operating and granting others the right to own and operate a restaurant business (a “**Buona Business**” or “**Franchised Business**”) offering products to the general public, with a menu featuring Italian beef sandwiches and including a variety of sandwiches, pasta, burgers, hot dogs, salads and desserts at the restaurant premises or by delivery service.

WHEREAS, the distinguishing characteristics of the System include, without limitation, the name “Buona,” specially designed buildings, distinctive interior and exterior layouts, decor, color schemes, and furnishings, confidential food and ingredient formulas, recipes and preparation methods, specialized menus, standards and specifications for furniture, fixtures and equipment, restaurant design and layouts, operating procedures, and management programs, all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark “Buona,” “Buona Beef” and such other trade names, service marks, trademarks, logos, designs, and trade dress as are now, or may hereafter, be designated by Franchisor for use in connection with the System (collectively, the “**Marks**”);

WHEREAS, Franchisor has received the nonexclusive right to use and sublicense the use of the Marks and System from its affiliate The Buona Companies L.L.C., and Franchisor and Franchisor’s affiliate continue to develop, use, and control the use of such Marks to identify to the public the source of services and products marketed hereunder in the System and to represent the System’s high standards of quality, appearance, and service;

WHEREAS, Franchisee wishes to be assisted, trained, and licensed by Franchisor as a Buona franchisee and licensed to use the System in connection therewith; and

WHEREAS, Franchisee understands the importance of the System and Buona’s high and uniform standards of quality, cleanliness, appearance, and service, and the necessity of opening and operating Buona Businesses in conformity with the System.

NOW, THEREFORE, the parties hereto agree as follows:



## I. APPOINTMENT

1.1 Grant of Franchise. For the Term (as defined in Section 2.1), Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, a non-exclusive license to operate one Buona Business, and Franchisee accepts the obligation to operate the Buona Business during the Term, in the following general area: \_\_\_\_\_. Upon approval of Franchisee's location by Franchisor, Franchisor and Franchisee shall execute **Exhibit A** attached hereto which will identify the Approved Location.

1.2 Operation of the Franchised Business. Franchisee shall operate the Franchised Business, and use the Marks and the System in connection with the Franchised Business, as the Marks and the System may be modified, improved and developed by Franchisor from time to time, only in accordance with the terms and conditions of this Agreement. Franchisee shall use its best efforts to develop and promote the Franchised Business. All Buona products must be sold by Franchisee only from the Approved Location. Franchisee may not use other channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing to make sales outside of and apart from the operation of the Franchised Business at the Approved Location without Franchisor's prior written consent, which may be withheld by Franchisor in its sole discretion.

1.3 Protected Area. Subject to the terms and conditions of this Agreement and provided Franchisee or any of its affiliated companies is not otherwise in default of this Agreement or in default of any other agreement with Franchisor or with a parent, subsidiary or affiliate of Franchisor ("**Affiliates**"), Franchisor shall not establish, nor grant another the right to establish a Buona Restaurant, during the Term, within the area described in **Exhibit A** of this Agreement (the "**Protected Area**"), without Franchisee's prior written consent. The Protected Area will be a geographic area around the Approved Location with a minimum people population of ~~Thirty Five Sixty~~ Sixty Thousand (~~3560,000~~); if the Approved Location is in a non-urban location and a one-half (1/2) mile radius around the Approved Location if it is located in an urban area. Upon determination of the Approved Location, Franchisor and Franchisee shall complete and execute **Exhibit A** with a description of the Protected Area.

1.4 Limitations to Protected Area. The provisions of Section 1.3 shall not apply if the Franchised Business is operated in any of the following types of locations and/or with respect to such locations within the Protected Area ("Captive Locations"), at which Franchisor retains the right, in its sole discretion, to franchise and/or operate Buona Businesses, and to distribute by any means Buona products:

- (a) Transportation facilities (including but not limited to airports, train stations, bus stations, etc.);
- (b) Educational facilities (including but not limited to schools, colleges and universities);
- (c) Institutional feeding facilities (including but not limited to hospitals, hotels, and corporate or school cafeterias);
- (d) Government institutions and facilities such as military bases;
- (e) Enclosed shopping malls;
- (f) Entertainment venues, including casinos;
- (g) Sports stadiums; and
- (h) Amusement and/or theme parks.

1.5 Reservation of Rights. Except as otherwise set forth herein, (a) the franchise granted to Franchisee under this Agreement is non-exclusive, and Franchisor grants to Franchisee the rights to

establish and operate the Franchised Business at only the specific Approved Location, (b) no other exclusive, protected or other territorial rights related to the Franchised Business or otherwise is to be inferred and (c) Franchisor and/or its Affiliates have the right to operate and grant as many other franchises for the operation of Buona Businesses other than the Protected Area, anywhere in the world, as they shall, in their sole discretion, elect. Franchisor and its Affiliates retain the rights among others, within or outside of the Protected Area, without any compensation to Franchisee, to:

(a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks and other trademarks or service marks (“Alternate Distribution Channels”);

(b) 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.

(c) acquire or be acquired by a company establishing businesses identical or similar to the Franchised Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area; and

(d) implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and

(e) engage in any other business activities not expressly prohibited by this Agreement.

1.6 Marketing Restrictions. Throughout the term of the franchise, Franchisee must focus its marketing and promotion of the Franchised Business within the Protected Area. Further, Franchisee must not conduct targeted marketing outside of the Protected Area. "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, and localized signs. The purpose of this restriction includes, but is not limited to, preventing confusion in the marketplace among Buona Businesses soliciting the same customers.

## **II. TERM**

2.1 Term. Except as otherwise provided in this Agreement and subject to earlier termination pursuant to this Agreement, the term of this Agreement (the “**Term**”) shall commence on the date this Franchise Agreement is signed by Franchisor and Franchisee, and shall expire on the tenth (10<sup>th</sup>) anniversary of the date this Franchise Agreement is signed. Franchisee agrees and shall be obligated to operate the Franchised Business and perform under the terms of this Agreement for the Term, except as otherwise noted below.

2.2 Renewal Options and Condition. Franchisee shall have the option to renew its right to operate the Franchised Business for ~~two (2)~~ three (3) additional terms of five (5) years each, provided that Franchisor does not exercise its rights in accordance with Section 2.3 below, if and only if each and every one of the following conditions has been satisfied:

(a) Franchisee gives Franchisor written notice of its election to renew not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term;

(b) At least thirty (30) days prior to the expiration of the Term, Franchisee executes Franchisor's then-current standard form of franchise agreement, which may contain new or significantly different terms, including but not limited to a higher royalty fee and a higher advertising contribution and different territorial protections than contained in this Agreement;

(c) Franchisee executes a general release in the form prescribed by Franchisor, of any and all claims Franchisee may have against Franchisor and its Affiliates, and their respective shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns;

(d) Franchisee is not then in default of any provisions of this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor, or its Affiliate;

(e) Franchisee has fully and faithfully performed all of Franchisee's obligations under this Agreement throughout the Term;

(f) Franchisee has paid or otherwise fully satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates and to designated suppliers and any indebtedness of Franchisee that is guaranteed by Franchisor, and Franchisee has timely paid or otherwise satisfied these obligations throughout the Term;

(g) Franchisee agrees, at its sole cost and expense, to remodel, reimage, renovate, refurbish and modernize the Franchised Business within six (6) months after execution of the then-current standard form of franchise agreement including but not limited to building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, equipment, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet Franchisor's then-current standards, specifications and design criteria for Buona Businesses, as contained in the then-current franchise agreement and Manual (as defined in Article VII), or otherwise in writing including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvement as may be necessary to do so;

(h) Franchisee and its manager(s) comply with Franchisor's then-current training requirements and attend such refresher training classes as Franchisor deems necessary.

(i) Franchisee maintains possession of the premises of the Approved Location, or if Franchisee is unable to maintain possession of the Approved Location, secures an approved substitute and agrees to expeditiously develop the substitute premises in compliance with the then current standards and specification for the development of Buona Businesses; and

(j) Franchisee pays to Franchisor a renewal fee in the amount of Seven Thousand Five Hundred Dollars (\$7,500.00) at least thirty (30) days prior to the signing of the renewal Franchise Agreement.

2.3 Effect of Non-Renewal. Franchisee will not have the right to renew this Agreement upon its expiration if Franchisee fails to comply with any of the above conditions of renewal. Upon the expiration of the Term, Franchisee shall comply with the provisions of Article XVI of this Agreement.

2.4 Continued Operation Following Expiration. Franchisee has no right to continue to operate the Franchised Business after the expiration of the initial term of this Agreement unless Franchisee is granted a

renewal Franchise Agreement in accordance with this Section 2. If Franchisor permits Franchisee to continue to operate the Franchised Business after the expiration of the initial term of this Agreement but before the execution of a renewal Franchise Agreement as required by Section 2.2, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at Franchisor's option by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Franchised Business 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.

### **III. FEES**

3.1 Initial Franchise Fee In consideration of the franchise granted to Franchisee herein, Franchisee shall pay to Franchisor an Initial Franchise Fee in the amount of Forty Thousand Dollars (\$40,000.00) payable in one lump sum upon execution of this Agreement by Franchisee. Except as otherwise specifically provided herein at Section 8.2, the initial franchise fee is non-refundable. The Initial Franchise Fee is deemed fully earned upon payment, in consideration of expenses incurred by Franchisor in granting the franchise and for Franchisor's lost or deferred opportunity to grant a franchise to others.

3.2 Royalty. Franchisee shall pay to Franchisor a recurring, non-refundable royalty in the amount of four percent (4%) of Gross Sales (as defined herein) during the Term, payable weekly (or on such other basis as may be set forth in the Manual or otherwise agreed to in writing by Franchisor) calculated on Gross Sales of the preceding week. Royalty fees shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided for in the Manual.

3.3 Marketing Fund Contribution. Recognizing the value of advertising and marketing to the goodwill and public image of Buona Businesses, Franchisor will establish, maintain and administer an advertising, marketing and promotional fund (the "Marketing Fund") for such advertising, marketing and promotions as Franchisor may deem necessary or appropriate in its sole discretion. Franchisee shall contribute to the Marketing Fund an amount Franchisor designates up to two percent and one-half (2.5%) of the Gross Sales (as defined below) of the Franchised Business. Franchisor will give Franchisee sixty (60) days' notice prior to implementing any increase or decrease in the Marketing Fund contribution. Franchisor has the right to discontinue or reestablish the Marketing Fund upon sixty (60) days' advance notice to you. In the event Franchisor discontinues the Marketing Fund, Franchisor will distribute all unspent amounts existing in the Marketing Fund on the date of discontinuance to franchisees in proportion to their respective contributions for the most recent six (6) months. This Marketing Fund contribution is due weekly (or on such other basis as may be set forth in the Manual or otherwise agreed to in writing by Franchisor) along with the royalty fee for the Gross Sales for the preceding week. A further description of the Marketing Fund and your obligations with respect to advertising, marketing and promoting the Franchised Business is set forth in Article XI of this Agreement. Marketing Fund contributions shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided in the Manual.

3.4 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, and 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 Franchisor before changing the amount of the technology fee.

3.5 Late Payment Charge. If any monetary obligations owed by Franchisee to Franchisor

or to its Affiliates are more than seven (7) days overdue, Franchisee shall, in addition to any other obligations, pay to Franchisor a sum equal to one and one-half percent (1.5%) of the overdue balance per month, or the highest rate permitted by law, whichever is less, from the date said payment is due (“**Late Payment Charge**”).

3.6 Pre-Authorized Payment Methods. Franchisee shall pay for all purchases from, or fees owed to Franchisor or its Affiliates by automated clearing house (“**ACH**”), as Franchisor may require, or by other means as set forth in this Agreement or in the Manual. Franchisor or its Affiliates shall have the right to withdraw the entire amount of any amounts owed to Franchisor or its Affiliates from Franchisee’s designated bank account (“**ACH Account**”) in accordance with the terms set forth in the Manual, as modified by Franchisor periodically. Franchisee shall, upon execution of this Agreement or any time after at Franchisor’s request, execute all documents or forms as Franchisor determines are necessary for Franchisor to process ACH withdrawals from Franchisee’s ACH Account for payments due, including the ACH Authorization Form attached hereto as **Exhibit C**. Franchisee agrees that it shall be responsible for any ACH transfer fee or similar charge imposed by the bank. Should any ACH not be honored by Franchisee’s bank for any reason, Franchisee shall be responsible for that payment plus any service charge applied by Franchisor and the bank. Franchisee agrees that any time an ACH transaction is not honored, Franchisee shall pay to Franchisor its then-current non-sufficient funds fee. Franchisee’s failure to maintain, at all times, an ACH Account in accordance with this Agreement shall be a material default of this Agreement. Franchisor has the right to periodically specify (in the Manual or otherwise in writing) different payees and/or payment methods, such as weekly/biweekly/monthly payment, payment by auto-draft and payment by check.

3.7 Gross Sales. For purposes of this Agreement, the term “**Gross Sales**” means all sales, revenues and receipts generated by the Franchised Business, including fees for any and all services Franchisee performs, whether for cash or credit (regardless of collectability) and revenues of every kind related to the Franchised Business, including but not limited to revenues from the sale of food, beverages, merchandise, proprietary products or clothing, delivery and catering not included in the price of menu items, and other services made and rendered in, on, or from the premises of the Franchised Business, or through any other means, including sales outside of the premises, that are in any way related to the Franchised Business, whether for cash, exchange or credit (and regardless of collection in the case of credit), and proceeds of business interruption insurance policies, except that Gross Sales will not include sales, use or services taxes collected from customers and actually paid to the appropriate taxing authority.

#### IV. ACCOUNTING AND RECORDS

4.1 Maintenance and Retention of Books and Records; Designated Accounting Services. During the Term, Franchisee shall maintain and preserve complete and accurate books, records and accounts in accordance with U.S. Generally Accepted Accounting Principles and in the form and the manner prescribed by Franchisor from time to time in the Manual or otherwise in writing, which may include the use of designated software or a web-based platform, standard chart of accounts, and specified reporting periods for uniformity throughout the franchise system, and Franchisor access to financial data. Franchisee agrees to elect a fiscal year the same as Franchisor’s fiscal year. During the first twelve (12) months of operation, Franchisee is required to engage and use an accounting service designated by Franchisor for preparation of financial statements and financial reporting. After the first twelve (12) months of operation, if at any time Franchisee is not in full compliance with the requirements of this Section VI., Franchisor can, by delivery of written notice, require Franchisee to once again engage and use the services of an accounting service designated by Franchisor.

4.2 Royalty Reports; Daily Reports. Franchisee shall submit to Franchisor, no later than the

date each weekly royalty payment is due during the Term, a report on forms or in a manner prescribed by Franchisor, accurately reflecting Gross Sales during the preceding week and such other forms, reports, records, financial statements or information as Franchisor may reasonably require in the Manual or otherwise in writing. Franchisor reserves the right to require Franchisee to submit to Franchisor daily flash reports in the form and manner specified by Franchisor. Franchisee must provide Franchisor with full access to Franchisee's point-of-sale system and back of house software to retrieve Gross Sales and other required information relating to the Franchised Business.

4.3 Period Statements. During the Term, Franchisee shall, at its expense, submit to Franchisor within fourteen (14) days following the end of each of the thirteen (13) 4-week reporting periods of Franchisor ("**Periods**"), a statement providing certain sales and other financial data in a form and format as Franchisor may reasonably require ("**Period Statement**") together with a certificate executed by Franchisee or an officer of Franchisee stating that such financial statement is true and accurate. Upon Franchisor's request, Franchisee shall submit to Franchisor, with each Period Statement, copies of any state or local sales tax returns filed by Franchisee for the period included in the Period Statement. The Period Statements shall be submitted within fourteen (14) days following the end of the fourth (4<sup>th</sup>), seventh (7<sup>th</sup>), tenth (10<sup>th</sup>) and thirteenth (13<sup>th</sup>) Periods. In the alternative, and as required by Franchisor, the requirements of this Section 4.3 may be met by granting or providing to Franchisor access to Franchisee's electronic records and software containing such data.

4.4 Financial Statements. Franchisee shall, at its expense, submit to Franchisor during the Term of this Agreement, unaudited financial statements for the preceding Period and for the preceding fiscal year ("**Financial Statements**"), together with a certificate executed by Franchisee certifying that such financial statement, as applicable, is true and accurate and such other information in such form as Franchisor may reasonably require. The foregoing Financial Statements shall include both a profit and loss statement and a balance sheet, and shall be prepared in accordance with generally accepted accounting principles. Franchisee must furnish Franchisor with any additional financial statements and any tax returns for the Franchised Business within fifteen (15) days after Franchisee's receipt of Franchisor's written request for the information. In the event Franchisee defaults under this Agreement, Franchisor may require, upon written notice to Franchisee, that all Financial Statements submitted thereafter include a "Review Report" prepared by an independent Certified Public Accountant (CPA).

4.5 Other Reports. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, financial statements, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing. If Franchisee has combined or consolidated financial information relating to the Franchised Business with that of any other business or businesses, including a business licensed by Franchisor, Franchisee shall simultaneously submit to Franchisor, for review or auditing, the forms, reports, records and financial statements (including but not limited to the Period statements and annual Financial Statements) which contain the detailed financial information relating to the Franchised Business, separate and apart from the financial information of such other businesses.

4.6 Equipment. Franchisee shall record all sales on point-of-sale equipment as required by the Manual or as otherwise approved in writing by Franchisor.

4.7 Franchisor's Right to Audit. Franchisor or its designated agents or auditors shall have the right at all reasonable times to audit, review and examine by any means, including electronically through the use of telecommunications devices or otherwise, at its expense, the books, records, accounts and tax returns of Franchisee. If any such audit, review or examination reveals that Gross Sales have been understated in any report to Franchisor, Franchisee shall immediately pay to Franchisor the royalty fee

and Marketing Fund Contribution due with respect to the amount understated, in addition to the Late Payment Charge. If any such understatement exceeds two percent (2.0%) of Gross Sales as set forth in the report, or if such audit is made necessary by Franchisee's failure to furnish reports, financial statements or other documents or information as herein required, Franchisee shall, in addition, immediately reimburse Franchisor for any and all costs and expenses connected with such audit, review or examination (including but not limited to reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other rights and remedies Franchisor may have under this Agreement or applicable law.

4.8 Failure to Comply with Reporting Requirements. If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Sales, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales for the period under consideration, and Franchisee shall pay to Franchisor any amount determined by Franchisor to be due based on such Gross Sales estimates within five (5) business days of the date of the estimate. Any estimated payments shall be deemed the minimum amount of fees due for the required reports, and Franchisee shall remain liable for all fees in excess of these amounts once the actual Gross Sales related to these reports are determined. Franchisee shall also pay to Franchisor the Late Payment Charge on all unpaid amounts.

4.9 Financial Information from Third Parties. Franchisee authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers, distributor, trade creditors and landlord relating to the Franchised Business, and Franchisee agrees to direct relevant persons and companies to provide to Franchisor this information and copies of documents relating to the Franchised Business as Franchisor may request.

## **V. PROPRIETARY MARKS AND SYSTEM**

5.1 Marks. It is understood and agreed that the license granted under this Agreement to use the Marks applies only to use in connection with the operation of the Franchised Business at the Approved Location set forth on **Exhibit A**, and includes only the Marks as are now designated or which may hereafter be designated, and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor. Franchisee acknowledges that it has not acquired any right, title, or interest in the Marks except for the right to use the Marks in the operation of the Franchised Business in compliance with this Agreement.

5.2 System. Franchisee acknowledges that Franchisor and Franchisor's affiliate, The Buona Companies L.L.C., own and control the distinctive plan for the establishment, operation, and promotion of a Buona Business and all related methods of doing business, previously defined as the System, which include, but are not limited to, standards and specifications for Buona Businesses, operational methods, food and preparation methods, products, supplies, equipment, marketing techniques, written promotional materials, advertising, and accounting systems, all of which constitute confidential information and trade secrets of Franchisor, and Franchisee acknowledges that Franchisor has valuable rights in and to this confidential information and trade secrets. Franchisee additionally acknowledges that it has not acquired any right, title, or interest in the System, except for the right to use the System in the operation of the Franchised Business as governed by this Agreement and Franchisee is obligated to maintain the confidentiality of the System in accordance this Agreement. Any improvements in or additions to the System, Franchisor's copyrighted materials, website or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business (collectively, the "**Improvements**") conceived or developed by Franchisee shall become the property of Franchisor and/or Franchisor's affiliate. Franchisee agrees to assign and does hereby assign to Franchisor and/or Franchisor's affiliate, all right, title and interest in and to the Improvements, including but not limited the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to

Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any such Improvement may be used by Franchisor and all other franchisees of the System without any obligation to Franchisee for royalties or other fees. Franchisor and/or Franchisor's affiliate may, at its discretion, apply for and own copyrights, patents, tradenames, trademarks and service marks relating to any such Improvements and Franchisee shall cooperate with Franchisor or Franchisor's affiliate in securing such rights. Franchisor and/or Franchisor's affiliate may also consider such Improvements as its property and trade secrets. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other authorized person or entity retained or employed by Franchisee is the property of Franchisor and/or Franchisor's affiliate, and Franchisor and Franchisor's affiliate shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meanings of the United States Copyright Act and, to the extent such copyrighted materials do not automatically accrue or inure to Franchisor or Franchisor's affiliate, Franchisee irrevocably assigns and agrees to assign to Franchisor and/or Franchisor's affiliate, and their successors and assigns, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such copyrighted materials, which Franchisor and/or Franchisor's affiliate and the author of such copyrighted materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right to the Improvements as required in this Section.

5.3 Conditions and Limitations. With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:

(a) Franchisee shall not use any of the Marks as part of Franchisee's electronic mail address (except for any e-mail address assigned by Franchisor), or as part of any URL, web page, domain name, locator, link, metatag, or on any sites on the internet or the world wide web;

(b) Franchisee shall use no service mark or trademark other than the "Buona" mark or any other Marks as may be specified by Franchisor for use in the identification, marketing, promotion, or operation of the Franchised Business;

(c) Franchisee shall not hold out or otherwise use the Marks to perform any activity or incur any obligation or indebtedness in such manner as might, in any way, make Franchisor liable therefore, without Franchisor's prior written consent; and

(d) Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain the continued validity of the Marks.

5.4 Franchisee's Business Name. Franchisee acknowledges that between Franchisor and Franchisee, Franchisor has a prior and superior claim to the "Buona" trade name. Franchisee shall not use the words "Buona" or any combination thereof, in the legal name of its corporation, limited liability company, partnership, or any other business entity used in conducting the Franchised Business. Franchisee also agrees not to register or attempt to register a trade name using the words "Buona" in Franchisee's name or that of any other person or business entity, without the prior written consent of Franchisor. Franchisee shall not identify itself as being "Buona" or as being associated with Franchisor or its Affiliates in any manner other than as a franchisee or licensee. Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with



the phrase “an independent Buona Licensee” or “an independent Buona Franchisee” or with other words and in other phrases so as to identify itself as an independent owner of the Franchised Business, or as otherwise may be required in the Manual.

5.5 Signage. Franchisee shall display a standard sign in the Franchised Business, as may be specified by Franchisor, indicating to the public that the Franchised Business is independently owned and operated as a franchisee or licensee of the System.

5.6 Use Outside the Scope of License. Franchisee acknowledges that the use of the Marks outside the scope of this Agreement, without Franchisor’s prior written consent, is an infringement of Franchisor’s and Franchisor’s affiliate’s exclusive right to use the Marks. During the Term and after the expiration or termination of this Agreement, Franchisee covenants not to, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity of ownership of the Marks, or take any other action in derogation of Franchisor’s ownership of the Mars.

5.7 Mark Infringement. Franchisee shall immediately notify Franchisor in writing of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor’s and Franchisor’s affiliate’s right to use, the Marks. Franchisee acknowledges that Franchisor and Franchisor’s affiliate have the right, in their sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use of the Marks. Franchisor and/or Franchisor’s affiliate may prosecute the action in Franchisor’s or Franchisor’s affiliate’s own name and may join Franchisee as a party to the action if Franchisor or Franchisor’s affiliate determines it to be reasonably necessary for the continued protection and quality control of the Marks and the System. Franchisor or Franchisor’s affiliate shall bear the reasonable cost of any such action, including attorneys’ fees. Franchisee shall fully cooperate with Franchisor in any such litigation.

5.8 Reservation of Rights. Franchisee understands and agrees that its license with respect to the Marks is non-exclusive and that Franchisor has and retains the sole right under this Agreement:

(a) To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

(b) To develop and establish other franchise systems for the same, similar, or different products or services utilizing proprietary marks not now or hereafter designated as part of the System, and to grant licenses thereto, without providing Franchisee any such rights;

(c) To develop and establish other systems for the sale, at wholesale or retail, of similar or different products utilizing the same or similar Marks, without providing Franchisee any such rights; and

(d) As otherwise provided in this Agreement.

5.9 Goodwill. Franchisee acknowledges and expressly agrees that any and all goodwill associated with the System and identified by the Marks used in connection therewith inures directly and exclusively to the benefit of Franchisor and/or Franchisor’s affiliate and is the property of Franchisor and/or Franchisor’s affiliate, and that upon the expiration or termination of this Agreement or any other agreement, no monetary amount shall be assigned as attributable to any goodwill associated with any of Franchisee’s activities in the operation of the Franchised Business granted herein, or Franchisee’s use of the Marks.

5.10 Covenants. Franchisee understands and acknowledges that each and every detail of the

System is important to Franchisee, Franchisor, Franchisor's affiliate and other franchisees in order to develop and maintain high and uniform standards of quality and services, and hence to protect the reputation and goodwill of Buona Businesses, Franchisor, Franchisor's affiliate and the System. Accordingly, Franchisee covenants:

- (a) To operate and advertise the Franchised Business, at Franchisee's own expense, under the name "Buona," without prefix or suffix;
- (b) To adopt and use the Marks licensed under this Agreement solely in the manner prescribed by Franchisor; and
- (c) To observe such reasonable requirements with respect to trademark registration notices as Franchisor may from time to time direct in the Manual or otherwise in writing.

5.11 Inspections. In order to preserve the validity and integrity of the Marks and to assure that Franchisee is properly employing the same in the operation of the Franchised Business, Franchisor or its agents shall at all reasonable times have the right to inspect Franchisee's operations, business premises and the Franchised Business and to make periodic evaluations of the services provided and the products sold and used therein. Franchisee shall cooperate with Franchisor's representatives in such inspections and render such assistance to the representatives as may reasonably be requested.

5.12 Change of Marks. If Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue use of any Mark, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice of a modification or discontinuation from Franchisor, take such action, at Franchisee's sole expense, as may be necessary to comply with the modification, discontinuation, addition or substitution.

5.13 Consents to Use of Marks. Franchisee additionally agrees to execute all additional documents and assurances in connection with the use of the Marks as reasonably requested by Franchisor and/or Franchisor's affiliate and agrees to fully cooperate with Franchisor or Franchisor's affiliate in securing all necessary and required consents of any state agency or legal authority to the use of the Marks or any other name that is or becomes a part of the System.

5.14 Name, Photo/Video and Other Information. Franchisee acknowledges and authorizes Franchisor and its Affiliates to use Franchisee's name, photographs or videos of Franchisee and/or the interior or exterior of the Franchised Business, biographical information on Franchisee, and operational information and data on the Franchised Business in any and all of Franchisor's publications and promotions, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph or video of Franchisee or the Franchised Business will become Franchisor's property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph or video of Franchisee for any lawful purpose. Franchisee waives any rights to royalties or any other compensation related to Franchisor's use of any photograph or video of Franchisee or the Franchised Business. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

## **VI. BUSINESS DEVELOPMENT AND OPENING; RELOCATION**

6.1 Ownership of Franchisee. Prior to the opening of the Franchised Business, any individual signing as franchisee shall establish a corporation, limited liability company, general partnership or limited partnership ("**Entity**"), to own and operate the Franchised Business and shall assign this Agreement to the

Entity. Franchisee's owners, shareholders, officers, directors, members, managers and partners (or persons holding comparable positions in non-corporate entities) shall be referred to herein as "**Principals**". Franchisee must complete and update throughout the Term, as necessary, the "Statement of Ownership" attached as **Exhibit D**, and:

(a) All persons who own any interest in the Entity must guaranty Franchisee's performance under this Agreement by signing the "Guaranty and Assumption of Franchisee's Obligations" attached as **Exhibit E**;

(b) Franchisee shall provide to Franchisor a resolution signed by all shareholders, directors, members, managers or partners, as appropriate, designating the principal contact for the Entity and Franchisee. This principal contact must be a controlling shareholder, managing member or general partner. This representative shall have the authority to speak for and bind Franchisee in all matters pertaining to this Agreement, and all matters regarding the Franchised Business;

(c) Franchisee shall designate one owner of the entity having an ownership interest of ten percent (10) or more who will be the Operating Owner for the Franchised Business and will devote full-time and best efforts to the management of the Franchised Business. The Operating Owner must successfully complete Franchisor's initial training program. Franchisee shall give Franchisor immediate notice of any change in the Operating Owner and must arrange for the new Operating Owner to attend Franchisor's initial training program. The Operating Owner may also be the designated manager providing the direct on-site supervision of the operation of the Franchised Business.

(d) The Entity shall engage in no other business than the operation of the Franchised Business unless Franchisor approves such other business in writing. Franchisor may, in its sole discretion, for any reason, elect to withhold approval;

(e) Franchisee shall furnish to Franchisor, upon execution or any subsequent transfer of this Agreement, a copy of Franchisee's articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement or equivalent governing document, as applicable, and shall thereafter promptly furnish Franchisor with a copy of any and all amendments or modifications thereto;

(f) Franchisee shall promptly furnish Franchisor, on a regular basis, with certified copies of such Entity records material to the Franchised Business as Franchisor may require from time to time in the Manual or otherwise in writing; and

(g) Franchisee shall maintain transfer restrictions on its records, of any securities with voting rights, subject to the restrictions of this Agreement, and each certificate of Franchisee representing ownership or equity interests in the Entity, shall have conspicuously endorsed upon it the following legend:

The transfer of this *[stock/membership interest/ownership interest]* is subject to the terms and conditions of a Buona Franchise Agreement with Buona dated \_\_\_\_\_. Reference is made to the provisions of said Franchise Agreement and to the governing documents of *[name of Franchisee Entity]*.

6.2 Site Selection and Approval. If the location is not designated on Exhibit A at the time this Agreement is executed, it is Franchisee's sole responsibility to undertake site selection activities and otherwise secure the premises for the Franchised Business. Prior to entering into a lease for a site, Franchisee must submit to Franchisor a site evaluation form for the proposed site, together with a letter of intent, proposed lease, or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed

site. Franchisor will provide Franchisee written notice of approval or disapproval of the proposed site within thirty (30) days after receiving Franchisee's written proposal and all required documents. Franchisee must obtain Franchisee's written approval of a proposed site before entering into a lease. Franchisee must have a proposed site approved by Franchisor within six (6) months of the date of the execution of this Agreement ~~for a location requiring ground up construction and within four (4) months of the date of the execution of this Agreement for an existing location~~. Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if Franchisee has not obtained Franchisor's written approval of a site for the Franchised Business within time frames described above. While Franchisor may use its experience in providing any assistance to Franchisee regarding site selection and in approving a site, nothing contained herein shall be interpreted as a guarantee of success for said location.

6.3 Lease of Premises. Any letter of intent for a lease for the premises of the Buona Business and any proposed lease for the premises of the Buona Business must be ~~accepted~~ approved by Franchisor before it is executed by Franchisee. Franchisor may, in its discretion, require that the letter of intent and the lease contain commercially reasonable terms based on current market conditions and that certain terms and provisions be included in the letter of intent and the lease. Franchisor's ~~acceptance~~ approval of the lease shall also be conditioned upon the landlord's execution of the Addendum to Lease and Collateral Assignment attached hereto as Exhibit B, or inclusion in the lease of the same or similar terms as approved by Franchisor, ~~in the lease~~. The requirements set forth herein apply whether the lessor is an unrelated third party or is an affiliate of Franchisee. Once executed, Franchisee will provide Franchisor with a fully signed copy of the complete lease for the premises of the Franchised Business.

6.4 Premises Development. Prior to obtaining possession of the site for the Buona Business, Franchisee shall secure all financing required to fully develop the Buona Business. Promptly after obtaining possession of the site for the Franchised Business, Franchisee will: (i) cause to be prepared and submit for approval by Franchisor a site plan. Franchisor shall then provide basic drawings and specifications, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, furniture, signs, and decorating required for the development of the Franchised Business; Franchisee is required to hire a licensed architect designated by Franchisor and have these drawings and specifications modified by the architect as required, to meet applicable ordinances, building codes or permit requirements (Franchisor must approve any such modifications to the drawings and specifications); and to fit the configuration of the approved site; (ii) obtain all required zoning changes, all required building, utility, health, sanitation and sign permits and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as hereinafter provided; (iv) complete the construction and/or remodeling, equip, furnish and decorate the Franchised Business in full and strict compliance with plans and specifications approved by Franchisor and all applicable ordinances, building codes and permit requirements; (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (vi) upon completion of construction, furnish Franchisor final costs for the construction, equipment, build-out, deposits, and total development of the Franchised Business. Once the premises of the Franchised Business is established and approved by Franchisor, no changes in the interior or exterior design of the Franchised Business or the equipment or fixtures used within may be made without prior written consent of Franchisor.

6.5 Franchisor Consent to Open. Franchisee shall not commence operation of the Franchised Business until: (1) the Franchisee entity has been established in accordance with Section 6.1 herein; (2) the premises of the Franchised Business has been developed in accordance with Section 6.2 herein; (3) Franchisee's Operating Owner and required managers have successfully completed the initial training program, Franchisee has hired the necessary staff of employees, and Franchisee has initiated a training program for its employees; (4) Franchisee has obtained all required certifications and license for operating the Franchised Business; (5) Franchisee has furnished Franchisor with copies of all insurance policies required by Article XII of this Agreement, and (6) Franchisee requests and obtains Franchisor's written consent to open for business. Franchisee must have met the foregoing requirements and opened the Franchised Business within twelve (12) months of Franchisor's written approval of the site for the Franchised Business

for a ground up construction or within ~~six (6)~~ten (10) months of Franchisor's written approval of the site for an existing location. Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if fail to open the Franchised Business with Franchisor's approval within the applicable time periods above. If extenuating circumstances beyond Franchisee's control delay the opening of the Franchised Business and Franchisee has been making reasonable efforts to open the Franchised Business, Franchisor may (in its sole discretion) agree to extend the date for opening for an additional reasonable amount of time determined by Franchisor based on the circumstances.

#### 6.6 Relocation of Store.

(a) If Franchisee's lease for the premise of the Franchised Business terminates without fault of Franchisee, or expires without any possibility of renewal by Franchisee on commercially reasonable terms as determined by Franchisor, or if in the judgment of Franchisor and Franchisee there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission for relocation of the Franchised Business to a location approved by Franchisor. Franchisee may not open a relocated Franchised Business without the on-site presence of Franchisor's representative, unless a waiver is requested in writing by Franchisee and approved in writing by Franchisor. Even if the aforementioned request and approval are granted, Franchisee must obtain Franchisor's written authorization, in its sole discretion, of the specific date that the Franchised Business may open. In the event of relocation, the parties will enter into an agreement which will set forth the new location for Franchisee's Franchised Business and a deadline by which Franchisee must open for business at the new location, after which time Franchisee will be obligated to resume paying the royalty and Marketing Fund Contributions whether or not the new location has opened for business. Until such time that the new location is open for business, the amount of the royalty and Marketing Fund Contribution will be based on the Franchisee's average weekly level of Gross Sales during the one-year period prior to closing the first Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall not be undertaken without Franchisor's prior written consent. Franchisee shall pay to Franchisor a relocation fee in the amount of fifty percent (50%) of the then-current Initial Franchise Fee to cover Franchisor's services and associated costs in connection with such relocation, including those related to (i) reviewing and approving the new location and the construction drawings for the Franchised Business at its new location and (ii) providing additional on-site training and assistance. Franchisee shall pay fifty percent (50%) of the relocation fee when Franchisor grants the approval to relocate and the balance of the relocation fee upon Franchisor's acceptance of the new location for the Franchised Business.

(b) Franchisor shall also have the right to require Franchisee to upgrade the relocated Franchised Business to conform to Franchisor's then current image, standards, and specifications for construction and equipment for all new Franchised Businesses.

(c) In the event of a relocation of the Franchised Business, Franchisee shall promptly remove from the former Franchised Business premises any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which are not used by Franchisee at the new Franchised Business location shall be disposed of by Franchisee as directed by Franchisor following notice to Franchisor to the effect such articles will not be used at the new Franchised Business. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such modifications or alterations as may be necessary to distinguish the former Franchised Business premises so clearly from its former appearance and from other Franchised Businesses so to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying Franchised Businesses and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the

former Franchised Business and adjacent areas at any time to make such alterations as Franchisor deems appropriate to distinguish Franchisee's former Franchised Business premises, without liability for trespass. Franchisee expressly acknowledges that failure to make such alterations will cause irreparable injury to Franchisor and hereby consents to entry, at Franchisee's expense, of any ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the former Franchised Business premises is not properly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

(d) In the event Franchisee loses possession of the Franchised Business for whatever reason prior to the expiration of the term of this Agreement, Franchisee is required to diligently search for a new location and open and operate the Franchised Business as promptly as commercially practicable. In the event Franchisee fails to diligently pursue a new location and open a new Franchised Business, Franchisee shall be liable to Franchisor for Liquidated Damages as provided herein.

## **VII. CONFIDENTIAL OPERATIONS STANDARDS MANUAL**

7.1 Compliance With Confidential Operations Standards Manual. In order to protect the reputation and goodwill of Franchisor and the System and to maintain uniform standards of operation under the System and the Marks, Franchisee shall conduct the Franchised Business in accordance with Franchisor's Confidential Franchise Operations Manual (together with any other manuals and written materials created or approved for use in the operation of the Franchised Business granted herein, and all amendments and updates thereto, collectively the "**Manual**"), which contains the standards, specifications, procedures and techniques of the System. The Manual shall remain the sole property of Franchisor and must be returned to Franchisor at Franchisor's direction. Franchisee, and its Principals acknowledge that the contents of the Manual and Franchisee's knowledge of Franchisor's processes, services, products, know-how and the System, are secret, unique, and confidential and contain trade secrets and other material proprietary to Franchisor. Franchisee acknowledges that its entire knowledge of the operation of the Franchised Business is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of the information is proprietary, confidential and a Trade Secret of Franchisor. "**Trade Secrets**" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures or improvements regarding the Franchised Business or the System that is valuable and secret in the sense that it is not generally known to competitors of Buona Businesses. Franchisee shall maintain the absolute confidentiality of all Trade Secrets during and after the Term, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee agrees not to disclose the contents of the Manual to unauthorized persons and to use Franchisee's best efforts to prevent unauthorized disclosure to any person, as this disclosure would cause irreparable harm to Franchisor and the System. Franchisee understands that the Manual is loaned to Franchisee, and that at all times, the Manual remains the sole property of Franchisor. The Manual may be provided in printed or electronic form and Franchisee agrees to return any printed copies of the Manual to Franchisor or destroy any files containing the Manual upon the termination of this Agreement or at times as may otherwise be directed by Franchisor. Franchisee shall not copy or otherwise duplicate the Manual or any other proprietary materials without Franchisor's consent. The Manual may contain both mandatory as well as certain optional or advisory terms which Franchisor includes as a convenience to Franchisee and to assist in the operation of the Franchised Business as Franchisee deems appropriate in its business judgment. Franchisee must comply with all mandatory specifications, standards, and procedures set forth in the Manual. Franchisor retains the right to modify, change, add to, delete, or supplement the Manual and to specify other systems, procedures or forms in any manner it deems necessary, in its sole discretion, and shall notify Franchisee about changes in writing by mail, electronic mail or postings on Franchisor's intranet system or website on the internet. Upon receipt of notice of changes to the Manual, Franchisee must comply with any such

changes that are mandatory.

## VIII. TRAINING

8.1 Training Generally. Before Franchisee opens the Franchised Business, and from time to time thereafter, Franchisor will make available to Franchisee various mandatory and optional training programs. Franchisee must timely complete all mandatory training as set forth in this Article VIII. Franchisee acknowledges that, as the owner of the Franchised Business, Franchisee is responsible for the training of its employees.

8.2 Initial Training. The Operating Owner and three (3) managers must attend and successfully complete Franchisor's initial training program, including virtual pre-training to be completed prior to attending the in-person initial training program. The length of training will be determined at Franchisor's discretion and may be dependent upon the prior experience of the attendees. The cost of Initial Training for both the Operating Owner and managers (instruction and required materials) is borne by Franchisor. All other expenses, including travel, meals and lodging and Franchisee's employee wages, are the responsibility of Franchisee. Additional owners and managers may attend the initial training program as space is available and for the current tuition fee. The initial training program will be furnished at Franchisor's offices or other locations designated by Franchisor.

If, during the initial training program, Franchisor determines, in its sole discretion, that Franchisee's Operating Owner did not successfully complete the initial training, Franchisor has the right to require the Operating Owner to attend and successfully complete additional training or to require a different owner to be designated Operating Owner to attend and successfully complete training, and/or Franchisor has the right to terminate this Agreement, effective upon delivery of written notice thereof to Franchisee. If Franchisee is terminated by Franchisor for failure to successfully complete the initial owner training, Franchisor agrees to refund ten percent (10%) of the initial franchise fee paid upon Franchisee's execution and delivery to Franchisor of a termination agreement and general release of all claims in a form satisfactory to Franchisor.

If during any training program, Franchisor determines, in its sole discretion, that any proposed manager is not qualified to manage the Franchised Business, Franchisor will notify Franchisee of that determination and Franchisee must then select and enroll a substitute manager in such training program, and such substitute manager must attend and successfully complete the initial training program. If Franchisee desires to have additional managers trained by Franchisor, Franchisor will make this opportunity available to Franchisee provided training space is available in a regularly scheduled class. For each such additional manager, Franchisee will pay the then-current fee for this additional training.

8.3 On-Site Opening Assistance. One or more of Franchisor's representatives will provide on-site training and opening assistance to Franchisee and Franchisee's managers and employees prior to and immediately following the date of the opening of the Franchised Business. The length of the on-site training will be as Franchisor deems necessary for the proper opening and initial period of operation of the Franchised Business. Franchisee will pay an on-site training fee in the amount of the then-current daily fee for each of Franchisor's representatives that provide the on-site training- plus the travel expenses incurred by Franchisor's representative in conducting the on-site training. Franchisee will pay a non-refundable on-site training fee deposit in the amount of Twenty Thousand Dollars (\$20,000.00) upon the execution of this Agreement. The balance of the training fee shall be paid upon completion of the on-site training as determined by Franchisor. ~~Franchisee shall be responsible for the travel and living expenses incurred by Franchisor's representatives in providing the on-site opening training.~~

8.4 Supplemental Education. Franchisor may from time to time provide, and may require, that Franchisee, its owners and/or managers attend and successfully complete supplemental training, seminars, regional franchise meetings or webinars to be conducted at times and locations designated by Franchisor.

Franchisor may require attendance at such training, seminars and meetings for up to five (5) days each calendar year. Franchisor may charge a tuition fee for any such training, seminars, meetings or webinars and Franchisee will be responsible for all expenses incurred by Franchisee's owners and/or managers in attending these programs.

8.5 Conferences and Conventions. Franchisor reserves the right to hold and require all franchisees to attend national, regional or local conferences for Buona franchisees to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If Franchisor holds such conferences, Franchisee's owner(s) may be required to attend any conference for which Franchisor determines attendance is mandatory. Franchisor may charge Franchisee a fee to attend the conference ("Conference Registration Fee"). If Franchisor's owner(s) fail to attend any conference held during the term of this Agreement for which attendance is mandatory, Franchisee remains obligated to pay the Conference Registration Fee. Any costs or expenses associated with Franchisee's owner(s)'s attendance of such conferences will be borne solely by Franchisee.

8.6 Additional Training. Franchisee may request and Franchisor may, in its sole discretion, provide additional initial or ongoing training beyond the amount normally provided to franchisees ("**Additional Training**"). If Franchisor provides such Additional Training, Franchisee shall pay Franchisor its then-current training fees for such Additional Training, plus any travel and living expenses incurred by Franchisor's representative if travel to Franchisee's location is necessary to conduct such Additional Training.

## **IX. DUTIES OF FRANCHISOR**

9.1 Continuing Advisory Assistance. Franchisor will make available to Franchisee such continuing advisory assistance in the operation of the Franchised Business, in person or by electronic or written communications made available from time to time as Franchisor deems advisable.

9.2 Pre-Opening Assistance. Franchisor, in its sole discretion, may provide opening assistance to Franchisee at the Franchised Business, including but not limited to the following:

(a) Provide Franchisee with lists of designated and approved suppliers and other standards and specifications for purchasing initial furniture, fixtures, equipment, products, materials and supplies necessary for commencement of operations and guidance for ordering same;

(b) Provide location research and site selection assistance and guidance, including real estate and demographic analysis, as Franchisor deems advisable, subject to the availability of Franchisor's personnel. However, the selection of a site for the Approved Location is the sole responsibility of Franchisee;

(c) Provide typical floor plans and site build-out specifications for the construction of the Franchised Business; and

(d) Provide training to Franchisee's owners and managerial employees as set forth in Article VIII of this Agreement.

9.3 Standard Plans and Specifications. Franchisor will make available to Franchisee standard plans and specifications to be utilized only in the construction of the Franchised Business. The standard plans and specifications will be initially provided in the Manual. No modification to or deviations from the standard plans and specifications may be made without the written consent of Franchisor. Franchisee shall obtain, at its expense, further qualified architectural and engineering services to prepare surveys,



site and foundation plans, and to adapt the standard plans and specifications to applicable local or state laws, regulations or ordinances. Franchisee shall bear the cost of preparing plans containing deviations or modifications from the standard plans.

9.4 Uniformity; Suppliers. Franchisor will continue its reasonable efforts to assist Buona Businesses in maintaining high and uniform standards of quality, cleanliness, appearance and service, to protect and enhance the reputation of the System and the demand for the products and services of the System. Franchisor will establish uniform criteria for approving suppliers and make every reasonable effort to disseminate its standards and specifications to prospective suppliers of Franchisee upon written request of Franchisee. However, Franchisor may elect not to make available to prospective suppliers the standards and specifications for such formulae or equipment designs deemed by Franchisor in its sole discretion to be confidential. Franchisor may conduct periodic inspections of the business premises and evaluations of the products used and sold at the Franchised Business.

9.5 Delegation. Franchisee agrees that Franchisor shall have the right to delegate to third-party designees, whether Franchisor's agents or independent contractors with whom Franchisor has contracted, the performance of any portion or all of Franchisor's obligations under this Agreement, and any right Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisor in compliance with this Agreement.

9.6 Website. Franchisor and its affiliate have developed and maintain a website relating to the Buona Businesses (the "Buona Website"). Franchisor and its affiliates may market and sell from the Buona Website various products and services worldwide that may compete with Franchisee and other franchisees within and outside the Protected Area. The Buona Website as it may be developed and changed from time to time is Franchisor's sole property or the sole property of its affiliate. Franchisor may provide to Franchisee a page on or linked to the Buona Website.

9.7 National Accounts. Franchisor may, but is not obligated to, develop various National Accounts under a National Accounts Program, for specific services such as catering. Franchisor, in its sole discretion, shall determine the best method of pursuing, negotiating with and servicing National Accounts, and shall establish the terms for each National Account contract in its sole discretion, based on the needs of the National Account and its customers, Franchisor, the System and the Franchisor's franchisees. A "National Account" as used herein is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for products and services that in a number of geographic areas or that exceed the capability of any single Franchised Business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements. In order to participate in the National Accounts Program, Franchisee must (i) be and remain in compliance under this Agreement, and (ii) agree to comply with Franchisor's published standards, policies and procedures for participation in the National Accounts Program as they may be modified and supplemented from time to time. Further, in order to provide services to a particular National Account, Franchisee must comply with the requirements of that particular National Account. Franchisee shall have the right to decline participation in the National Accounts Program or with respect to a particular National Account. Regardless of any other provisions of this Agreement, Franchisor grants to Franchisee no territorial rights of any kind whatsoever in connection with the National Accounts Program. Franchisee agrees that Franchisor and third parties designated by Franchisor may solicit prospective National Accounts located within Franchisee's Protected Area in order to develop them as National Accounts. Further, in the event that Franchisee declines to participate in the National Accounts Program, declines to service any National Account location within Franchisee's Protected Area, or are prohibited from providing services to the National Account location within Franchisee's Protected Area pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, Franchisor, its affiliates or designated agents or other franchisees may provide services at National Account locations or to National Account customers

located within Franchisee's Protected Area without violating Franchisee's rights to the Protected Area. Franchisee shall not be entitled to any compensation with respect to services provided to any National Account location or customer within Franchisee's Protected Area after Franchisee has declined to provide such service or Franchisee is prohibited to provide such services pursuant to the standards, policies and procedures of the National Accounts Program or the contract with any particular National Account. If Franchisor will be providing administrative, billing and/or collection services with respect to any National Account, Franchisor has the right to charge Franchisee a reasonable administrative fee for such services.

## **X. DUTIES OF FRANCHISEE**

10.1 Maintenance and Renovation of the Franchised Business. Franchisee understands and acknowledges that every detail of the System is important to Franchisor, Franchisee and other franchisees so as to develop and maintain high and uniform operating standards, to increase the demand for Buona products and services and to protect the reputation and goodwill of Franchisor, the System and the Marks. Accordingly, Franchisee agrees that:

(a) Franchisee shall maintain, at all times during the Term, at Franchisee's expense, the premises of the Franchised Business and all fixtures, furnishings, signs, systems and equipment, in conformity with Franchisor's high standards and public image and to make such additions, alterations, improvements, repairs, and replacements (but no others, without Franchisor's prior written consent) as may be required by Franchisor from time to time, including but not limited to the following, at Franchisee's sole cost and expense:

i. To keep the Franchised Business in the highest degree of cleanliness, sanitation and repair, including but not limited to such periodic repainting, repairs or replacement of damaged or obsolete, furniture, fixtures and equipment, and replacement of obsolete signs, as Franchisor may reasonably direct;

ii. To meet and maintain the highest governmental standards and ratings applicable to the operation of the Franchised Business; and

iii. For the Franchised Business to be able to offer new products or services or to permit the Franchised Business to operate more efficiently.

(b) In addition to the maintenance described in (a) above, Franchisee must complete a full reimagining, renovation, refurbish and modernization of the Franchised Business, within the time frame required by Franchisor, including the building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet the then-current design criteria for Buona Businesses, including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvements as may be necessary to do so (a "**Franchised Business Renovation**"). Franchisee shall only be required to conduct a Franchised Business Renovation once during the Term and shall not be required to perform a Franchised Business Renovation if there is less than one (1) year remaining in the Term. Nothing herein shall be deemed to limit Franchisee's other obligations during the Term to operate the Franchised Business in accordance with Franchisor's standards and specifications for the System including but not limited to the obligations set forth in this Article X.

10.2 System Compliance. Franchisee shall operate the Franchised Business in strict conformity with such uniform methods, standards and specifications as Franchisor may from time to

time prescribe in the Manual or otherwise in writing to insure that the highest degree of quality, service and cleanliness is uniformly maintained, and Franchisee shall refrain from any deviation from such methods, standards and specifications, and shall refrain from otherwise operating in any manner which reflects adversely on Franchisor's name and goodwill or on the Marks or the System. In connection therewith, Franchisee agrees as follows:

(a) To maintain in sufficient supply, and use at all times, only such ingredients, products, materials, supplies, and paper goods that conform to Franchisor's standards and specifications, and to refrain from deviating from such standards and specifications by using nonconforming items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(b) To sell or offer for sale only such products and menu items that have been expressly approved for sale in writing by Franchisor, and that meet Franchisor's uniform standards of quality and quantity and have been prepared in accordance with Franchisor's methods and techniques for product preparation; including Franchisor's recipes, cooking techniques and processes as designated in the Operations Manual. Franchisee shall not alter, dilute, substitute or otherwise change the quality or composition of any ingredients and materials. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared menu items) shall be detrimental to the System and Marks;

(c) To sell or offer for sale the minimum menu items specified in the Manual or otherwise in writing;

(d) To refrain from any deviation from Franchisor's standards and specifications for preparing, serving or selling the menu items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(e) Upon thirty (30) days' written notice from Franchisor, to sell or offer for sale only such food products or beverages produced by Franchisor's designated food or beverage suppliers in accordance with Section 10.3 below, and to discontinue selling or offering for sale such items as Franchisor may, in its discretion, disapprove in writing at any time in its sole discretion;

(f) To use the premises of the Franchised Business solely for the purpose of conducting the Franchised Business, and to conduct no other business or activity from the premises, whether for profit or otherwise, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(g) To keep the Franchised Business open and in normal operation during such business hours as Franchisor may prescribe from time to time in the Manual or otherwise in writing;

(h) To permit Franchisor or its agents, at any time during ordinary business hours, to remove from the Franchised Business samples of any ingredients, products, materials, supplies and paper goods used in the operation of the Franchised Business, without payment, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies Franchisor may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if any such ingredient, products, materials, supplier or paper goods have been obtained from a supplier not approved by Franchisor, or if the sample fails to conform to Franchisor's specifications;

(i) To purchase, install and construct, at Franchisee's expense, all improvements,

furniture, fixtures, equipment and signage specified in the approved standard plans and specifications, and such other furnishings, fixtures, equipment and signage as Franchisor may direct from time to time in the Manual or otherwise in writing, and to refrain from installing or permitting to be installed on or about the premises of the Franchised Business, without Franchisor's written consent, any improvements, furniture, fixtures, equipment or signage not first approved in writing by Franchisor in its sole discretion;

(j) To comply with and obey all applicable civil and criminal laws, ordinances, rules, regulations, rulings and orders of public authorities of every nature which in any way regulate or affect the operation of the Franchised Business including but not limited to obtaining all required food handling and other permits, certificates, business licenses, health department approvals and similar items;

(k) To pay promptly all taxes and business expenses;

(l) To comply with all laws, ordinances, rules and regulations, rulings and orders of public authorities covering occupational hazards, accommodations for the disabled and equal access laws including but not limited to the Americans with Disabilities Act, workers' compensation insurance, and unemployment insurance; and

**10.3 Purchase of Products and Services; Designated and Approved Suppliers.** The reputation and goodwill of Buona Businesses is based on, and can be maintained only by, the provision and sale of high-quality services and products and the provision, presentation and packaging of those services and products in an efficient and appealing manner. Franchisor has developed standards and specifications for various services, products, furniture, fixtures, signs, equipment and supplies incorporated in or used in connection with the services and products authorized for sale at Buona Businesses. Franchisor has also developed standards and specifications for suppliers of certain of the above products and services, including standards and requirements relating to product quality, prices, consistency, safety, reliability, financial capability, and customer relations. Franchisor will provide Franchisee with a list of designated and approved suppliers. Franchisee must purchase all fixtures, furniture, signs, equipment, and other equipment, materials, products and supplies, and certain services, including but not limited to design and architectural services, from distributors and suppliers that Franchisor has designated or approved (which may include Franchisor or its affiliates) and/or that conform to Franchisor's specifications and standards.

If Franchisor or an affiliate is a designated or an approved supplier, Franchisor has the right to make a profit on the sale of products or services to its franchisees. Franchisor reserves the right to receive rebates from any suppliers Franchisor has designated or approved.

Franchisor may approve a single distributor or supplier for any product or service and may approve a supplier only as to certain products or services. Franchisor may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of Buona Businesses franchised or operated by Franchisor or an affiliate. Franchisor may, if it chooses, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and resell these products at a profit to franchisees. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Franchisor's continued evaluation of the supplier from time to time.

Franchisor may from time to time modify the list of designated suppliers, list of approved suppliers and list of approved products, furniture, fixtures, signs, play equipment, and other equipment, materials and supplies, and Franchisee may not, after receiving written notice of modification of the lists, reorder any such items that are no longer approved or reorder from a supplier that is no longer approved. If Franchisee would like to purchase any of the foregoing items of any brand or type or from a supplier which is not then approved,

Franchisee must submit to Franchisor a written request for approval of the proposed product or supplier and such other information as Franchisor requires. Franchisor has the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered, at Franchisor's option, either directly to Franchisor or to any independent, certified entity which Franchisor designates for testing of the product. Franchisor has the right to charge Franchisee or the supplier a non-refundable fee to cover its costs of inspection and testing incurred in making a suitability determination. Franchisor reserves the right to periodically re-inspect the facilities and products of any approved supplier and to revoke Franchisor's approval of the supplier or product if the supplier does not continue to meet all of Franchisor's criteria. Franchisor will, within a reasonable time, notify Franchisee as to whether or not the proposed product and/or supplier is approved.

Franchisee must use only signs, promotional supplies, branded merchandise, cups, boxes, bags, napkins, wrappers and other packaging, and any other items imprinted with the Marks ("Trademarked Products") as Franchisor prescribes from time to time. Franchisee must purchase the imprinted items only from designated suppliers licensed by Franchisor to duplicate the Marks on such items.

Franchisee will at all times maintain an inventory of approved products, materials and supplies in sufficient quantity and variety to realize the full potential of the Franchised Business.

**10.4 Proprietary Products.** In order to protect Franchisor's trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary products ("Proprietary Products"), Franchisor or an affiliate shall (i) manufacture, supply, and sell Proprietary Products to its franchisees, and/or (ii) disclose the formulae for and methods and preparation of the Proprietary Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture Proprietary Products to Franchisor's precise specifications and sell Proprietary Products to its franchisees. Franchisee acknowledges that Franchisee may be required to purchase and use Proprietary Products from Franchisor or a limited number of suppliers so authorized by Franchisor in the operation of the Franchised Business and that Franchisee shall be required to maintain a sufficient inventory of the Proprietary Products as specified by Franchisor for the Franchised Business. Franchisor and/or its affiliates may profit from the sale of Proprietary Products to franchisees.

**10.5 Advertising Standards; Approval Procedures.** All local advertising by Franchisee shall be (i) in such media and of such type and format as Franchisor may approve in its sole discretion, and (ii) conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify from time to time. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in this Section. All advertising and promotional plans proposed to be used by Franchisee, except such plans and materials that have been previously approved by Franchisor, shall be submitted to Franchisor for Franchisor's written approval (except with respect to prices to be charged) prior to any use thereof. Franchisor shall endeavor to complete its review of Franchisee's proposed advertising and promotional plans within thirty (30) days after Franchisor receives such plans. If written approval is not received by Franchisee from Franchisor within thirty (30) days after receipt by Franchisor of such plans, Franchisor shall be deemed to have disapproved such plans. Franchisee agrees to cooperate with Franchisor in displaying Franchisor's franchising information within the premises of the Franchised Business or on local advertising used by Franchisee and Franchisee will not be entitled to any compensation for displaying any such information at Franchisor's request.

**10.6 Delegation of Operating or Managing Duties.** If at any time Franchisee proposes for the Franchised Business to be operated or managed by an Entity or individual other than Franchisee, Franchisor reserves the right to review and approve the operating or managing entity or individual and to require and approve an operating or management agreement prior to such party's assumption of operations. Franchisor may, in its sole discretion, reject the operating entity, the individual operator or the operating or management agreement. If approved by Franchisor, the operating entity and/or

individual shall agree in writing to attend all training required by Franchisor and to comply with all of Franchisee's obligations under this Agreement as though such party were the franchisee designated therein, on such form as may be designated by Franchisor. The operation of the Franchised Business by any party other than Franchisee, without Franchisor's prior written consent, shall be deemed a material default of this Agreement for which Franchisor may terminate this Agreement pursuant to the provisions of Section 16.

10.7 Staffing. Franchisee agrees to staff the Franchised Business with the number of managers, assistant managers and employees sufficient to operate the Franchised Business in compliance with this Agreement and the standards and specifications in the Manual and to provide proper customer service during all hours of operation. Franchisee shall hire all employees of the Franchised Business, be exclusively responsible for complying with all employment laws and for all employment decisions and functions related to the operation of the Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. Franchisee shall implement a training program for said employees in compliance with Franchisor's requirements. Franchisee and Franchisor acknowledge that the employees of the Franchised Business are employees of Franchisee and not employees of Franchisor, that they should not be held out to third parties to be employees of Franchisor, and that Franchisee has the sole right to control employment and personnel policies and the day-to-day operations of the Franchised Business. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, employment applications, 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.

10.8 Catering and Delivery Services. Franchisee shall offer and sell the following services in accordance with Franchisor's current standards, specifications and procedures as set forth in the Manual or otherwise in writing.

(a) Catering Services. Franchisee shall offer catering services to customers of the Franchised Business. In providing catering services, Franchisee shall (i) comply with all applicable health, sanitation, food handling, and food transportation requirements in connection with offering catering services, and (ii) shall purchase and maintain such vehicles, equipment and supplies necessary to offer catering services in compliance with Franchisor's standards, specifications and procedures. Franchisee shall restrict such activities to the geographic area that Franchisor designates, which geographic area may differ from the Protected Area and may be adjusted by Franchisor from time to time in its discretion. Franchisor shall have the right to revoke Franchisee's right to offer and sell catering services if Franchisor determines in its sole discretion that Franchisee is not maintaining Franchisor's standards, specifications and procedures for catering or not complying with all applicable health, sanitation, food handling, and food transportation requirements, or if Franchisor determines in its sole discretion that offering such additional services is having an adverse impact on the quality of the operation of the Franchised Business.

(b) Third Party Delivery Services. Franchisee shall offer delivery to customers through Third Party Delivery Services unless such services are not available in Franchisee's market. A "Third Party Delivery Service" as used herein shall mean a company or business through which customers purchase menu items from the Franchised Business, that delivers said menu items to the customer at a location other than the Franchised Business. The Third Party Delivery Service typically charges the Franchisee a fee for this service which may be automatically deducted from the funds that are collected from the customer prior to disbursement of the funds by the Third Party Delivery Service to the Franchisee. Current examples of Third Party Delivery Services include, but are not limited to GrubHub, DoorDash, UberEats, ezCater. Franchisee shall, within seven (7) days of selling any menu items for the first time through a Third Party Delivery Service company, inform Franchisor in writing of the name of said company, and furnish Franchisor with access information to the websites of any Third Party Delivery Service being used in order to enable Franchisor to

verify Franchisee's Gross Sales from all sources. This obligation shall apply to each Third Party Delivery Service company that submits an order to Franchisee's Store for the first time. Franchisor reserves the right to approve or disapprove any particular Third Party Delivery Service based on whether the service provided by the Third Party Delivery Service meets Franchisor's specifications and standards. Franchisee may be required to obtain and use software and/or applications required by Franchisor for the use of Third Party Delivery Services.

10.9 Security Agreement. In order to secure the prompt performance by Franchisor of the obligations of this Agreement, Franchisee hereby grants Franchisor a 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 Franchised Business, whether at the Approved Location 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 addition, and as a supplement to this Agreement, Franchisee shall execute Franchisor's standard Security Agreement as set forth in Exhibit F to this Agreement. 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 Franchisor's security interest as provided herein.

10.10 Computer/Point-of-Sale System Requirements. (a) Franchisee shall be required to purchase and use a point-of sale system, computer system and/or web-based platforms, including a customer order processing and inventory control system and/or cash register and credit/debit card system as specified by Franchisor in the Manual or otherwise in writing, and pay all associated fees. Franchisee is responsible for becoming proficient in the use of any required point-of-sale, computer systems and/or web-based platforms and software. Franchisor shall have the right to access, for any purpose or use related to the operation, management and/or monitoring of the System, any information or reports generated or stored by the required point-of-sale system, computer systems and/or web-based platform. Franchisor shall have the right to require Franchisee to replace any of the components of your point-of-sale and/or computer systems if Franchisee deems the component to be (a) undersized or otherwise insufficient of the efficient operation and management of the Franchised Business, or (b) incompatible with Franchisor's computer system or the computer system that Franchisor designates for the franchise network use. Throughout the term of this Agreement, Franchisee shall be responsible for maintaining and upgrading as necessary all point-of-sale and/or computer hardware and software required to be used in the operation of the Franchised Business and shall be solely responsible for any and all consequences of not doing so.

(b) If Franchisor develops and custom designs a software program and hardware system for conducting accounting, inventory, point-of-sale or marketing functions and/or other activities related to the Franchised Business (hereinafter "Software Program"), Franchisee agrees to implement the Software Program into the Franchised Business, and to comply with all specifications and standards prescribed by Franchisor regarding the Software Program as provided from time to time in the Manual. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall only utilize the Software Program as prescribed by Franchisor. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall be required to purchase, lease or license the designated Software Program, to purchase or lease specified computer hardware compatible with the Software Program requirements and contract for on-going service, maintenance and support for such hardware and Software Program at terms designated by Franchisor or its suppliers.

(c) Throughout the term of this Agreement, Franchisee must maintain an active e-mail account and use the e-mail address provided by Franchisor for promoting and operating the Franchised Business

and for communicating with Franchisor. Franchisee must have and maintain high-speed access to the Internet for promoting and operating the Franchised Business and for communicating with and receiving information from Franchisor in the manner Franchisor designates, including but not limited to system-wide area computer networks, intranet system or extranet system. Franchisee shall use any system-wide computer network or intranet or extranet system in compliance with the Manual.

(d) Franchisee shall be solely responsible for protecting Franchisee's point-of-sale and computer systems from viruses, computer hackers and other computer-related and technology-related problems, and Franchisee releases Franchisor from all claims it may have as result of viruses, hackers or other computer-related or technology-related problems.

(e) Franchisee shall make arrangements for and accept payments systems which Franchisee designates from time to time, as part of the operation of the Franchised Business, including but not limited to credit card payments through Visa, MasterCard, and other credit card and debit card issuers and sponsors, check verification services, electronic funds transfer systems, mobile payment systems, and system-wide gift card programs. Franchisee's point-of-sale system and related payment processing systems must be compliant with current Payment Card Industry Data Security standards, all applicable data privacy laws, and any procedures required by the Manual to prevent credit card fraud. Franchisee shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from Franchisee's failure to comply with Payment Credit Industry Data Security Standards or data privacy laws.

#### 10.11 Gift Cards/Loyalty Programs. Franchisee agrees:

(a) to offer for sale gift cards and/or the loyalty program, which must be in the form and version designated by Franchisor ("Official Gift Card/Loyalty Program"), as it may be amended from time to time;

(b) not to offer for sale or give away any form of Gift Card or Loyalty Program other than the Official Gift Card/Loyalty Program;

(c) not to create Franchisee's own Gift Card or Loyalty Program;

(d) to accept and honor the Official Gift Card/Loyalty Program in exchange for product when presented for redemption at Franchisee's Store;

(e) to obtain and maintain whatever is the currently designated equipment and/or software necessary to process the authorized Gift Cards/Loyalty Program, which may be through a Mobile Application; and

(f) to comply with any policy promulgated by Franchisor regarding changes to the form and use of Gift Card/Loyalty Program, including transition periods for the phasing in of modifications to the Official Gift Card/Loyalty Program.

10.12 Appearance, Customer Service and Customer Reimbursement. Franchisee, its managers, employees and agents shall (i) maintain a clean and attractive appearance, including wearing uniforms required by Franchisor for brand recognition, (ii) give prompt, courteous, and efficient service to the public and (iii) otherwise operate the Franchised Business in strict compliance with the policies, practices, and procedures set forth in this Agreement and contained in the Manual, in order to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, the Franchised Business, the products, supplies or equipment in any way without



the prior written consent and approval of Franchisor, which Franchisor may withhold in its sole discretion. Franchisor reserves the right to establish maximum resale prices for use with multi-area marketing programs and special price promotions. If Franchisor is contacted by a customer or other patron of the Franchised Business who wishes to lodge a complaint, Franchisor reserves the right to address the complaint in order to preserve goodwill and prevent damage to the brand. Franchisor's right to address complaints may include refunding money to the complaining customer in Franchisor's sole discretion, in which case Franchisee will reimburse Franchisor for all such amounts.

10.13 Protection of Brand. Franchisee agrees to the following acknowledging that Franchisor must protect the brand and image of all Buona Businesses for the protection of Franchisor's Marks and the franchise system:

(a) Food Borne Illness and other Public Health or Safety Issues. Franchisor has the right to require Franchisee to close its Franchised Business if Franchisor determines that Franchisee's Franchised Business has deficiencies relating to food safety and cleanliness or other public health and safety issues. Franchisee may not reopen the Franchised Business until Franchisor has re-inspected the Franchised Business and determined that it meets Franchisor's standards. In the event of an outbreak of a food borne illness, or any other public health or safety issue that potentially could negatively impact Franchisor's Marks and brand, Franchisee must immediately notify Franchisor of such event, but no later than the next day following the occurrence. Further, Franchisee is strictly prohibited from speaking or communicating with the media in the event of an outbreak of a food borne illness or any other public health or safety issue, whether at Franchisee's Franchised Business or at any other Buona Business. Franchisor has the right to be the sole spokesperson on these issues.

(b) Restrictions Against Potentially Offensive Items. Franchisee is prohibited from displaying in the Franchised Business, or allowing any employees to wear, items that are potentially offensive to customers or other employees. By way of example only and not limiting the scope or applicability of this provision, such items include those that express any religious, political, or personal views. The Franchisor's determination in this regard shall be final.

(c) Anti-Discrimination. Franchisee shall not discriminate against any employees or against any customers (in the products or services that Franchisee provides or by refusing to provide products or services) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability. Franchisee will further comply with any anti-discrimination policies in the Manual.

10.14 Technology Use and Restrictions. (a) the terms website, Social Media, Mobile Application and Digital Marketing are defined as follows for purposes of this Agreement:

- (i) **Website.** As used in this Agreement, a "website" is a collection of related web pages, including multimedia content, which is accessible via the Internet, that Franchisor operates or authorizes others to operate and that refers to the Buona Businesses, the Marks, Franchisor and/or the System.
- (ii) **Social Media.** As used in this Agreement, the phrase "Social Media" means interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, interests and other forms of expression via virtual communities and networks, such as Facebook, You Tube, LinkedIn, Twitter, Instagram, Pinterest, blogs, or other similar communication methods.
- (iii) **Mobile Application.** As used in this Agreement, a "Mobile Application" or

Mobile App is a software application designed for use on mobile devices, such as smartphones and tablets, rather than desktop or laptop computers.

- (iv) Digital Marketing. As used in this Agreement, “Digital Marketing” means the integrated marketing services used to attract, engage and convert customers online. Digital Marketing utilizes multiple channels such as content marketing, influencer marketing, SEO, social media and online advertising to help brands connect with customers.

(b) In connection with any Website, Social Media and/or Digital Marketing, Franchisee agrees as follows:

- (i) Franchisee is strictly prohibited from establishing or maintaining any Websites, Social Media accounts or domain names which incorporate any of the Marks, name or initials into its web address. Franchisee is prohibited from establishing websites or domain names linking to Franchisor’s websites without the prior written authorization of Franchisor.
- (ii) Franchisor will have the sole right to create, establish, own, and control the Buona Website and any page for Franchisee’s Franchised Business linked to the Buona Website.
- (iii) Franchisor will have the sole right to create, establish, own, and monitor all Social Media postings for Franchisee’s Franchised Business. Franchisee may participate in the content and maintenance of Social Media for Franchisee’s Franchised Business, only in accordance with Franchisor’s guidelines, specifications, standards, policies and procedures on Social Media that Franchisor may issue from time to time in the Manual or otherwise, and subject to Franchisor’s right to alter or delete postings made by Franchisee.
- (iv) Franchisor will have the sole right to control all aspects of Digital Marketing, including those related to Franchisee’s Franchised Business. Unless Franchisor consents otherwise in writing, Franchisee may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to Franchisee’s Franchised Business. If Franchisor does give Franchisee written consent to conduct any Digital Marketing, Franchisee must do so in compliance with Franchisor’s guidelines, specifications, standards, policies or procedures on Digital Marketing that Franchisor may issue from time to time in the Manual or otherwise in writing.

(c) Franchisor will have the sole right to develop Mobile Applications using the Marks and relating to the operation of the Franchised Business. Franchisor may require that Franchisee participate and use any Mobile Applications designated by Franchisor and must do so in compliance with Franchisor’s guidelines, specifications, standards, policies or procedures on Mobile Applications that Franchisor may issue from time to time in the Manual or otherwise in writing.

10.15 Mystery Shopper Program. Franchisee must participate in any mystery shopper program established by Franchisor from time to time for the purpose of monitoring service and product quality, assessing compliance with the System, and/or measuring customer satisfaction in Buona Businesses. ~~If such program is established, Franchisee agrees to pay the actual cost of any and all mystery shopping conducted at Franchisee’s Franchised Business up to Two Hundred Fifty Dollars (\$250.00) per month to such third party supplier as Franchisor directs.~~ Franchisor will cover the expenses of the mystery shopper program; however, in the event that

Franchisee does not achieve a passing score for any mystery shop visit in accordance with the requirements set forth in the Operations Manual, Franchisor shall conduct a re-inspection after a reasonable time and Franchisee shall pay for the cost of the re-inspection, either reimbursing Franchisor for the costs it incurs in sending a representative to conduct the re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

10.16 Quality Assurance Audits. Franchisee shall grant to Franchisor, its representatives and third party vendors designated by Franchisor the right to enter upon the premises of the Franchised Business at any time during ordinary business hours and without advance notice for the purpose of conducting inspections of the Franchisee's Franchised Business and its operations. Franchisee shall cooperate with Franchisor's representatives or vendors and permit them to (i) inspect the premises and the equipment; (ii) observe the operations of the Franchised Business for such consecutive or intermittent periods as they deem necessary, including the taking of photos and/or videos; (iii) interview employees of the Franchisee; (iv) interview customers of Franchised Business; and (v) to select inventory items, products, materials and supplies for testing and evaluation. Without limiting Franchisor's other rights under this Agreement, Franchisor may require Franchisee to immediately take such steps as may be necessary to correct the deficiencies detected during any such inspection, including but not limited to desisting from the further use of any practice or procedure, equipment or supplies, products or preparation methods, promotional materials, or other items or services that do not conform with Franchisor's then-current specifications, standards or requirements. If Franchisor designates a third party service to conduct such Quality Assurance Audits, Franchisee shall be pay the actual cost of the audits up to Four Hundred Fifty Dollars (\$450.00) per calendar quarter to the designated third party supplier. Further, if Franchisor requires Franchisee to take steps to correct the deficiencies during an inspection, Franchisor shall conduct a re-inspection after a reasonable time to determine if the deficiencies have been corrected. Franchisee shall pay for the cost of the re-inspection, either reimbursing Franchisor for the costs it incurs in sending a representative to conduct the re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

## **XI. MARKETING**

11.1 Marketing Fund. Franchisor administers a national marketing fund ("Marketing Fund"). Franchisee's required contributions to the Marketing Fund is set forth in Paragraph 3.3 of this Agreement.

Franchisor will be entitled to direct all advertising, marketing and promotional programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. Franchisee agrees that the Marketing Fund may be used to pay the costs of preparing and producing video, audio, digital and written advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining the Buona Website; internet-based advertising and marketing programs, developing and maintaining other presence on the Internet, including reputation management and system-wide online programs for customer ordering and loyalty rewards program; intranet development supporting public relations; market research and marketing activities; providing advertising, marketing and promotional materials to Buona Businesses; and any and all other activities for the purpose of promoting the Marks and Buona Businesses. The Marketing Fund will furnish Franchisee with approved advertising, marketing and promotional materials at its direct cost of producing those materials.

The Marketing Fund will be a separate and distinct account and will be accounted for separately from the other funds of the Franchisor and will not be used to defray any of Franchisor's general operating expenses, except for any reasonable salaries, administrative costs and overhead Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Marketing Fund). Franchisor

may spend in any fiscal year an amount greater or less than the total contribution of Buona Businesses to the Marketing Fund in that year. Franchisor may cause the Marketing Fund to borrow from Franchisor or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising, marketing and promotional costs of the Marketing Fund before other assets of the Marketing Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and will furnish it to Franchisee on written request.

Franchisee understands and acknowledges that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Buona Businesses. Although Franchisor will endeavor to use the Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all Buona Businesses, Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Buona Businesses operating in that geographic area or that any Buona Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Except as expressly provided in this Section 11.1, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund.

Franchisor reserves the right, in its sole discretion, to terminate or discontinue the Marketing Fund upon thirty (30) days' notice to Franchisee. All unspent monies on the date of termination or discontinuance shall be distributed to franchisees of Franchisor in proportion to their respective contributions made to the Marketing Fund during the previous twelve (12) month period. Franchisor shall have the right to reinstate the Marketing Fund upon the same terms and conditions herein set forth upon thirty (30) days' prior written notice to Franchisee.

11.2 Local Advertising. Beginning on the date of opening of the Franchised Business, in addition to the requirement for Franchisee to contribute to the Marketing Fund, each Period Franchisee must spend a minimum of one percent (1%) of the Gross Sales of the Franchised Business on local advertising, marketing and promotion. Such expenditures will be made directly by Franchisee, subject to Franchisor's approval and direction. At Franchisor's request, Franchisee must furnish to Franchisor in a manner approved by Franchisor an accurate accounting of Franchisee's local advertising and marketing expenditures for each Period.

11.3 Grand Opening Advertising and Marketing. Beginning sixty (60) days prior to the opening of the Franchised Business and continuing through the first ninety (90) days of operation of the Franchised Business, Franchisee must spend a minimum of Twenty Thousand Dollars (\$20,000.00) conducting an advertising and marketing campaign to promote the grand opening of the Franchised Business. Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that Franchisor and Franchisee agree is best suited for Franchisee's grand opening campaign. The grand opening advertising and marketing shall be conducted in accordance with the Manual and/or other written guidelines Franchisor may issue on initial advertising and promotion.

11.4 Co-operative Advertising. Franchisee shall join and participate in any local advertising co-operative which has been or may be formed consisting of franchisees and/or Franchisor-owned or Affiliate-owned Buona Businesses in Franchisee's area or region. Franchisee agrees to contribute to the cooperative in the amount and manner agreed upon by a majority of the members of the cooperative. Contributions made by you to the cooperative will be credited to your local advertising expenditure requirements in Section 11.2 above. Each Buona Business in the cooperative, whether franchised or company-owned or affiliate-owned, shall have one vote in the cooperative. Franchisor assumes no direct or indirect liability or obligation to Franchisee or to any local co-operative with respect to the maintenance, direction, or administration of the co-operative, including without limitation, any failure by any franchisees to make any contributions to the co-operative.

## XII. INSURANCE

12.1 Insurance Program. Franchisee shall procure, ~~prior to commencement of construction~~ ~~of by the Franchised Business~~ deadlines listed in Section 12.2, and shall maintain in full force and effect during the Term at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, members, managers, employees, agents and invitees, against any loss, liability, or expense whatsoever from personal injury, death or property damage or casualty, including fire, lightning, theft, vandalism, malicious mischief, and other perils normally included in an extended coverage endorsement arising from, occurring upon or in connection with the construction, operation or occupancy of the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection.

12.2 Insurance Requirements. Such policy or policies shall be written by an insurance company satisfactory to Franchisor, and shall include, at a minimum the following coverage:

(a) **Workers' Compensation Insurance**, with statutory limits as required by the laws and regulations applicable to the employees of Franchisee who are engaged in the performance of their duties relating to the Franchised Business, including any pre-opening training programs, as well as such other insurance as may be required by statute, ordinance or regulation of the state or locality in which the Franchised Business is located; Franchisor reserves the right to require that owners and executive officers not be excluded from this coverage. Such coverage must be obtained on or before the date Franchisee hires any employees.

(b) **Employer's Liability Insurance**, for employee bodily injuries, and deaths, with a limit of \$500,000 each accident; and for employee disease with a limit of \$500,000-; Such coverage must be obtained on or before the date Franchisee hires any employees;

(c) **Comprehensive or Commercial General Liability Insurance**, covering claims for bodily injury, death and property damage, including Premises and Operations, Independent Contractors, Products and Completed Operations, Personal Injury, Contractual, and Broad Form Property Damage Liability coverages, to be obtained by the date the Approved Location has been determined, with limits as follows:

Occurrence/Aggregate Limit of \$1,000,000 for bodily injury, death and property damage each occurrence and \$2,000,000 for general aggregate; \$2,000,000 for Products/Completed operations in the aggregate, \$1,000,000 each occurrence; and \$1,000,000 personal advertising injury.

(d) **Comprehensive Automobile Liability Insurance**, if applicable, covering owned, non-owned and hired vehicles, to be obtained prior to the use of any vehicles in the operation of the Franchised Business, with limits as follows:

Combined Single Limit of \$1,000,000 for bodily injury, death and property damage per occurrence or Split liability limits of:

- \$500,000 for bodily injury per person
- \$500,000 for bodily injury per occurrence
- \$250,000 for property damage;

(e) **Liquor Liability Insurance** (if the Franchised Business will sell alcoholic beverages) with limits of \$1,000,000 each common cause and \$2,000,000 in the aggregate; to be obtained

prior to the date the Franchised Business begins offering alcoholic beverages;

(f) **All Risk Property Insurance**, on a replacement cost basis, with limits as appropriate, covering the real property of Franchisee and any real property which Franchisee may be obligated to insure by contract. Such real property may include, but is not limited to, buildings, ~~machinery~~, equipment, furniture, fixtures and inventory; Such coverage must be obtained prior to the delivery of installation of any equipment, furniture, fixtures, or inventory are delivered to the premises of the Franchised Business.

(g) **Umbrella/Excess Liability Insurance** on a Follow Form basis with a limit of \$5,000,000 per occurrence and in the aggregate with Employer's Liability, General Liability, Auto Liability and as applicable, Liquor Liability; to be obtained by the date the Approved Location has been determined;

(h) **Business Interruption Insurance**, covering Franchisee's loss of revenues and ongoing expenses and to cover any amounts due and owing to Franchisor under this Agreement, including but not limited to the royalties, Marketing Fund contributions, and technology fees that would have been made by Franchisee had the business interruption not occurred, based upon the average of receipts of the Franchised Business for the trailing twelve months prior to the interruption, in an amount not less than the actual loss resulting from an interruption of business for a minimum of twelve (12) months; to be obtained prior to the opening of the Franchised Business;

(i) **Cyber Insurance**, covering breach, system failure, extortion and crime coverage with a limit of \$1,000,000 each occurrence and in the aggregate; ~~and~~ to be obtained prior to the installation and use of the computer system for the Franchised Business;

(j) **PCI DSS Liability** coverage with a limit of \$1,000,000 each occurrence and in the aggregate; to be obtained prior to the opening of the Franchised Business.

12.3 Additional Insurance Requirements. All such policies of insurance shall be placed with an insurance company that has a claims rating ability of at least A- from A.M. Best and shall provide that the same shall not be canceled, modified or changed without first giving thirty (30) days' prior written notice thereof to Franchisor. No such cancellation, modification or change shall affect Franchisee's obligation to maintain the insurance coverages required by this Agreement. Except for Workers' Compensation Insurance, Franchisor shall be named as an Additional Insured on a primary and non-contributory basis for ongoing and completed operations on all such required policies. Workers' Compensation Insurance, General Liability, Auto Liability, and Umbrella/Excess Liability policies shall include a waiver of subrogation in favor of Franchisor. All liability insurance policies shall be written on an "occurrence" policy form. Franchisee shall be responsible for payment of any and all deductibles from insured claims under its policies of insurance. Franchisee shall not satisfy the requirements of this Article XII unless and until certificates of such insurance, including renewals thereof, have been delivered to Franchisor. Franchisee shall not self-insure any of the insurance coverages required by this Agreement, or non-subscribe to any state's applicable workmen's compensation laws without the prior written consent of Franchisor which Franchisor may withhold. Franchisor shall have the right, at any time during the Term to increase the minimum limits of insurance coverage or otherwise modify the insurance requirements of this Agreement upon written notice in the Manual or as otherwise prescribed by Franchisor in writing. If Franchisee shall fail to comply with any of the insurance requirements contained in this Article XII, upon written notice to Franchisee by Franchisor, Franchisor may, without any obligation to do so, procure such insurance and Franchisee shall pay Franchisor, upon demand, the cost thereof plus interest at the maximum rate permitted by law, and a reasonable administrative fee designated by Franchisor.

12.4 Primary Coverage. Franchisee agrees that all insurance policies obtained by Franchisee pursuant to this Article XII shall be primary coverage, the applicable limits of which shall be exhausted before any benefits (defense or indemnity) may be obtained under any other insurance (including self-insurance) providing coverage to Franchisor. In the event payments are required to be made under Franchisor's own insurance policies or self-insurance (whether for defense or indemnity) before the applicable coverage limits for the insurance policies obtained by Franchisee are exhausted, then Franchisee hereby agrees to reimburse, hold harmless and indemnify Franchisor and its insurers for such payments. Franchisee shall notify its insurers of this Agreement and shall use its best efforts to obtain an endorsement on each policy it obtains pursuant to this Article XI stating as follows:

The applicable limits of this policy shall be applied and exhausted before any benefits may be obtained (whether for defense or indemnity) under any other insurance (including self-insurance) that may provide coverage to Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company. All insurance coverage obtained by Chicago's Original Italian Beef Franchising LLC shall be considered excess insurance with respect to this policy, the benefits of which excess insurance shall not be available until the applicable limits of this policy are exhausted.

12.5 No Limitation on Coverage. Franchisee's obligation to obtain and maintain the foregoing policy or policies of insurance 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 Article XIV of this Agreement.

12.6 Issuance of Insurance. Franchisee must obtain the insurance required by this Agreement no later than fifteen (15) days before the date on which any construction or build-out at the premises of the Franchised Business is commenced. The Franchised Business shall not be opened for business prior to Franchisor's receipt of satisfactory evidence that all insurance required by this Agreement is in effect. Upon obtaining such insurance, and on each policy renewal date thereafter, Franchisee shall promptly submit evidence of satisfactory insurance and proof of payment therefore to Franchisor, together with, upon request, copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to Franchisor.

### **XIII. CONFIDENTIAL INFORMATION**

13.1 Definition. For purposes of this Agreement, the term "Confidential Information" means information relating to Franchisor or the System that is not generally available to the public, including the Manual, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Franchised Business and the System. Further, Confidential Information shall include all customer information, lists, data and records of the Franchised Business. Confidential Information does not include information Franchisee can demonstrate came to Franchisee's attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

13.2 Maintenance of Confidential Information. During the Term, and after the expiration or termination of this Agreement, Franchisee must use its best efforts to protect the Confidential

Information. Accordingly, Franchisee must not communicate, divulge, or use for the benefit of any other person, persons or entity, any part of the Confidential Information. Franchisee may divulge such Confidential Information only to such employees of Franchisee who must have access to it in order to carry out Franchisee's obligations under this Agreement, and as may be required by law, provided Franchisee shall give Franchisor prior written notice of any such required disclosure by law immediately upon receipt of notice by Franchisee in order for Franchisor to have the opportunity to seek a protective order or take such other actions as it deems appropriate under the circumstances. Franchisor reserves the right to require Franchisee, or any of its owners, officers, partners, principals, managers, and employees having access to the Confidential Information to execute a confidentiality agreement or similar instrument(s) containing restrictions as those provided in this Section and, as applicable, throughout this Agreement. Such requirement shall not create an employee or joint employee relationship between Franchisor and Franchisee's employees, nor does it constitute control by Franchisor over Franchisee's employment matters.

#### **XIV. COVENANTS**

14.1 Franchisee's Best Efforts. Franchisee covenants that, during the Term, except as otherwise approved in writing by Franchisor, Franchisee or, alternatively, one designated management employee or approved agent if that employee or agent assumes primary responsibility for the operation of the Franchised Business, shall devote full time energy and best efforts to the development and promotion of the Franchised Business and to the management and operation of the Franchised Business.

14.2 Non-Competition and Non-Solicitation During Term. Franchisee acknowledges that Franchisee will receive valuable, specialized training and the Confidential Information. Franchisee covenants that, during the Term, Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, shall not, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity:

(a) Divert or attempt to divert any business or customer of the Franchised Business to a Competitive Business (defined in Section 14.5) by direct or indirect inducements or otherwise, or to do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(b) Have any ownership interest in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business. However, this covenant shall not apply to any business operated by Franchisee under a franchise agreement with Franchisor or any of its Affiliates.

14.3 Post-Termination Covenants. Franchisee covenants that Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity, regardless of the cause for termination shall not:

(a) For a period of two (2) years following the expiration or termination of this Agreement, have any ownership interest in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business that is located within a radius of ten (10) miles of (i) the location specified in the Approved Site Location Addendum as described in Article I or (ii) the location of any other Buona Business, whether owned by Franchisor or any other Buona franchisee, in existence as of the date of expiration or termination of this



Agreement. This restriction will not apply to the ownership of less than 2% of the outstanding shares of a publicly-traded security. Franchisee and its officers, directors, shareholders, managers, members, partners and guarantors expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting those skills. As a result, adherence to this restriction will not deprive them of their personal goodwill or ability to earn a living.

14.4 Nondisclosure and Noncompetition Agreement. Franchisee must have its shareholders, officers, directors, members, managers, partners, guarantors, supervisory and principal employees, including managers and assistant managers (as a condition to their employment), anyone Franchisee may choose to send to training, and anyone who has access to the Manual or any of Franchisor's proprietary information or Confidential Information, execute Franchisor's standard Nondisclosure and Noncompetition Agreement (which is an exhibit to the Franchise Disclosure Document and as may be updated in the Manual) before performing any work at the Franchised Business or otherwise having access to Franchisor's proprietary information. A copy of all the signed agreements shall be delivered to Franchisor within one (1) week of their execution. The failure of Franchisee to obtain execution of such Nondisclosure and Noncompetition Agreements as required by this Section shall constitute a material breach of this Agreement.

14.5 Competitive Business. For purposes of this Article XIII, a "**Competitive Business**" is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from Italian beef and Italian sausage products and other Italian specialties.

14.6 Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article XIV, is held unenforceable by a court or other tribunal having jurisdiction on a final decision, then Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant was separately stated in and made a part of this Article XIV.

14.7 Right to Reduce Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article XIV, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article XXIII.

14.8 Injunctive Relief. The parties acknowledge that it will be difficult to ascertain with any degree of certainty the amount of damages resulting from a breach by Franchisee of any of the covenants contained in this Article XIV. It is further agreed and acknowledged that any violation by Franchisee of any of said covenants will cause irreparable harm to Franchisor. Accordingly, Franchisee agrees that upon proof of the existence of a violation of any said covenants, Franchisor will be entitled to injunctive relief against Franchisee in any court of competent jurisdiction having authority to grant such relief, together with all costs and reasonable attorneys' fees incurred by Franchisor in bringing such action.

14.9 Interpretation. ALL PARTIES TO THIS AGREEMENT ACKNOWLEDGE THAT THIS SECTION HAS BEEN FULLY NEGOTIATED AND HAS BEEN ENTERED INTO FREELY. If any provision of this Article XIV shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent to make the provision valid. This Article XIV shall not be interpreted against either party as drafter.

## **XV. TRANSFERABILITY OF INTEREST**

15.1 Transfer by Franchisor. This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to transfer or assign its interest in this Agreement to any person, persons or Entity. If Franchisor's assignee assumes all the obligations of Franchisor hereunder and sends Franchisee written notice of the assignment so attesting, Franchisor will have no further obligation under this Agreement, and Franchisee agrees promptly to execute a general release of Franchisor and its Affiliates, from claims or liabilities of Franchisor under this Agreement.

15.2 Transfer by Franchisee. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this Agreement in reliance on Franchisee's business skills and financial capacity. Accordingly, neither (i) Franchisee, nor (ii) any immediate or remote successor to Franchisee, nor (iii) any individual or any Entity which directly or indirectly owns any interest in Franchisee or in this Agreement, shall sell, assign, transfer, convey, donate, pledge, mortgage, or otherwise encumber any direct or indirect interest in (i) this Agreement, (ii) Franchisee, or (iii) a substantial portion of the assets of the Franchised Business without the prior written consent of Franchisor. Acceptance by Franchisor of any royalty fee, marketing fund contributions or any other amount accruing hereunder from any third party, including but not limited to any proposed transferee, shall not constitute Franchisor's approval of such party as a transferee or the transfer of this Agreement to such party. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void, and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 16.2(f) of this Agreement.

15.3 Conditions of Consent. Franchisor shall not unreasonably withhold its written approval of a transfer, provided Franchisee and the assignee or transferee have met all of the following conditions as determined by Franchisor in its sole discretion:

(a) Franchisee shall not be in default under this Agreement or any agreement with Franchisor and its Affiliates at the time Franchisee requests the right to transfer the franchise or at the time the Franchised Business is to actually be transferred. All accounts payable and other monetary obligations to Franchisor and its Affiliates shall be paid in full;

(b) Franchisee shall have agreed to remain obligated under the covenants contained in Article XIV hereof as if this Agreement had been terminated on the date of the transfer;

(c) The transferee must be of good moral character and reputation, in the reasonable judgment of Franchisor;

(d) Franchisor shall have determined, to its satisfaction, that the transferee's qualifications meet Franchisor's then-current criteria for new franchisees;

(e) The terms and conditions of the proposed transfer, including all financial terms of the proposed transfer, shall be provided in writing to Franchisor at least fifteen (15) business days prior to the proposed effective date of the transfer, and shall be approved in writing by Franchisor;

(f) The transferee shall execute, at Franchisor's option, (i) written assignment, in form satisfactory to Franchisor, pursuant to which the transferee shall assume all of the obligations of Franchisee under this Agreement and any other agreement relating to the Franchised Business to be transferred; or (ii) the then-current form of Buona Franchise Agreement and such other then-current ancillary agreements as Franchisor may reasonably require. The then-current form of the Franchise Agreement may contain new or significantly different terms, including but not limited to a higher

royalty fee and advertising fund contribution and less territorial protection than contained in this Agreement. The then-current form of the Franchise Agreement will expire on the expiration date of this Agreement and will contain the same renewal rights, if any, as are available to Franchisee under this Agreement;

(g) Franchisee shall execute a general release in favor of Franchisor and its Affiliates of any claims it may have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns relating to the Franchised Business, unconditionally releasing them from any and all claims Franchisee might have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successor and assigns, as of the date of the assignment;

(h) The transferee shall agree at its sole cost and expense, to complete a Franchised Business Renovation, within the time frame required by Franchisor, unless a Franchised Business Renovation was completed less than five (5) years prior to the date of the transfer, and perform such other scope of work as may be determined by Franchisor;

(i) The transferee and such other individuals as may be designated by Franchisor in the Manual or otherwise in writing, must have successfully completed the training courses then in effect for new franchisees which will be covered by the Transfer Fee paid. However, the Transferee shall be responsible for payment for any onsite training fees incurred for onsite training conducted by Franchisor after the transfer;

(j) The transferee's Entity's operating agreement, bylaws, partnership agreement or equivalent governing document shall provide that further assignments or transfers of any interest in the Entity are subject to all restrictions imposed upon assignments and transfers in this Agreement;

(k) Franchisee shall, at Franchisor's option and request, execute a written guarantee of the transferee's obligations under this Agreement, which guarantee shall not exceed a period of three (3) years from the date of the transfer;

(l) Transferee obtains an assignment of Franchisee's existing lease with the lessor's written consent or executes a new lease with the lessor for the premises of the Franchised Business and the remaining term of the assigned lease or the term of the new lease plus any renewals equals the franchise term hereunder; and

(m) Except as provided for in Section 15.4 below, Franchisee shall pay to Franchisor a transfer fee equal to seventy-five percent (75%) of the then-current Initial Franchise Fee if the Transferee is a new franchisee or fifty percent (50%) of the then-current Initial Franchise Fee if the Transferee is an existing franchisee of Franchisor. The transfer fees required cover Franchisor's administrative expenses in connection with the transfer. Franchisee shall pay a non-refundable deposit on the transfer fee in the amount of Five Thousand Dollars (\$5,000.00) at the time Franchisee requests from Franchisor its written consent of the proposed transfer.

15.4 Transfer to a New Entity or Existing Franchisee. If a proposed transfer is (i) individual owners assigning this Agreement to a newly established Entity pursuant to Section 6.1 of this Agreement; or (ii) among existing shareholders, partners or members of Franchisee the transfer fees shall be One Thousand Five Hundred Dollars (\$1,500.00). In the event of such transfer, Franchisor reserves the right to waive conditions or requirements contained in Section 15.3 in its sole discretion and to require the Principals of the transferee to execute a Guaranty and Assumption of Franchisee's Obligations as

required by Section 6.1.

15.5 Grant of Security Interest. Franchisee shall grant no security interest in any of its assets without the prior written consent of Franchisor and unless the secured party agrees that, in the event of any default by Franchisee under any documents related to the security interest (i) Franchisor shall be provided with notice of default and given a reasonable time within which to cure said default, (ii) Franchisor shall have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee or to purchase the rights of the secured party upon payment of all sums then due to such secured party, except such amounts which may have become due as a result of any acceleration of the payment dates based upon Franchisee's default and (iii) the secured party shall agree to such other requirements as Franchisor, in its sole discretion, deems reasonable and necessary to protect the integrity of the Marks and the System. In the event Franchisor purchases the rights of the secured party in any assets, upon payment of all sums then due to such secured party, Franchisor shall receive title to such assets. Under no circumstances that Franchisee grant a security interest in this Agreement or the franchise granted hereunder.

15.6 Transfer on Death or Mental Incapacity. Upon the death or mental or physical incapacity of any person with an interest in this Agreement as determined by a physician, the Franchised Business or Franchisee, the executor, administrator, or personal representative of such person shall transfer his interest to a third party approved by Franchisor within twelve (12) months after such death or mental incapacity. Such transfer, including but not limited to transfer by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Article XV, the personal representative of the deceased Franchisee shall have a reasonable time, but in no event more than twelve (12) months from Franchisee's death, to sell or transfer the deceased's interest in this Agreement and the Franchised Business, which sale or assignment shall be subject to all the terms and conditions for assignments and transfers contained in this Agreement. If the interest is not sold or assigned within the twelve (12) month period, Franchisor may terminate this Agreement.

Upon request by Franchisee's executor, administrator, or personal representatives, Franchisor, in its sole discretion, may agree to enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisee's executor, administrator or personal representative transfers Franchisee's interest in the Franchised Business as provided herein. Franchisee acknowledges and agrees that Franchisor's agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as Franchisor is operating the Franchised Business. Franchisee further acknowledges that if Franchisee temporarily operates the Franchised Business on Franchisee's behalf under this Paragraph 15.7, Franchisee will indemnify and hold harmless Franchisor and Franchisor's agent or representative respecting any and all claims arising out of Franchisor's operation of the Franchised Business under this Paragraph 15.7. Nothing herein shall require Franchisor to operate the Franchised Business upon the request of Franchisee's executor, administrator or personal representative.

15.7 Involuntary Transfers. Involuntary transfers of this Agreement by Franchisee are not binding on Franchisor and constitute grounds for the termination of this Agreement without the opportunity to cure. Franchisee agrees that using this Agreement as security for a loan or otherwise encumbering this Agreement is prohibited, unless Franchisor specifically consents to such action in writing prior to the proposed transaction. Franchisee shall not grant a sub-franchise under this Agreement nor otherwise seek to license or permit others to use this Agreement or any of the rights derived by Franchisee under it. Any attempt to transfer this Agreement in whole or part, or any material portion or property used by Franchisee in connection with this Agreement, whether or not binding on

Franchisor, shall be grounds for the termination of this Agreement without the opportunity to cure, unless the transfer is authorized in writing by Franchisor.

15.8 Transfer by Court Order. If a court of competent jurisdiction orders an individual owner of Franchisee to transfer to his or her spouse all or any part of Franchisee's interest in this Agreement or the Franchised Business, or any of the assets of the Franchised Business, such an order shall constitute a transfer under the terms of this Agreement and shall cause the transferee to be subject to all of the terms and conditions concerning transfers set forth in this Agreement.

15.9 Right of First Refusal.

15.9.1 Franchisee grants to Franchisor the right, but not the obligation, to acquire the Franchised Business on the same terms and conditions specified in a bona fide written offer from a qualified third party. However, Franchisor may substitute the cash equivalent for any portion of the purchase price to be paid by non-cash consideration. Franchisor may purchase the interest for itself or assign its right without recourse to a nominee who will purchase the interest directly from Franchisee. Franchisee shall notify Franchisor in writing of the terms and conditions of each proposed transfer, including the interest proposed to be transferred, the purchase price or other consideration to be paid, any financing terms being extended by Franchisee, the date of the proposed transfer and all other pertinent provisions of the proposed sale. In addition, a copy of the contract, agreement, memorandum of sale, deposit receipt, or letter of intent shall also be forwarded to Franchisor as soon as it is received by Franchisee. Following its receipt of all pertinent data and documents concerning the proposed transfer, including any additional data concerning the transaction requested by Franchisor from Franchisee, Franchisor shall have thirty (30) days within which to advise Franchisee in writing of Franchisor's election to acquire the interest proposed to be transferred on the same terms and conditions agreed to by the prospective transferee. Should Franchisor elect to acquire the interest proposed to be transferred pursuant to its right of first refusal, Franchisee and Franchisor shall cooperate to consummate the transfer. The date for the completion of the transfer may be extended at Franchisor's option for up to thirty (30) days beyond the date originally indicated for the completion of the transfer in order to allow the completion of the transaction in a manner more convenient to Franchisor. The above right of first refusal provisions shall apply to any sale, pledge, assignment, trade or transfer of any ownership interests in the Entity.

15.9.2 If Franchisor does not elect to purchase the interest proposed to be transferred, Franchisee may complete the proposed transfer on the terms and conditions set forth in its notice to Franchisor subject to Franchisor's right to approve the proposed transferee and the terms and conditions set forth under Section 15.3 above. However, if there are any changes in the terms and conditions of the proposed transfer after Franchisee notifies Franchisor of the proposed transfer, including any changes in the terms and conditions occurring after Franchisor notifies Franchisee of its election not to purchase the interest pursuant to its right of first refusal, Franchisee must notify Franchisor of the changes in writing and Franchisor shall have an additional thirty (30) days within which to elect to purchase the interest proposed to be transferred on the revised terms and conditions. If the proposed transfer is not completed for any reason after Franchisor elects not to purchase the interest being transferred, Franchisor's right of first refusal is reinstated as to any later proposed sales or transfers by Franchisee.

## **XVI. DEFAULT AND TERMINATION**

16.1 Termination Without Notice Due To Insolvency. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice

to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against Franchisee and not opposed by Franchisee; if Franchisee is adjudicated bankrupt or insolvent; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under applicable law of any jurisdiction should be instituted by Franchisee or against Franchisee and not opposed by Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's property or business; if suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Business is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereon by any sheriff, marshal or constable.

16.2 No Cure Period. Franchisee shall be in default under this Agreement and Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted to Franchisee, without affording Franchisee any opportunity to cure the same effective upon receipt of notice from Franchisor to Franchisee, upon occurrence of any of the following events:

(a) Franchisee fails to obtain site approval for the Franchised Business within six (6) months of the date of the execution of this Agreement for a location requiring ground up construction and within four (4) months of the date of the execution of this Agreement for an existing location as required by Section 6.2; or Franchisee fails to open the Franchised Business with Franchisor's approval as required in Section 6.5 within twelve (12) months of Franchisor's written approval of the site for the Franchised Business for a ground up construction or within six (6) months of Franchisor's written approval of the site for an existing location. However, Franchisor may in its sole discretion extend this period for matters not within control of Franchisee or for other mutually agreed upon grounds;

(b) Franchisee at any time ceases to operate the Franchised Business for forty-eight (48) hours or more or otherwise abandons the Franchised Business, or loses the right to possession of the premises of the Franchised Business, or causes its lease for the premises of the Franchised Business to be terminated, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. However, if, through no fault of Franchisee, the premises are damaged or destroyed by an event not within the control of Franchisee such that repairs or reconstruction cannot be completed within six (6) months thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate the Franchised Business and/or reconstruct the premises, which approval shall not be unreasonably withheld, provided Franchisee is not then in default under this Agreement or any other agreement between Franchisee and Franchisor or any of its Affiliates, but may be conditioned upon the payment of an agreed minimum royalty to Franchisor during the period in which the Franchised Business is not in operation;

(c) Franchisee, or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks;

(d) Franchisee, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any other franchisee, any officer, director, member, manager or employee of Franchisor or any of its Affiliates, customers or employees of Franchisee, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct;

~~(e)~~ A threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business; or Franchisee violates any law, regulation, or order or any guideline set forth in the Manual relating to health, sanitation or safety;

~~(f)~~(e) Franchisee, or any of its shareholders, members, managers, partners, officers or directors, transfers, hypothecates, pledges, sells, or assigns all or any part of this Agreement, the Franchised Business, the Franchisee Entity or any interest in the Franchisee Entity, or any material portion of the property associated with the Franchised Business or attempts to sublicense to another party any of the rights or property licensed to Franchisee under this Agreement without first receiving written authorization from Franchisor;

~~(g)~~(f) Franchisee, or any of its shareholders, members, managers, partners, officers, directors, guarantors or principal employees violate any provisions under the Noncompetition and Nondisclosure Agreement;

~~(h)~~(g) Contrary to the terms of Article VII hereof, Franchisee or any of its shareholders, members, managers, partners, officers, directors or principal employees discloses or divulges the contents of the Manual or other Confidential Information, or participates in the unauthorized use of the Confidential Information;

~~(i)~~(h) An approved transfer is not effected as required by Section 15.7, following Franchisee's death or mental incapacity;

~~(j)~~(i) Franchisee knowingly maintains false books or records, submits any false reports to Franchisor or otherwise commits an act of fraud with respect to Franchisee's acquisition or performance of this Agreement;

~~(k)~~(j) Franchisee or any Affiliate of Franchisee defaults under any other agreement with Franchisor or its Affiliates, or any predecessor or successor to Franchisor, including but not limited to another franchise agreement or an area development agreement, and such agreement is thereafter terminated. For purposes of this Section 16.2(k), "Affiliate of Franchisee" means a corporation, partnership or limited liability company whose equity is owned in whole or in part by (i) Franchisee, (ii) one or more of Franchisee's shareholders, partners or members, (iii) one or more parent, spouse, sibling, child or grandchild or another blood relation of a shareholder, partner or member of Franchisee, or (iv) any other entity of which Franchisee is a shareholder, partner or member.

~~(l)~~(k) Franchisee defaults more than once in any twelve (12) month period under Sections 16.4 or 16.5, for failure to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice;

~~(m)~~ Franchisee uses the Marks in any unauthorized manner or is otherwise in default of the provisions of Article V hereof;

~~(n)~~(l) Franchisee sells unapproved products or goods from or through the Franchised Business;

~~(o)~~(m) Franchisee relocates the Franchised Business without obtaining Franchisor's advanced written permission as required by this Agreement;

~~(p)~~(n) Franchisee denies Franchisor, or its designee, the right to inspect the premises of the Franchised Business;

~~(q)~~ Franchisee fails to maintain insurance as required by this Agreement;

~~(r)~~(o) Franchisee lease or sublease for the premises of the Franchised Business is terminated or expires and Franchisee is unable to retain possession of the premises of the Franchised Business and fails to relocate in accordance with Section 6.6;

~~(s)~~(p) Franchisee fails to timely pay any lender to whom Franchisor has guaranteed Franchisee's obligations, or if Franchisor has entered into any financing arrangement with Franchisor (i) more than three (3) times if the default is cured, or (ii) one time if the default is not cured during the financing term; and

~~(t)~~(q) Franchisee fails to timely pay any vendors, suppliers or the lessor of the premises of the Franchised Business more than three (3) times during the term of this Agreement;

~~(u)~~(r) Franchisee has made any material misrepresentation or omission in its application for the franchise; and

~~(v)~~(s) Franchisee has received three (3) or more notices for the same default during the term, regardless of whether the default was cured after receipt of notice.

16.3 Five-Day Cure Period. Except as provided in Sections 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within five (5) days following Franchisor's written notice to Franchisee:

(a) Franchisee fails to pay any money owed to us, including but not limited to royalties, marketing fund contributions and any other financial obligations owed to Franchisor by Franchisee; or Franchisee fails to submit daily or weekly gross sales reports necessary for a determination of the amount of fees due;

~~(b) Franchisee fails or refuses to maintain and operate its Franchised Business in compliance with this Agreement, the System and the Manual (other than in a manner that constitutes a default of Sections 16.1, 16.2 or 16.3 for which those sections are controlling), including, but not limited to failing to complete a Franchised Business Renovation, within the time frame required by this Agreement, at Franchisee's expense;~~

~~(c)~~(b) Franchisee fails to pay for any products, supplies or equipment, or fails to pay any fees or other amounts due to Franchisor, or any of its Affiliates or assigns of Franchisor, or Franchisee fails to pay third parties for amounts related to the operation of the Franchised Business within the applicable time period; or

~~(d)~~(c) Franchisee fails to submit to Franchisor such reports or other financial statements required to be delivered to Franchisor by Franchisee when due, or fails to submit any other report or statement to Franchisor or its Affiliates required by this Agreement or otherwise requested by Franchisor or its Affiliates, by its due date;.

(d) A threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business; or Franchisee violated any law, regulation, or order or any guideline set forth in the Manual relating to health, sanitation or safety;



(e) Franchisee uses the Marks in any unauthorized manner or is otherwise in default of the provisions of Article V hereof; or

(f) Franchisee fails to maintain insurance as required by this Agreement.

16.4 Thirty-Day Cure Period. Except as provided in Sections 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within thirty (30) days following Franchisor's written notice to Franchisee:

(a) Franchisee fails or refuses to maintain and operate its Franchised Business in compliance with this Agreement, the System and the Manual (other than in a manner that constitutes a default of Sections 16.1, 16.2 or 16.3 for which those sections are controlling), including, but not limited to failing to complete a Franchised Business Renovation, within the time frame required by this Agreement, at Franchisee's expense; or

~~16.4(b) Franchisee fails to comply with any other term or condition in this Agreement not specifically listed in Sections 16.1, 16.2, or 16.3 above and fails to cure the same within thirty (30) days following Franchisor's written notice to Franchisee.~~

16.5 Cross-Default and Cross-Termination Provisions.

(a) A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates. A default by Franchisee under any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be deemed a default under this Agreement. A default by the guarantors of this Agreement or any other agreement of guaranty will be deemed a default of this Agreement. For purposes of clarity, any agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates include, without limitation, any other Franchise Agreement or Area Developer Agreement.

(b) If this Agreement is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor or its Affiliates may, at their option, elect to terminate any or all other agreements between Franchisee (or an affiliate of Franchisee) and Franchisor or its Affiliates. If any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be grounds for termination of this Agreement and/or all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates without additional notice or opportunity to cure.

16.6 Arrearage Agreement. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee hereby acknowledges that any agreement between Franchisee and Franchisor or its Affiliates relating to past due amounts accruing hereunder (an "**Arrearage Agreement**"), including but not limited to any promissory note, payment plan or amendment to this Agreement shall be deemed to be a material part of this Agreement and shall be incorporated herein by reference. A default under any Arrearage Agreement shall be deemed a material default of this Agreement, regardless of the reason Franchisee fails to pay the amount that is the subject of an Arrearage Agreement. This provision does not require Franchisor to waive any payments due from Franchisee or to enter into any

## Arrearage Agreement.

16.7 Statutory Cure Period. If a default is curable under this Agreement, and the applicable law in the state in which the Franchised Business is located requires a longer cure period than that specified in this Agreement, the longer period will apply.

16.8 Right to Operate Upon Default. In addition to Franchisor's right to terminate this Agreement and not in lieu of such right or any other rights, in the event that Franchisee has not cured a default under this Agreement within fourteen (14) days after receipt of a written notice of default, Franchisor may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default has been cured and that there is compliance with the requirements of this Agreement. Franchisee acknowledges and agrees that Franchisor's agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as it shall be required to enforce compliance with this Agreement. Franchisee further acknowledges that if Franchisor temporarily operates the Franchised Business on Franchisee's behalf under this Paragraph 16.8, Franchisee will indemnify and hold harmless Franchisor and Franchisor's agent or representative respecting any and all claims arising out of Franchisor's operation of the Franchised Business under this Paragraph 16.8. Nothing herein shall require Franchisor to operate the Franchised Business when Franchisee is in default.

16.9 Monetary Fees for Non-Compliance. In addition to any and all other remedies available to Franchisor under this Agreement or under the law upon a default by Franchisee, Franchisor may impose on Franchisee monetary non-compliance fees for the defaults described in this Section 16.9:

- a. Failure to Report Gross Revenues. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to report the Gross Revenues of the Franchised Business and/or Daily Flash Reports as set forth in Section 4.2 by the stated deadline.
- b. Failure to Furnish Reports, Financial Statements and Tax Returns. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to furnish the reports, financial statements, and/or tax returns as set forth in Sections 4.3, 4.4 or 4.5 by the stated deadlines.
- c. Failure to Pay Royalties, Marketing Fund contributions, Technology Fees. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee is in default in the payment of royalties, Marketing Fund contribution or technology fees as required under Article IV.
- d. Failure to Properly Use Trade Secret Products. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day for each and every day, beginning with the first day that Franchisee fails to properly use Trade Secret Products as required in Section 10.3.
- e. Failure to Comply with Specific Operating Standards. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to comply with the following specific Operating Standards, as set forth in this Agreement or in the Manual, and of which the Franchisor has given Franchisee at least fifteen (15) days'

notice: (i) all employees wearing required uniforms as required in Section 10.9; (ii) using designated or approved suppliers as required in Section 10.3; (iii) complying with the insurance requirements set forth in Section 12; and (iv) always having adequate staffing and a trained manager on the premises of the Franchised Business as required in Section 10.6. The imposition of this fee does not limit Franchisor from any other remedies available to it under this Agreement or under applicable law.

- f. Failure to Keep Restaurant Open During Hours Required. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to be open for business for all the days and hours that are required, pursuant to Section 10.2(g). The hours include the time of opening and closing for business. This fee shall not apply in the event that Franchisee obtains Franchisor's prior written consent to close the Franchised Business for specific days or hours. Such consent shall apply only to each request Franchisee submits to Franchisor, which request shall include the specific dates and hours that Franchisee wishes to close the Franchised Business.
- g. Unauthorized Use of Marks. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee makes any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, menus, advertising, social media or other internet use, and including during the term of this Agreement, or subsequent to its expiration or termination for any reason.
- h. Failure to Comply with Audit. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day, for each and every day, beginning with the first day up through and including the day the default is completely cured, that Franchisee fails to provide all the information, records, and documents that Franchisor requests in connection with an audit of Franchisee's Franchised Business under Section 4.7. of this Agreement, or refuses entry to Franchisor's representative for an inspection of the Franchised Business under Section 10.2(m).

## **XVII. EFFECT OF TERMINATION OR EXPIRATION**

17.1 Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights granted to Franchisee under this Agreement will immediately terminate, Franchisee shall cease to be a licensed franchisee of Franchisor, and:

(a) Franchisee shall immediately cease to operate the Franchised Business as an Buona Business, and shall not thereafter, directly or indirectly, represent to the public that the restaurant is or was a Buona Business;

(b) Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any menus, recipes, confidential formulae, equipment, methods, procedures, techniques associated with the System, the Marks, and Franchisor's other trade names, trademarks and service marks associated with the System. In particular, and without limitation, Franchisee shall cease to use all signs, menus, advertising and promotional materials, stationery, forms, packaging, containers and any other articles which display the Marks;

(c) In the event Franchisee continues to operate or subsequently begins to operate a restaurant or other business, Franchisee shall not use any reproduction, counterfeit, copy, or colorable imitation of the Marks in conjunction with such other business which is likely to cause

confusion or mistake or to deceive, and further agrees to remove all unique markings, colors, décor, Marks and other features (“**Trade Dress**”) that identify the Franchised Business as a former Buona Business, and otherwise take all necessary steps to disassociate itself from the System and Franchisor, including but not limited to, the removal of signs and all Trade Dress from the premises of the Franchised Business and destruction of printed materials.

(d) Franchisee acknowledges that all telephone numbers, facsimile numbers, telephone directory listings, e-mail addresses, social media accounts, websites, internet addresses, listings or other presence on the Internet (collectively “**Identifiers**”) used in the operation of the Franchised Business constitute Franchisor’s assets, and upon termination or expiration of this Agreement, Franchisee will take such action within five (5) days to assign to Franchisor or Franchisor’s designee as determined by Franchisor, all of Franchisee’s right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks of the termination or expiration of Franchisee’s right to use any Identifiers, and to authorize a transfer of the same to Franchisor, or at Franchisor’s direction, to its designee. Further, Franchisee shall deliver to Franchisor any passwords or account manager access information for any Identifiers. Franchisee acknowledges that Franchisor has the sole right to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks or any other third parties having control over the Identifiers to transfer such Identifiers to Franchisor or Franchisor’s designee. The telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks or any other third parties having control over the Identifiers may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor’s rights to the Identifiers and Franchisor’s authority to direct their transfer.

(e) Franchisee shall immediately take all actions as shall be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration that contains any Marks or other trademarks of Franchisor or in any way identifies Franchisee as being affiliated with the System;

(f) Franchisee shall immediately notify all of its suppliers, utilities, landlords, creditors and others with whom it is doing business that Franchisee is no longer affiliated with the Franchised Business or the System and provide proof to Franchisor of this notification within five (5) days of the termination or expiration of this Agreement;

(g) Franchisee shall immediately make such modifications or alterations to the Franchised Business premises or cessation of operation of the Franchised Business as may be necessary to prevent the operation of any businesses thereon by Franchisee or others in derogation of this Article XVII, and shall make such specified additional changes thereto as Franchisor may reasonably request for that purpose. The modifications and alterations required by this Article XVII shall include but are not limited to removal of all trade dress, proprietary marks and other indicia of the System;

(h) Franchisee shall immediately pay to Franchisor and its Affiliates all sums, fees or charges owed to Franchisor or its Affiliates;

(i) Franchisee shall immediately turn over to Franchisor the Manual, training materials and any other materials containing the Confidential Information and other data, records, files,

instructions, correspondence and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession and all copies thereof (all of which are acknowledged to be Franchisor's property) and shall retain no copy or record of any of the foregoing, in any format whether electronic or otherwise, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law; and

(j) Franchisee and its owners shall comply with all of the post-termination covenants set forth in Article XIV.

17.2 Franchisor's Right to Purchase. Franchisor shall have the right (but not the duty) to exercise by notice of intent to do so within thirty (30) days after termination or expiration of this Agreement, to purchase any and all improvements, furniture, fixtures, equipment, advertising and promotional materials, ingredients, products, materials, supplies, paper goods and any items bearing Franchisor's Marks at then-current fair market value, but specifically excluding any value for goodwill or going concern value. If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and his/her determination of fair market value shall be binding. If Franchisor elects to exercise any option to purchase provided in this Section, it shall have the right to set-off all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any, against any payment therefor. In the event the premises are leased to Franchisee, Franchisee shall, upon termination of this Agreement and upon request by Franchisor, immediately assign, set over and transfer unto Franchisor, at Franchisor's sole option and discretion, said lease and the premises, including improvements. Any such lease entered into by Franchisee shall contain a clause specifying the landlord's consent to assign such lease to Franchisor or its assignee in the event this Agreement is terminated.

17.3 Damages Resulting From Breach. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in seeking recovery of damages caused by any action of Franchisee in violation of, or in obtaining injunctive relief for the enforcement of, any portion of this Article XVII. Franchisee acknowledges and agrees that any failure to comply with the provisions of this Article XVII shall result in irreparable injury to Franchisor.

17.4 Additional Documents. Franchisee shall execute such documents as Franchisor may reasonably require to effectuate termination of the Franchised Business and Franchisee's rights to use the Marks and the System.

17.5 Acknowledgements. Upon the termination or expiration of this Agreement for any reason, Franchisee acknowledges and agrees that:

(a) No payment is due to Franchisee from any source for any claimed goodwill or other equity claimed by Franchisee based on Franchisee's operation or ownership of the Franchised Business, or otherwise; and

(b) No fees, charges, or other payments of any kind from Franchisee to Franchisor or its Affiliates are refundable wholly or partially.

## **XVIII. TAXES AND PERMITS**

18.1 Taxes. Franchisee shall promptly pay when due all taxes, accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business under this Agreement. Franchisor will have no liability for any sales, use, excise, income, gross receipts,

property, or other taxes levied against Franchisee or the Franchised Business or on Franchisor in connection with your operation of the Franchised Business, or any payments Franchisee makes to Franchisor pursuant to this Agreement, including but not limited to royalties and advertising fund contributions (except for Franchisor's own income taxes). If any such taxes are assessed against Franchisor, Franchisee shall reimburse Franchisor the actual amount of the taxes upon demand and upon receipt of proof of tax assessment.

18.2 Permits. Franchisee, in the conduct of the Franchised Business, shall comply with all applicable laws and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business operated under this Agreement, including but not limited to licenses to do business, food service certifications, trade name registrations, sales tax permits and fire clearances.

## **XIX. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION**

19.1 Independent Contractor. This Agreement does not establish Franchisee as an agent, legal representative, joint venturer, partner, joint employer, employee or servant of Franchisor for any purpose whatsoever, and Franchisor shall not be construed to be jointly liable for any of Franchisee's or its employees' acts or omissions under any circumstances. Franchisee is solely responsible for the day-to-day operation of the Franchised Business. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor. The parties further agree that this Agreement does not create any fiduciary relationship between them. During the Term and any extension hereof, Franchisee agrees to take such action as Franchisor deems reasonably necessary for Franchisee to inform and hold itself out to the public, its employees and suppliers as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall prominently display, by posting of a sign within public view on or in the premises of the Franchised Business, and on any stationery, forms and promotional material a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee as a franchisee of Franchisor.

19.2 No Employment Relationship. Franchisee expressly acknowledges that Franchisee 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, Franchisee's obligations under this Agreement and the standards, specifications, policies and procedures required by Franchisor hereunder and in the Manual are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and Confidential Information, goodwill and brand consistency. The parties acknowledge and agree that Franchisee is solely responsible for the management of the Franchised Business as an independent franchise owner/operator.

### **19.3 Indemnification.**

(a) Franchisee agrees to defend, indemnify and hold harmless Franchisor and its Affiliates, and their respective officers, directors, members, managers, employees, agents, predecessors, successors and assigns from all claims, demands, losses, damages, liabilities, cost and expenses (including attorneys' fees and expenses of litigation) resulting from, or alleged to have resulted from, or in connection with Franchisee's operation, possession or ownership of the Franchised Business, the Franchised Business premises, or Franchisee's use of the Marks and the System in any manner not in accordance with this Agreement, including but not limited to any claim or action based on or arising out of any injuries, including death, to persons or damage to or destruction of property, sustained or alleged to have been sustained in connection with or to have arisen out of or incidental to the Franchised Business and/or the performance of this Agreement by Franchisee, its shareholders, officers, directors, members, managers, partners, employees, agents, employees, and its subcontractors,

their agents and employees or anyone for whose acts they may be liable, regardless of whether or not such claim, demand, damage, loss, liability, cost or expense is caused in whole or in part by the negligence of Franchisor, Franchisor's representatives, or the employees, agents, invitees, or licensees thereof.

(b) Franchisor shall advise Franchisee in the event Franchisor receives notice that a claim has been or may be filed with respect to a matter covered by this Agreement, and Franchisee shall immediately assume the defense thereof at Franchisee's sole cost and expense. In any event, Franchisor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Franchisor and/or its Affiliates or their officers, directors, employees, agents, successors or assigns. If Franchisee fails to assume such defense, Franchisor may defend, settle, and litigate such action in the manner it deems appropriate and Franchisee shall, immediately upon demand, pay to Franchisor all costs (including attorneys' fees and cost of litigation) incurred by Franchisor in effecting such defense, in addition to any sum which Franchisor may pay by reason of any settlement or judgment against Franchisor.

(c) Franchisor's right to indemnity hereunder shall exist notwithstanding that joint or several liabilities may be imposed upon Franchisor by statute, ordinance, regulation or judicial decision.

(d) Franchisee agrees to pay Franchisor all expenses including attorneys' fees and court costs, incurred by Franchisor or its Affiliates, and their successors and assigns to remedy any defaults of or enforce any rights under this Agreement, effect termination of this Agreement or collect any amounts due under this Agreement.

## **XX. APPROVALS; WAIVERS; VARIATION OF STANDARDS**

### **20.1 Approvals.**

(a) Whenever this Agreement requires the prior approval of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval, and such approval or consent must be in writing.

(b) Franchisor makes no warranties or guarantees upon which Franchisee may rely. Franchisor assumes no liability or obligation to Franchisee or any third party to which Franchisor would not otherwise be subject by Franchisor providing any waiver, approval, advice, consent or suggestions to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

20.2 Waiver. No failure of Franchisor to exercise any 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 right to demand strict compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any rights under this Agreement, or its right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payments due to it shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

20.3 Variation of Standards. Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary standards described in this Agreement for any franchise owner based upon the peculiarities of any condition that Franchisor considers important to that franchise owner's successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.

## **XXI. NOTICES**

21.1 Notices. All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service, or by e-mail 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:

Notice to Franchisor:  
Chicago's Original Italian Beef Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu  
General Counsel  
[blansu@buona.com](mailto:blansu@buona.com)

AND  
Joseph Buonavolanto III  
Vice President of Franchising  
[JB3@buona.com](mailto:JB3@buona.com)

Notice to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address or e-mail address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

## **XXII. SEVERABILITY AND CONSTRUCTION**

22.1 Severability. Except as expressly provided to the contrary in this Agreement, each article, section, paragraph, part, term, and provision of this Agreement shall be considered severable. If, for any reason, any article, section, part, term, or provision of this Agreement is determined to be invalid, 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, or have any other effect upon, such other portions, articles, sections, parts, terms, or provisions of this Agreement as may remain otherwise



enforceable, and the latter shall continue to be given full force and effect to bind the parties hereto, the invalid portions, articles, sections, parts, terms or provisions being deemed not to be part of this Agreement.

## 22.2 Construction.

(a) Except as has been expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, members, managers and employees, and Franchisee's and Franchisor's permitted respective successors and assigns, any rights or remedies under or by reason of this Agreement.

(b) All 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.

(c) All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgements, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all Franchisee parties hereto on behalf of Franchisee.

(d) This Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

(e) This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by electronic mail or other functionally equivalent means of transmission constitutes valid and effective delivery.

## **XXIII. ENTIRE AGREEMENT; SURVIVAL**

23.1 Entire Agreement. This Agreement, the documents referred to herein and the exhibits hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and supersede any and all prior agreements. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, modification or variance of this Agreement shall be binding on either party unless in writing and executed by Franchisor and Franchisee. Representations by either party, whether oral, in writing, electronic or otherwise, that are not set forth in this Agreement shall not be binding upon the party alleged to have made such representations and shall be of no force or effect. Nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the franchise disclosure document provided to Franchisee. Franchisee understands and agrees that Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution of this Agreement and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent franchise disclosure document provided by Franchisor or its representatives. Franchisee further acknowledges and agrees that no representations have been made to it by Franchisor regarding projected sales volumes, market potential, revenues, or profits of Franchisee's Buona Business, other than as stated in this Agreement or in the most recent franchise disclosure document provided by Franchisor or its representatives.

23.2 Survival. Notwithstanding anything herein to the contrary, upon the termination of this Agreement for any reason whatsoever (including the execution of a subsequent franchise agreement pursuant to the provisions of Section 2.2(b)), or upon the expiration of the Term of this Agreement,

all provisions of this Agreement which, by their nature, are intended to extend beyond the expiration or termination of this Agreement, shall survive termination or expiration and be fully binding and enforceable as though such termination or expiration had not occurred.

#### **XXIV. DISPUTE RESOLUTION; APPLICABLE LAW; VENUE**

24.1 Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, “Mediator”). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each part shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings.

Notwithstanding the foregoing, Franchisor shall have no obligation to mediate before commencing litigation in the following circumstances: (i) In the event Franchisor seeks the entry of temporary and permanent injunctions and orders of specific performance in a court of competent jurisdiction to: (a) enforce the provisions of this Agreement relating to Franchisee’s use of the Marks and/or your non-disclosure and non-competition obligations under this Agreement; (b) prohibit any act or omission by Franchisee or Franchisee’s 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 cause irreparable harm to Franchise, the System, the Marks and/or other Buona franchises. agree to waive any claims for damages in the event there is a later determination that an injunction or specific performance order was issued improperly; (ii) in the event Franchisor is filing suit to enforce Franchisee’s obligations to pay Franchisor under this Agreement and to seek collection of such fees due and owing to Franchisor; and (iii) in the event Franchisee has abandoned the Franchised Business or has lost its right to possess the premises of the Franchised Business so that the Franchised Business is no longer operating.

24.2 Arbitration. Except for controversies, disputes or claims related to or based on Franchisee’s use of the Marks or Confidential Information, Franchisee’s compliance with its non-competition obligations and any rights Franchisor may have to possession of the premises of the Buona Business under any sublease, lease or collateral assignments, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Franchisee (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties’ rights and obligations under this Agreement; Franchisor’s relationship with Franchisee or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Franchisee or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association (“AAA”) in accordance with the AAA’s then-current

Commercial Arbitration Rules. The arbitration hearing shall take place in Cook County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

24.3 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Franchisee agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

24.4 Limitations on Proceedings.

(a) Franchisor and Franchisee agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Franchisee and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Franchisee. Further, neither Franchisor nor Franchisee shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Franchisee with another arbitration of any kind, nor shall Franchisor or Franchisee attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Franchisee controls, is controlled by, or is in active concert with another franchisee of Franchisor, or there is a guarantor of some or all of Franchisee's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Franchisee shall be permitted.

24.5 Governing Law/Consent to Venue and Jurisdiction. All arbitration proceedings between Franchisor and Franchisee shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Illinois and any dispute between the parties shall be governed by and

determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee and/or any affiliate of Franchisee and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Cook County, Illinois or in arbitration in Cook County, Illinois pursuant to this Article XXIV, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Cook County, Illinois pursuant to this Article XXIV. Franchisor, Franchisor's Affiliates, Franchisee and Franchisee's Affiliates each waive their rights to a trial by jury.

24.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted; but each shall be cumulative of any other right or remedy provided in this Agreement.

24.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Franchisee will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Franchisee agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Franchisee's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Franchisee. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

24.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Business, brought by Franchisee must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

24.9 DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

24.10 Costs and Attorney's Fees. If a claim for amounts owed by Franchisee to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Franchisee or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

24.11 Liquidated Damages. Franchisor shall have the right to impose liquidated damages against Franchisee in the following events: (a) Franchisee terminates this Agreement without good cause, (b) Franchisor terminates this Agreement based on Franchisee's material breaches under this Agreement, (c)

Franchisee abandons the Franchised Business, which for purposes of this Section is failing to open or operate the Franchised Business for more than two (2) consecutive days, (d) loses possession of the premises of the Franchised Business and fails to find a new location and to re-open the Franchised Business, or (e) Franchisee transfers an interest in the Franchised Business or the ownership of Franchisee or of the assets of Franchisee or the Franchised Business (or any interest therein) without fully complying with Article XV of this Agreement, whether or not Franchisor terminates this Agreement. The amount of liquidated damages shall be equal to (i) the number of months remaining in the term of this Agreement, times (ii) the average Gross Sales of Franchisee's Franchised Business during the thirty-six (36) month period immediately preceding the date of termination (or if Franchisee has been in business less than 36 months, then during the entire period Franchisee has been in business), times (iii) four percent (4%), times (iv) the present value factor based on an interest rate of four percent (4%) per year (4/12% per month), using the Present Value of an Annuity. This remedy is in addition to Franchisor's other rights and remedies set forth in this Agreement. The liquidated damages are not a penalty or forfeiture, but are a reasonable measure of damages where the exact amount of actual damages would be difficult to ascertain. Franchisee also agrees to pay Franchisor's costs and attorney's fees in connection with enforcing this Liquidated Damages provision.

## **XXV. MISCELLANEOUS**

25.1 Modifications. No modification of any provision of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee; however, the Manual may be modified by Franchisor from time to time and is fully enforceable against Franchisee.

25.2 Beneficiaries. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties shall have any right or claims, benefit, or right as a third party beneficiary under this Agreement or any provision hereof. Similarly, Franchisee is not entitled to claim any rights or benefits including those of a third party beneficiary, under any contract, understanding or agreement between Franchisor and any other person or entities, unless that contract, understanding or agreement specifically refers to Franchisee by name or to a class which Franchisee belongs and specifically grants rights or benefits to Franchisee or to the concerned class.

25.3 Entity Authority. The person or persons signing this Agreement for Franchisee warrant to Franchisor that he, she or they have the requisite authority to sign this Agreement. At the request of Franchisor, the concerned Entity signatory agrees to promptly provide Franchisor with a certified copy of the resolution or other document authorizing the execution of this Agreement and naming the officers or other positions of the Entity that are authorized to sign this Agreement for the Entity.

25.4 Set Off. Franchisee shall not be allowed to set off amounts owed to Franchisor or other amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold any amounts due to any alleged nonperformance by Franchisor hereunder, which right of set off is expressly waived by Franchisee. Franchisor shall be allowed to set off amounts owed to Franchisee against monies owed to Franchisor by Franchisee.

25.5 Joint and Several Liability. If two or more persons, corporations, partnerships, or other entities or any combination thereof, sign this Agreement, the liability of each shall be joint and several. All Principals are jointly and severally liable for the performance of Franchisee hereunder.

25.6 Successors in Interest. This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties to this Agreement.

25.7 Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion

in a particular area or where Franchisor agrees to exercise its rights reasonably, in good faith or as it deems necessary or advisable, Franchisor will satisfy its obligations whenever Franchisor exercises reasonable business judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System and Buona Businesses generally, even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit all Buona Businesses and the System include but are not limited to enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

25.8 Modification of the System. Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System including but not limited to altering the products, programs, services, methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services that the Franchised Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes that Franchisee is required to observe under this Agreement; and changing, improving, modifying, or substituting other words or designs for, the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder. Franchisee will accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including but not limited to any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

25.9 Force Majeure. Neither Franchisee nor Franchisor will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform their 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, riot, acts of terrorism, or pandemic; 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. However, this clause shall not apply or not result in an extension of the term of this Agreement.

25.10 Executive Order 13224. To enable Franchisor to comply with U.S. Executive Order 13224, Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of its equity owners, directors, officers, employees, representatives, and agents (collectively, the “Included People”): (a) is, or is owned or controlled by, a suspected terrorist or foreign terrorist, as those terms are used, contemplated, and/or implied in Executive Order 13224, and (b) to the best of Franchisee’s knowledge, has any of the Included People been designated a suspected terrorist or foreign terrorist as those terms are used, contemplated, and/or implied in Executive Order 13224.

25.11 Acknowledgements.

(a) FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETED COPY OF THIS AGREEMENT, THE EXHIBITS HERETO, IF ANY, AND THE AGREEMENTS RELATING THERETO, IF ANY, PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED “DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES” AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, APPLICABLE BY STATE.

(b) FRANCHISEE RECOGNIZES AND UNDERSTANDS THAT IT MAY INCUR OTHER EXPENSES AND/OR OBLIGATIONS AS PART OF THE INITIAL INVESTMENT IN THE FRANCHISED BUSINESS WHICH THE TERMS OF THIS AGREEMENT MAY NOT ADDRESS, AND WHICH INCLUDE WITHOUT LIMITATION: OPENING ADVERTISING, EQUIPMENT, FIXTURES, OTHER FIXED ASSETS, CONSTRUCTION, LEASEHOLD IMPROVEMENTS AND DECORATING COSTS AS WELL AS WORKING CAPITAL NECESSARY TO COMMENCE OPERATIONS.

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

| *Signatures appear on the next page.* \_\_\_\_\_

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed, sealed, and delivered this Agreement on the date below each signature.

**FRANCHISOR:**

**CHICAGO'S ORIGINAL ITALIAN BEEF  
FRANCHISING LLC**

**FRANCHISEE:**

[\_\_\_\_\_]

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

Date: \_\_\_\_\_

**OR**, if a corporation, limited liability company  
or other business entity:

\_\_\_\_\_  
Company Name

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



**EXHIBIT A**  
**APPROVED LOCATION AND PROTECTED AREA**

As provided in the above franchise agreement, the following information is now available and is hereby specified for inclusion in the franchise agreement.

**Approved Location:** The location approved by the Franchisor for operation of the Franchised Business is  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (“Approved Location”).

**Description of the Protected Area:** ~~The boundaries of the Protected Area are described as follows:~~  
~~[INSERT DESCRIPTION]~~

**Non-Urban Area.** If the Approved Location is in a non-urban area, the boundaries of the Protected Area are described as follows: ~~[INSERT DESCRIPTION]~~

~~If a map is attached hereto, the boundaries of the Protected Area as shown on the map shall control.~~

The parties acknowledge and agree that the Protected Area described above contains the following people population: \_\_\_\_\_.

**Urban Area.** If the Approved Location is in an urban area, the Protected Area shall be a one-half (1/2) mile radius from the Approved Location.

If a map is attached hereto, the boundaries of the Protected Area as shown on the map shall control.

**FRANCHISOR:**  
**Chicago’s Original Italian Beef**  
**Franchising LLC**  
An Illinois limited liability company

**FRANCHISEE:**  
\_\_\_\_\_

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

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

**EXHIBIT B**  
**ADDENDUM TO LEASE AND COLLATERAL ASSIGNMENT OF**  
**LEASE**

This Addendum to Lease, dated \_\_\_\_\_, 20\_\_\_\_, is entered into by and between \_\_\_\_\_ (“**Lessor**”), and \_\_\_\_\_ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated \_\_\_\_\_, 20 , and pertaining to the premises located at \_\_\_\_\_ (“**Lease**”). Lessor acknowledges that Lessee intends to operate a Buona Franchised Business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company (“**Franchisor**”) under the name Buona or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

B. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Term. The term of the Lease (initial term or initial term plus any renewal options) shall extend through the term of the Franchise Agreement which shall expire on \_\_\_\_\_.

2. Use of Premises. Lessor and Lessee agree that, during the term of the Franchise Agreement, the Premises shall be used only for the operation of a Buona Franchised Business under a Franchise Agreement with Franchisor, unless another use is approved in writing Franchisor.

3. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Buona Franchised Business on the Premises.

4. Franchisor’s Right to Enter. Lessor and Lessee agree that the employees of Franchisor, or its parent, subsidiaries or affiliates, shall have the right to enter the leased premises to make any modifications necessary to protect their proprietary marks.

5. Retail Radius Restrictions in Lease. Any “retail radius restriction” or similar provision shall not be binding upon nor enforceable against Franchisor, nor shall such provision be enforceable against the Lessee in case Franchisor, its parent, subsidiaries or affiliates open a location within a restricted area.

6. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, affiliate, or another franchisee, at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment A (the “**Collateral Assignment**”). However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated transferee a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor

or its designated transferee unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its designated transferee. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Lessor's consent in accordance with this Section.

7. Amendment/Termination During the Term. Following Franchisor's approval of the Lease, Lessor and Lessee agree not to terminate prior to the end of the Lease term, or in any way amend or alter the terms of this Lease without Franchisor's prior written consent. Any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

7.8. Default and Notice.

a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in the Collateral Assignment. Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Chicago's Original Italian Beef Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu  
General Counsel  
[blansu@bouna.com](mailto:blansu@bouna.com)  
AND  
Joseph Buonavolanto III  
Vice President of Franchising  
[JB3@buona.com](mailto:JB3@buona.com)

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

~~c) Following Franchisor's approval of the Lease, Lessee agrees not to terminate, or in any way alter or amend the same during the term of the Franchise Agreement, including any renewal thereof, without Franchisor's prior written consent, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.~~

8.9. Termination or Expiration.

a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any

later time to re-assign the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's marks, system, and trade dress, and to distinguish the Premises from a Buona business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

9.10. Consideration; No Liability.

a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment from Lessee to Franchisor as evidenced by Attachment A hereto.

b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

10.11. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever reports, information or data Lessor has regarding Lessee's sales from its Franchised Business.

11.12. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

12.13. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

13.14. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Addendum.

**IN WITNESS WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

**LESSOR:**

**LESSEE:**

\_\_\_\_\_

\_\_\_\_\_

By

.

Title

By

Title

**Attachment A**  
**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (**"Effective Date"**), the undersigned, \_\_\_\_\_, (**"Assignor"**) hereby assigns, transfers and sets over unto Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company (**"Assignee"**) all of Assignor's right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Attachment A (**"Lease"**) with respect to the premises located at \_\_\_\_\_. This Collateral Assignment of Lease (**"Collateral Assignment"**) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Collateral Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a Buona Business between Assignee and Assignor (**"Franchise Agreement"**), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease at least thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

**ASSIGNEE:**

**CHICAGO'S ORIGINAL ITALIAN BEEF  
FRANCHISING LLC**

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

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

**EXHIBIT C**  
**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION**  
**FORM**

|                                                                  |                           |
|------------------------------------------------------------------|---------------------------|
| Franchisee Name                                                  | Business No.              |
| Franchisee Mailing Address (street)                              | Franchisee Phone No.      |
| Franchisee Mailing Address (city, state, zip)                    |                           |
| Contact Name, Address and Phone number (if different from above) |                           |
| Franchisee Fax No.                                               | Franchisee E-mail Address |

Bank Account Information:

|                                                 |                         |         |                             |
|-------------------------------------------------|-------------------------|---------|-----------------------------|
| Bank Name                                       |                         |         |                             |
| Bank Mailing Address (street, city, state, zip) |                         |         |                             |
| Bank Account No.                                | Checking<br>(check one) | Savings | Bank Routing No. (9 digits) |
| Bank Mailing Address (city, state, zip)         |                         |         | Bank Phone No.              |

Authorization:

Franchisee hereby authorizes Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

|                              |             |
|------------------------------|-------------|
| Signature: _____             | Date: _____ |
| Name: _____                  |             |
| Its: _____                   |             |
| Federal Tax ID Number: _____ |             |

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

## EXHIBIT D

### STATEMENT OF OWNERSHIP

Name of Entity and, if applicable, Trade Name: \_\_\_\_\_  
\_\_\_\_\_

Form of Ownership (Check One)

\_\_\_\_ Corporation    \_\_\_\_ Limited Liability Company    \_\_\_\_ Partnership

Or    \_\_\_\_ Other: \_\_\_\_\_

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

State and Date of Formation: \_\_\_\_\_

Management: Managers, officers, board of directors, etc.

| Name | Title |
|------|-------|
|      |       |
|      |       |
|      |       |

Owners: Members, Stockholders, Partners

| Name | Address | Percentage Owned |
|------|---------|------------------|
|      |         |                  |
|      |         |                  |
|      |         |                  |

Operating Owner (as defined in Section 6.1(c)) designated by Franchisee: \_\_\_\_\_

Franchisee acknowledges this Statement of Ownership applies to Buona Business authorized under the Franchise Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

**FRANCHISEE:** \_\_\_\_\_

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

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

Date: \_\_\_\_\_



## EXHIBIT E

### GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS ("Guaranty") is made as of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to, the execution of the Franchise Agreement by Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company ("Franchisor"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that \_\_\_\_\_ ("Franchisee") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;
2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;
3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Franchisee's obligations to Franchisor under the Franchise Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.
4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.
5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Franchisee's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f) Guarantor has established adequate means of obtaining from Franchisee, on a continuing basis, information regarding Franchisee's financial condition. Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any

way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Franchisee.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Franchisee, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Franchisee, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Franchisee's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Franchisee for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Franchisee to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Franchisee which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Franchisee are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Franchisee, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) **Perform Work.** Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchised Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the

lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.

- (b) Cure Defaults. Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) Specific Performance. From time to time and without first requiring performance on the part of Franchisee and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Franchisee's Debt to Guarantor**. Guarantor agrees that, until full payment of the amounts due to Franchisor from Franchisee under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Franchisee, whether or not Franchisee becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Franchisee, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Franchisee. In the event of insolvency and consequent liquidation of the assets of Franchisee through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Franchisee applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Franchisee. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Franchisee or against any assignee or trustee in bankruptcy of Franchisee; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions**. The following miscellaneous provisions are a part of this Guaranty:

- (a) Amendments. This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.

- (b) Attorneys' Fees; Expenses. Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) Governing Law. This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) Choice of Venue. If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) No Waiver by Franchisor. Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.
- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. Definitions. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Franchisee. The word "**Franchisee**" means \_\_\_\_\_, and all other persons and entities signing the Franchise Agreement in whatever capacity.
- (b) Guarantor. The word "**Guarantor**" means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word "**Franchisor**" means Chicago's Original Italian Beef Franchising LLC, its successors and assigns.

[remainder of page intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Franchisee: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Franchisee: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

Percentage ownership must equal 100

## EXHIBIT F

### SECURITY AGREEMENT

Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company ("Secured Party"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Debtor"), agree as follows:

#### 1. Background.

Secured party, as franchisor, and Debtor, as franchisee, are parties to a Franchise Agreement of even date (the "Franchise Agreement") pursuant to which, among other things, Debtor is obligated to pay, from time to time, certain sums to Secured Party. In order to induce Secured Party to enter into the Franchise Agreement, Debtor, among other things, is entering into this Security Agreement pursuant to which Debtor's payment and performance of all obligations under the Franchise Agreement are secured on the terms and conditions hereinafter provided for. Capitalized terms defined in the Franchise Agreement shall have the same meaning herein as therein.

#### 2. Security Interest.

To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities collectively, "Obligations"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in and to the Franchise Agreement and all signs and other appurtenances and other property, real and personal, bearing any of the Proprietary Marks used at, located on or affixed to the Franchised Business operated by Debtor ("Buona Restaurant"), and all equipment, fixtures, furnishings and improvements located at the Buona Restaurant, whether now owned or hereafter acquired by Debtor (the "Collateral").

#### 3. Default.

3.1. Definitions. The term "Event of Default" means the occurrence and continuation of any one (1) or more of the following events:

(a) any failure of Debtor promptly and faithfully to pay, observe and perform, when due, any of the Obligations;

(b) if Debtor becomes insolvent, commits an act of bankruptcy, files a voluntary petition in bankruptcy, or an involuntary petition in bankruptcy is filed, or a permanent or temporary receiver or trustee for the Buona Restaurant, or all or substantially all of the Debtor's property, is appointed by any court and such appointment is not actively opposed through legal action, or Debtor makes an assignment or arrangement for the benefit of creditors, or calls a meeting of creditors, or Debtor makes a written statement to the effect that he or it is unable to pay his or its debts as they become due, or a levy of execution is made upon Debtor, or an attachment or lien outstanding with respect to the Buona Restaurant for thirty (30) days, unless the attachment or lien is being duly contested in good faith by Debtor and Secured Party is advised in writing

(c) if Debtor loses possession or the right of possession of all or a significant part of the Buona Restaurant through condemnation or casualty and the Buona Restaurant is not relocated or reopened as required by the Franchise Agreement;

(d) if Debtor abandons, surrenders or transfers control of the operation of the Franchised

Business without Secured Party's prior written consent; or

(e) if Debtor is a corporation, limited liability company, partnership, joint venture or other legal entity, any action is taken which purports to merge, consolidate, dissolve or liquidate Debtor without the prior written consent of Secured Party.

3.2. Remedies. Upon the occurrence of an Event of Default, all amounts payable to Secured Party shall become immediately due and payable and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the state or states in which the Collateral may be located, including, but not limited to, the right to enter upon the Buona Restaurant peaceably and remove all Collateral. Secured Party shall give Debtor reasonable notice of the time and place of any public or private sale or other intended disposition of all or any particular Collateral, as the case may be. Debtor agrees that the requirement of reasonable notice shall be met if notice is mailed to Debtor at its address first above written not less than five (5) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and other legal expenses. Secured Party's rights and remedies, whether pursuant hereto or pursuant to the Illinois Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Illinois Uniform Commercial Code, shall be cumulative and not alternative.

4. Notices. Any notice, request or other communication to either party by the other as provided for herein shall be given in writing and shall be deemed given on the date the same is (i) actually received or (ii) three (3) days after being mailed by certified or registered mail, return receipt requested, postage prepaid and addressed to the addresses first set forth below. The person and the place to which notices or copies of notices are to be mailed to either party may be changed from time to time by such party by written notice to the other party.

5. Applicable Law. This Agreement shall be governed by and interpreted under the laws of the State of Illinois, without regard to the principles of conflict of laws thereof.

6. Miscellaneous.

6.1. This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns, and legal representatives of the parties hereto.

6.2. The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.

6.3. Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself (as secured party) and for Debtor (as debtor), as Debtor's agent. Upon Secured Party's request, Debtor shall execute any such financing statement as debtor.

**SECURED PARTY:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISIGN LLC**

**DEBTOR:**

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

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

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

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



**EXHIBIT B-1**  
**DUAL BRAND FRANCHISE AGREEMENT**



## BUONA/THE ORIGINAL RAINBOW CONE DUAL BRAND FRANCHISE AGREEMENT

### Contents

|        |                                                      |    |
|--------|------------------------------------------------------|----|
| I.     | APPOINTMENT.....                                     | 3  |
| H.     | TERM.....                                            | 4  |
| III.   | FEES.....                                            | 6  |
| IV.    | ACCOUNTING AND RECORDS.....                          | 8  |
| V.     | PROPRIETARY MARKS AND SYSTEM.....                    | 9  |
| VI.    | BUSINESS DEVELOPMENT AND OPENING; RELOCATION.....    | 13 |
| VII.   | CONFIDENTIAL OPERATIONS STANDARDS MANUAL.....        | 16 |
| VIII.  | TRAINING.....                                        | 17 |
| IX.    | DUTIES OF FRANCHISOR.....                            | 18 |
| X.     | DUTIES OF FRANCHISEE.....                            | 20 |
| XI.    | MARKETING.....                                       | 29 |
| XII.   | INSURANCE.....                                       | 31 |
| XIII.  | CONFIDENTIAL INFORMATION.....                        | 33 |
| XIV.   | COVENANTS.....                                       | 34 |
| XV.    | TRANSFERABILITY OF INTEREST.....                     | 36 |
| XVI.   | DEFAULT AND TERMINATION.....                         | 40 |
| XVII.  | EFFECT OF TERMINATION OR EXPIRATION.....             | 45 |
| XVIII. | TAXES AND PERMITS.....                               | 47 |
| XIX.   | RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION..... | 47 |
| XX.    | APPROVALS; WAIVERS; VARIATION OF STANDARDS.....      | 49 |
| XXI.   | NOTICES.....                                         | 49 |
| XXII.  | SEVERABILITY AND CONSTRUCTION.....                   | 50 |
| XXIII. | ENTIRE AGREEMENT; SURVIVAL.....                      | 51 |
| XXIV.  | DISPUTE RESOLUTION; APPLICABLE LAW; VENUE.....       | 51 |
| XXV.   | MISCELLANEOUS.....                                   | 55 |
| I.     | APPOINTMENT.....                                     | 4  |
| II.    | TERM.....                                            | 6  |
| III.   | FEES.....                                            | 7  |
| IV.    | ACCOUNTING AND RECORDS.....                          | 9  |
| V.     | PROPRIETARY MARKS AND SYSTEM.....                    | 10 |
| VI.    | BUSINESS DEVELOPMENT AND OPENING; RELOCATION.....    | 14 |
| VII.   | CONFIDENTIAL OPERATIONS STANDARDS MANUAL.....        | 17 |
| VIII.  | TRAINING.....                                        | 18 |
| IX.    | DUTIES OF FRANCHISOR.....                            | 20 |
| X.     | DUTIES OF FRANCHISEE.....                            | 21 |
| XI.    | MARKETING.....                                       | 31 |
| XII.   | INSURANCE.....                                       | 32 |
| XIII.  | CONFIDENTIAL INFORMATION.....                        | 35 |

|               |                                                             |           |
|---------------|-------------------------------------------------------------|-----------|
| <b>XIV.</b>   | <b>COVENANTS.....</b>                                       | <b>35</b> |
| <b>XV.</b>    | <b>TRANSFERABILITY OF INTEREST.....</b>                     | <b>37</b> |
| <b>XVI.</b>   | <b>DEFAULT AND TERMINATION.....</b>                         | <b>41</b> |
| <b>XVII.</b>  | <b>EFFECT OF TERMINATION OR EXPIRATION.....</b>             | <b>47</b> |
| <b>XVIII.</b> | <b>TAXES AND PERMITS .....</b>                              | <b>49</b> |
| <b>XIX.</b>   | <b>RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION.....</b> | <b>49</b> |
| <b>XX.</b>    | <b>APPROVALS; WAIVERS; VARIATION OF STANDARDS.....</b>      | <b>51</b> |
| <b>XXI.</b>   | <b>NOTICES.....</b>                                         | <b>51</b> |
| <b>XXII.</b>  | <b>SEVERABILITY AND CONSTRUCTION.....</b>                   | <b>52</b> |
| <b>XXIII.</b> | <b>ENTIRE AGREEMENT; SURVIVAL .....</b>                     | <b>53</b> |
| <b>XXIV.</b>  | <b>DISPUTE RESOLUTION; APPLICABLE LAW; VENUE .....</b>      | <b>53</b> |
| <b>XXV.</b>   | <b>MISCELLANEOUS.....</b>                                   | <b>56</b> |

|            |                                                            |
|------------|------------------------------------------------------------|
| EXHIBIT A: | APPROVED LOCATION AND <u>BUONA</u> PROTECTED AREA ADDENDUM |
| EXHIBIT B: | ADDENDUM TO LEASE AND COLLATERAL ASSIGNMENT OF LEASE       |
| EXHIBIT C: | AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION<br>FORM     |
| EXHIBIT D: | STATEMENT OF OWNERSHIP                                     |
| EXHIBIT E: | GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS        |
| EXHIBIT F: | SECURITY AGREEMENT                                         |

## BUONA/THE ORIGINAL RAINBOW CONE DUAL BRAND FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made by and between Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 (“**Chicago’s Original**”) and Five Flavors Franchising, LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 (“**Five Flavors**”) (Chicago’s Original and Five Flavors being collectively referred to herein as “**Franchisor**”) and the franchisee named on the signature page of this Agreement (“**Franchisee**”).

### WITNESSETH

WHEREAS, Chicago’s Original and Five Flavors and their respective affiliates have developed and own a unique system for operating and granting others the right to own and operate a restaurant business offering products to the general public at the restaurant premises or by delivery service, with the Buona System having a menu featuring Italian beef sandwiches and including a variety of sandwiches, pasta, burgers, hot dogs, salads and dessert and with The Original Rainbow Cone System having a menu featuring a variety of high quality ice cream cones, ice cream cakes, sundaes and shakes, packaged ice cream, mini-donuts and related products; The systems of both Chicago’s Original and Five Flavors shall be collectively referred to herein as the “**System**”;

WHEREAS, under this Agreement, Franchisee will establish and operate a restaurant business operating under two brands “**Brands**” and both Systems (“**Franchised Business**”);

WHEREAS, the distinguishing characteristics of each System include, without limitation, specially designed buildings, distinctive interior and exterior layouts, decor, color schemes, and furnishings, confidential food and ingredient formulas, recipes and preparation methods, specialized menus, standards and specifications for furniture, fixtures and equipment, restaurant design and layouts, operating procedures, and management programs, all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Chicago’s Original identifies its System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark “Buona,” “Buona Beef” and such other trade names, service marks, trademarks, logos, designs, and trade dress as are now, or may hereafter, be designated by it for use in connection with the Buona System and Five Flavors identifies its System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark “The Original Rainbow Cone” and such other trade names, service marks, trademarks and trade dress as are now, or may hereafter, be designated by it for use in connection with The Original Rainbow Cone System. The marks of both Systems licensed to you under this Agreement shall be collectively referred to herein as the “**Marks**”;

WHEREAS, Chicago’s Original has received the nonexclusive right to use and sublicense the use of the Marks and System from its affiliate The Buona Companies L.L.C., and Five Flavors has received the nonexclusive right to use and sublicense the use of the Marks and System from its affiliate Rainbow Cone LLC, and Franchisor and their respective affiliates continue to develop, use, and control the use of such Marks to identify to the public the source of services and products marketed hereunder in the System and to represent the System’s high standards of quality, appearance, and service;

WHEREAS, Franchisee wishes to be assisted, trained, and licensed by Franchisor as a franchisee and licensed to use the System and Marks in connection therewith; and

WHEREAS, Franchisee understands the importance of the System and Franchisor's high and uniform standards of quality, cleanliness, appearance, and service, and the necessity of opening and operating Franchised Businesses in conformity with the System.

NOW, THEREFORE, the parties hereto agree as follows:

## I. APPOINTMENT

1.1 Grant of Franchise. For the Term (as defined in Section 2.1), Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, a non-exclusive license to operate one Franchised Business, and Franchisee accepts the obligation to operate the Franchised Business during the Term in the following general area: \_\_\_\_\_. Upon approval of Franchisee's location by Franchisor, Franchisor and Franchisee shall execute **Exhibit A** attached hereto which will identify the Approved Location.

1.2 Operation of the Franchised Business. Franchisee shall operate the Franchised Business, and use the Marks and the System in connection with the Franchised Business, as the Marks and the System may be modified, improved and developed by Franchisor from time to time, only in accordance with the terms and conditions of this Agreement. Franchisee shall use its best efforts to develop and promote the Franchised Business. All products and services must be sold by Franchisee only from the Approved Location. Franchisee may not use other channels of distribution such as the internet, catalog sales, telemarketing or other direct marketing to make sales outside of and apart from the operation of the Franchised Business at the Approved Location without Franchisor's prior written consent, which may be withheld by Franchisor in its sole discretion.

1.3 Protected Area. Subject to the terms and conditions of this Agreement and provided Franchisee or any of its affiliated companies is not otherwise in default of this Agreement or in default of any other agreement with Franchisor or with a parent, subsidiary or affiliate of Franchisor ("**Affiliates**"), Franchisor shall not establish, nor grant another the right to establish a Buona Restaurant during the Term, within the area described in **Exhibit A** of this Agreement (the "**Buona Protected Area**"), without Franchisee's prior written consent. The Buona Protected Area will be a geographic area around the Approved Location with a minimum people population of ~~Thirty Five~~Sixty Thousand (~~3560,000~~); if the Approved Location is in a non-urban location and a one-half (1/2) mile radius around the Approved Location if it is located in an urban area. Upon determination of the Approved Location, Franchisor and Franchisee shall complete and execute **Exhibit A** with a description of the Buona Protected Area. ~~Subject to the terms and conditions of this Agreement and provided Franchisee or any of its affiliated companies~~Franchisee is not otherwise in default of this Agreement or in default of any other agreement with Franchisor or with a parent, subsidiary or affiliate of Franchisor ("**Affiliates**"), Franchisor shall not establish, nor grant another the right to establish a granted a protected area or any exclusive rights relating to The Original Rainbow Cone Restaurant during portion of the Term, within a one (1) mile radius of the Approved Location (the "**The Original Rainbow Cone Protected Area**"), without Franchisee's prior written consent.Franchised Business.

1.4 Limitations to Protected Area. The provisions of Section 1.3 shall not apply if the Franchised Business is operated in any of the following types of locations and/or with respect to such locations within the Buona Protected Area ("**Captive Locations**"), at which Franchisor retains the right, in its sole discretion, to franchise and/or operate Franchised Businesses, and to distribute by any means products and services of the System:

- (a) Transportation facilities (including but not limited to airports, train stations, bus stations, etc.);
- (b) Educational facilities (including but not limited to schools, colleges and universities);
- (c) Institutional feeding facilities (including but not limited to hospitals, hotels, and corporate or school cafeterias);
- (d) Government institutions and facilities such as military bases;
- (e) Enclosed shopping malls;
- (f) Entertainment venues, including casinos;
- (g) Sports stadiums; and
- (h) Amusement and/or theme parks.

1.5 Reservation of Rights. Except as otherwise set forth herein, (a) the franchise granted to Franchisee under this Agreement is non-exclusive, and Franchisor grants to Franchisee the rights to establish and operate the Franchised Business at only the specific Approved Location, (b) no other exclusive, protected or other territorial rights related to the Franchised Business or otherwise is to be inferred and (c) Franchisor and/or its Affiliates have the right to operate and grant as many other franchises for the operation of Franchised Businesses other than the Protected Area, anywhere in the world, as they shall, in their sole discretion, elect. Franchisor and its Affiliates retain the rights among others, within or outside of the Protected Area, without any compensation to Franchisee, to:

- (a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks and other trademarks or service marks ("Alternate Distribution Channels");
- (b) 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.
- (c) acquire or be acquired by a company establishing businesses identical or similar to the Franchised Business, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area; and
- (d) implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and
- (e) engage in any other business activities not expressly prohibited by this Agreement.

1.6 Marketing Restrictions. Throughout the term of the franchise, Franchisee must focus its marketing and promotion of the Franchised Business within the Protected Area. Further, Franchisee must not conduct targeted marketing outside of the Protected Area. "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, and localized signs. The purpose of this restriction includes, but is not limited to, preventing confusion in the marketplace among Franchised Businesses soliciting the same customers.

## II. TERM

2.1 Term. Except as otherwise provided in this Agreement and subject to earlier termination pursuant to this Agreement, the term of this Agreement (the “**Term**”) shall commence on the date this Franchise Agreement is signed by Franchisor and Franchisee, and shall expire on the tenth (10<sup>th</sup>) anniversary of the date this Franchise Agreement is signed. Franchisee agrees and shall be obligated to operate the Franchised Business and perform under the terms of this Agreement for the Term, except as otherwise noted below.

2.2 Renewal Options and Condition. Franchisee shall have the option to renew its right to operate the Franchised Business for ~~two (2)~~three (3) additional terms of five (5) years each, provided that Franchisor does not exercise its rights in accordance with Section 2.3 below, if and only if each and every one of the following conditions has been satisfied:

(a) Franchisee gives Franchisor written notice of its election to renew not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term;

(b) At least thirty (30) days prior to the expiration of the Term, Franchisee executes Franchisor's then-current standard form of dual brand franchise agreement, which may contain new or significantly different terms, including but not limited to a higher royalty fee and a higher advertising contribution and different territorial protections than contained in this Agreement;

(c) Franchisee executes a general release in the form prescribed by Franchisor, of any and all claims Franchisee may have against Franchisor and its Affiliates, and their respective shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns;

(d) Franchisee is not then in default of any provisions of this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor, or its Affiliate;

(e) Franchisee has fully and faithfully performed all of Franchisee's obligations under this Agreement throughout the Term;

(f) Franchisee has paid or otherwise fully satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates and to designated suppliers and any indebtedness of Franchisee that is guaranteed by Franchisor, and Franchisee has timely paid or otherwise satisfied these obligations throughout the Term;

(g) Franchisee agrees, at its sole cost and expense, to remodel, reimage, renovate, refurbish and modernize the Franchised Business within six (6) months after execution of the then-current standard form of franchise agreement including but not limited to building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, equipment, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet Franchisor's then-current standards, specifications and design criteria for Franchised Businesses, as contained in the then-current franchise agreement and Manuals (as defined in Article VII), or otherwise in writing including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvement as may be necessary to do so;

(h) Franchisee and its manager(s) comply with Franchisor's then-current training requirements and attend such refresher training classes as Franchisor deems necessary.

(i) Franchisee maintains possession of the premises of the Approved Location, or if Franchisee is unable to maintain possession of the Approved Location, secures an approved substitute and agrees to expeditiously develop the substitute premises in compliance with the then current standards and specification for the development of Franchised Businesses; and

(j) Franchisee pays to Franchisor a renewal fee in the amount of Seven Thousand Five Hundred Dollars (\$7,500.00) at least thirty (30) days prior to the signing of the renewal Franchise Agreement.

2.3 Effect of Non-Renewal. Franchisee will not have the right to renew this Agreement upon its expiration if Franchisee fails to comply with any of the above conditions of renewal. Upon the expiration of the Term, Franchisee shall comply with the provisions of Article XVI of this Agreement.

2.4 Continued Operation Following Expiration. Franchisee has no right to continue to operate the Franchised Business after the expiration of the initial term of this Agreement unless Franchisee is granted a renewal Franchise Agreement in accordance with this Section 2. If Franchisor permits Franchisee to continue to operate the Franchised Business after the expiration of the initial term of this Agreement but before the execution of a renewal Franchise Agreement as required by Section 2.2, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at Franchisor's option by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If the laws of the jurisdiction in which the Franchisee or the Franchised Business 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.

### **III. FEES**

3.1 Initial Franchise Fee In consideration of the franchise granted to Franchisee herein, Franchisee shall pay to Chicago's Original Italian Beef Franchising, LLC an initial franchise fee in the amount of Forty Thousand Dollars (\$40,000.00) and shall pay to Five Flavors Franchising, LLC an initial franchise fee in the amount of Twenty Thousand Dollars (\$20,000.00) (collectively, the "Initial Franchise Fee") payable in one lump sum upon execution of this Agreement by Franchisee. Except as otherwise specifically provided herein at Section 8.2, the Initial Franchise Fee is non-refundable. The Initial Franchise Fee is deemed fully earned upon payment, in consideration of expenses incurred by Franchisor in granting the franchise and for Franchisor's lost or deferred opportunity to grant a franchise to others.

3.2 Royalty. Franchisee shall pay recurring, non-refundable royalties as follows: (i) to Chicago's Original Italian Beef Franchising LLC, a royalty in the amount of four percent (4%) of Gross Sales (as defined herein) derived from the sale of Buona products and services; and (ii) to Five Flavors Franchising, LLC, a royalty in the amount of ~~seven~~<sup>six</sup> percent (7~~6~~<sup>6</sup>%) of Gross Sales derived from the sale of The Original Rainbow Cone products and services. The royalties shall be paid throughout the Term, and are payable weekly (or on such other basis as may be set forth in the Manuals or otherwise agreed to in writing by Franchisor) calculated on Gross Sales of the preceding week. Royalty fees shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided for in the Manuals.

3.3 Marketing Fund Contribution. Recognizing the value of advertising and marketing to the goodwill and public image of the Franchised Businesses, each Franchisor will establish, maintain and administer an advertising, marketing and promotional fund (the "Marketing Fund") for such advertising, marketing and promotions as Franchisor may deem necessary or appropriate in its sole discretion. Franchisee shall contribute to each of the Marketing Funds an amount Franchisor designates up to a total of two and



one-half percent (2.5%) of the Gross Sales (as defined below) of the Franchised Business arising from the sale of Buona products and services and up to a total of three percent (3%) of the Gross Sales of the Franchised Business arising from the sale of The Original Rainbow Cone products and services. Franchisor shall determine whether Franchisee will make one payment to Franchisor that will be distributed to each Marketing Fund based on the Gross Sales of the respective Brands or whether Franchisee shall make separate payments to each Marketing Fund. Franchisor will give Franchisee sixty (60) days' notice prior to implementing any increase or decrease in the Marketing Fund contribution. Franchisor has right to discontinue or reestablish the Marketing Fund upon sixty (60) days' advance notice to you. In the event Franchisor discontinues the Marketing Fund, Franchisor will distribute all unspent amounts existing in the Marketing Fund on the date of discontinuance to franchisees in proportion to their respective contributions for the most recent six (6) months. This Marketing Fund contribution is due weekly (or on such other basis as may be set forth in the Manuals or otherwise agreed to in writing by Franchisor) along with the royalty fee for the Gross Sales for the preceding week. A further description of the Marketing Fund and your obligations with respect to advertising, marketing and promoting the Franchised Business is set forth in Article XI of this Agreement. Marketing Fund contributions shall be paid in the manner set forth in Section 3.5 of this Agreement or as otherwise provided in the Manuals.

3.4 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, and 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 Franchisor begins changing the amount of the technology fee.

3.5 Late Payment Charge. If any monetary obligations owed by Franchisee to Franchisor or to its Affiliates are more than seven (7) days overdue, Franchisee shall, in addition to any other obligations, pay to Franchisor a sum equal to one and one-half percent (1.5%) of the overdue balance per month, or the highest rate permitted by law, whichever is less, from the date said payment is due ("**Late Payment Charge**").

3.6 Pre-Authorized Payment Methods. Franchisee shall pay for all purchases from, or fees owed to Franchisor or its Affiliates by automated clearing house ("**ACH**"), as Franchisor may require, or by other means as set forth in this Agreement or in the Manuals. Franchisor or its Affiliates shall have the right to withdraw the entire amount of any amounts owed to Franchisor or its Affiliates from Franchisee's designated bank account ("**ACH Account**") in accordance with the terms set forth in the Manuals, as modified by Franchisor periodically. Franchisee shall, upon execution of this Agreement or any time after at Franchisor's request, execute all documents or forms as Franchisor determines are necessary for Franchisor to process ACH withdrawals from Franchisee's ACH Account for payments due, including the ACH Authorization Form attached hereto as **Exhibit C**. Franchisee agrees that it shall be responsible for any ACH transfer fee or similar charge imposed by the bank. Should any ACH not be honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment plus any service charge applied by Franchisor and the bank. Franchisee agrees that any time an ACH transaction is not honored, Franchisee shall pay to Franchisor its then-current non-sufficient funds fee. Franchisee's failure to maintain, at all times, an ACH Account in accordance with this Agreement shall be a material default of this Agreement. Franchisor has the right to periodically specify (in the Manuals or otherwise in writing) different payees and/or payment methods, such as weekly/biweekly/monthly payment, payment by auto-draft and payment by check.

3.7 Gross Sales. For purposes of this Agreement, the term "**Gross Sales**" means all sales,

revenues and receipts generated by the Franchised Business, including fees for any and all services Franchisee performs, whether for cash or credit (regardless of collectability) and revenues of every kind related to the Franchised Business, including but not limited to revenues from the sale of food, beverages, merchandise, proprietary products or clothing, delivery and catering not included in the price of menu items, and other services made and rendered in, on, or from the premises of the Franchised Business, or through any other means, including sales outside of the premises, that are in any way related to the Franchised Business, whether for cash, exchange or credit (and regardless of collection in the case of credit), and proceeds of business interruption insurance policies, except that Gross Sales will not include sales, use or services taxes collected from customers and actually paid to the appropriate taxing authority.

#### IV. ACCOUNTING AND RECORDS

4.1 Maintenance and Retention of Books and Records; Designated Accounting Services. During the Term, Franchisee shall maintain and preserve complete and accurate books, records and accounts in accordance with U.S. Generally Accepted Accounting Principles and in the form and the manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, which may include the use of designated software or a web-based platform, standard chart of accounts, and specified reporting periods for uniformity throughout the franchise system, and Franchisor access to financial data. Franchisee agrees to elect a fiscal year the same as Franchisor's fiscal year. During the first twelve (12) months of operation, Franchisee is required to engage and use an accounting service designated by Franchisor for preparation of financial statements and financial reporting. After the first twelve (12) months of operation, if at any time Franchisee is not in full compliance with the requirements of this Section VI., Franchisor can, by delivery of written notice, require Franchisee to once again engage and use the services of an accounting service designated by Franchisor.

4.2 Royalty Reports; Daily Reports. Franchisee shall submit to Franchisor, no later than the date each weekly royalty payment is due during the Term, a report on forms or in a manner prescribed by Franchisor, accurately reflecting Gross Sales during the preceding week and such other forms, reports, records, financial statements or information as Franchisor may reasonably require in the Manuals or otherwise in writing. Franchisor reserves the right to require Franchisee to submit to Franchisor daily flash reports in the form and manner specified by Franchisor. Franchisee must provide Franchisor with full access to Franchisee's point-of-sale system and back of house software to retrieve Gross Sales and other required information relating to the Franchised Business.

4.3 Period Statements. During the Term, Franchisee shall, at its expense, submit to Franchisor within fourteen (14) days following the end of each of the thirteen (13) 4-week reporting periods of Franchisor ("**Periods**"), a statement providing certain sales and other financial data in a form and format as Franchisor may reasonably require ("**Period Statement**") together with a certificate executed by Franchisee or an officer of Franchisee stating that such financial statement is true and accurate. Upon Franchisor's request, Franchisee shall submit to Franchisor, with each Period Statement, copies of any state or local sales tax returns filed by Franchisee for the period included in the Period Statement. The Period Statements shall be submitted within fourteen (14) days following the end of the fourth (4<sup>th</sup>), seventh (7<sup>th</sup>), tenth (10<sup>th</sup>) and thirteenth (13<sup>th</sup>) Periods. In the alternative, and as required by Franchisor, the requirements of this Section 4.3 may be met by granting or providing to Franchisor access to Franchisee's electronic records and software containing such data.

4.4 Financial Statements. Franchisee shall, at its expense, submit to Franchisor during the Term of this Agreement, unaudited financial statements for the preceding Period and for the preceding fiscal year ("**Financial Statements**"), together with a certificate executed by Franchisee certifying that such financial statement, as applicable, is true and accurate and such other information in such form as Franchisor may reasonably require. The foregoing Financial Statements shall include both a profit

and loss statement and a balance sheet, and shall be prepared in accordance with generally accepted accounting principles. Franchisee must furnish Franchisor with any additional financial statements and any tax returns for the Franchised Business within fifteen (15) days after Franchisee's receipt of Franchisor's written request for the information. In the event Franchisee defaults under this Agreement, Franchisor may require, upon written notice to Franchisee, that all Financial Statements submitted thereafter include a "Review Report" prepared by an independent Certified Public Accountant (CPA).

4.5 Other Reports. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, financial statements, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing. If Franchisee has combined or consolidated financial information relating to the Franchised Business with that of any other business or businesses, including a business licensed by Franchisor, Franchisee shall simultaneously submit to Franchisor, for review or auditing, the forms, reports, records and financial statements (including but not limited to the Period statements and annual Financial Statements) which contain the detailed financial information relating to the Franchised Business, separate and apart from the financial information of such other businesses.

4.6 Equipment. Franchisee shall record all sales on point-of-sale equipment as required by the Manuals or as otherwise approved in writing by Franchisor.

4.7 Franchisor's Right to Audit. Franchisor or its designated agents or auditors shall have the right at all reasonable times to audit, review and examine by any means, including electronically through the use of telecommunications devices or otherwise, at its expense, the books, records, accounts and tax returns of Franchisee. If any such audit, review or examination reveals that Gross Sales have been understated in any report to Franchisor, Franchisee shall immediately pay to Franchisor the royalty fee and Marketing Fund Contribution due with respect to the amount understated, in addition to the Late Payment Charge. If any such understatement exceeds two percent (2.0%) of Gross Sales as set forth in the report, or if such audit is made necessary by Franchisee's failure to furnish reports, financial statements or other documents or information as herein required, Franchisee shall, in addition, immediately reimburse Franchisor for any and all costs and expenses connected with such audit, review or examination (including but not limited to reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other rights and remedies Franchisor may have under this Agreement or applicable law.

4.8 Failure to Comply with Reporting Requirements. If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Sales, Franchisor shall have the right to deliver to Franchisee an estimate, made by Franchisor, of Gross Sales for the period under consideration, and Franchisee shall pay to Franchisor any amount determined by Franchisor to be due based on such Gross Sales estimates within five (5) business days of the date of the estimate. Any estimated payments shall be deemed the minimum amount of fees due for the required reports, and Franchisee shall remain liable for all fees in excess of these amounts once the actual Gross Sales related to these reports are determined. Franchisee shall also pay to Franchisor the Late Payment Charge on all unpaid amounts.

4.9 Financial Information from Third Parties. Franchisee authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers, distributor, trade creditors and landlord relating to the Franchised Business, and Franchisee agrees to direct relevant persons and companies to provide to Franchisor this information and copies of documents relating to the Franchised Business as Franchisor may request.

## **V. PROPRIETARY MARKS AND SYSTEM**

5.1 Marks. It is understood and agreed that the license granted under this Agreement to use the Marks applies only to use in connection with the operation of the Franchised Business at the Approved Location set forth on **Exhibit A**, and includes only the Marks as are now designated or which may hereafter be designated, and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor. Franchisee acknowledges that it has not acquired any right, title, or interest in the Marks except for the right to use the Marks in the operation of the Franchised Business in compliance with this Agreement.

5.2 System. Franchisee acknowledges that Franchisor and their respective affiliates own and control the distinctive plan for the establishment, operation, and promotion of a Franchised Business and all related methods of doing business, previously defined as the System, which include, but are not limited to, standards and specifications for Franchised Businesses, operational methods, food and preparation methods, products, supplies, equipment, marketing techniques, written promotional materials, advertising, and accounting systems, all of which constitute confidential information and trade secrets of Franchisor, and Franchisee acknowledges that Franchisor has valuable rights in and to this confidential information and trade secrets. Franchisee additionally acknowledges that it has not acquired any right, title, or interest in the System, except for the right to use the System in the operation of the Franchised Business as governed by this Agreement and Franchisee is obligated to maintain the confidentiality of the System in accordance this Agreement. Any improvements in or additions to the System, Franchisor's copyrighted materials, website or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business (collectively, the "**Improvements**") conceived or developed by Franchisee shall become the property of Franchisor and/or Franchisor's affiliate. Franchisee agrees to assign and does hereby assign to Franchisor and/or Franchisor's affiliate, all right, title and interest in and to the Improvements, including but not limited the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any such Improvement may be used by Franchisor and all other franchisees of the System without any obligation to Franchisee for royalties or other fees. Franchisor and/or Franchisor's affiliate may, at its discretion, apply for and own copyrights, patents, tradenames, trademarks and service marks relating to any such Improvements and Franchisee shall cooperate with Franchisor or Franchisor's affiliate in securing such rights. Franchisor and/or Franchisor's affiliate may also consider such Improvements as its property and trade secrets. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other authorized person or entity retained or employed by Franchisee is the property of Franchisor and/or Franchisor's affiliate, and Franchisor and Franchisor's affiliate shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meanings of the United States Copyright Act and, to the extent such copyrighted materials do not automatically accrue or inure to Franchisor or Franchisor's affiliate, Franchisee irrevocably assigns and agrees to assign to Franchisor and/or Franchisor's affiliate, and their successors and assigns, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such copyrighted materials, which Franchisor and/or Franchisor's affiliate and the author of such copyrighted materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right to the Improvements as required in this Section.

5.3 Conditions and Limitations. With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:

(a) Franchisee shall not use any of the Marks as part of Franchisee's electronic mail address (except for any e-mail address assigned by Franchisor), or as part of any URL, web page, domain name, locator, link, metatag, or on any sites on the internet or the world wide web;

(b) Franchisee shall use no service mark or trademark other than the Marks or any other marks as may be specified by Franchisor for use in the identification, marketing, promotion, or operation of the Franchised Business;

(c) Franchisee shall not hold out or otherwise use the Marks to perform any activity or incur any obligation or indebtedness in such manner as might, in any way, make Franchisor liable therefore, without Franchisor's prior written consent; and

(d) Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain the continued validity of the Marks.

5.4 Franchisee's Business Name. Franchisee acknowledges that between Franchisor and Franchisee, Franchisor has a prior and superior claim to the "Buona" trade name and "The Original Rainbow Cone" trade name. Franchisee shall not use the words "Buona", "Buona Beef" or any combination thereof, or the words "The Original Rainbow Cone," "Rainbow Cone" or any combination thereof in the legal name of its corporation, limited liability company, partnership, or any other business entity used in conducting the Franchised Business. Franchisee also agrees not to register or attempt to register a trade name using the Marks in Franchisee's name or that of any other person or business entity, without the prior written consent of Franchisor. Franchisee shall not identify itself in connection with the Marks or as being associated with Franchisor or its Affiliates in any manner other than as a franchisee or licensee. Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase "an independent Buona/The Original Rainbow Franchisee" or with other words and in other phrases so as to identify itself as an independent owner of the Franchised Business, or as otherwise may be required in the Manuals.

5.5 Signage. Franchisee shall display a standard sign in the Franchised Business, as may be specified by Franchisor, indicating to the public that the Franchised Business is independently owned and operated as a franchisee or licensee of the System.

5.6 Use Outside the Scope of License. Franchisee acknowledges that the use of the Marks outside the scope of this Agreement, without Franchisor's prior written consent, is an infringement of Franchisor's and Franchisor's affiliate's exclusive right to use the Marks. During the Term and after the expiration or termination of this Agreement, Franchisee covenants not to, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity of ownership of the Marks, or take any other action in derogation of Franchisor's ownership of the Marks.

5.7 Mark Infringement. Franchisee shall immediately notify Franchisor in writing of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's and Franchisor's affiliate's right to use, the Marks. Franchisee acknowledges that Franchisor and Franchisor's affiliate have the right, in their sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use of the Marks. Franchisor and/or Franchisor's affiliate may prosecute the action in Franchisor's or Franchisor's affiliate's own name and may join Franchisee as a party to the action if Franchisor or Franchisor's affiliate determines it to be reasonably necessary for the continued protection and quality control of the Marks and the System. Franchisor or Franchisor's affiliate shall bear the reasonable cost of any such action, including attorneys' fees. Franchisee shall

fully cooperate with Franchisor in any such litigation.

5.8 Reservation of Rights. Franchisee understands and agrees that its license with respect to the Marks is non-exclusive and that Franchisor has and retains the sole right under this Agreement:

(a) To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

(b) To develop and establish other franchise systems for the same, similar, or different products or services utilizing proprietary marks not now or hereafter designated as part of the System, and to grant licenses thereto, without providing Franchisee any such rights;

(c) To develop and establish other systems for the sale, at wholesale or retail, of similar or different products utilizing the same or similar Marks, without providing Franchisee any such rights; and

(d) As otherwise provided in this Agreement.

5.9 Goodwill. Franchisee acknowledges and expressly agrees that any and all goodwill associated with the System and identified by the Marks used in connection therewith inures directly and exclusively to the benefit of Franchisor and/or Franchisor's affiliate and is the property of Franchisor and/or Franchisor's affiliate, and that upon the expiration or termination of this Agreement or any other agreement, no monetary amount shall be assigned as attributable to any goodwill associated with any of Franchisee's activities in the operation of the Franchised Business granted herein, or Franchisee's use of the Marks.

5.10 Covenants. Franchisee understands and acknowledges that each and every detail of the System is important to Franchisee, Franchisor, Franchisor's affiliate and other franchisees in order to develop and maintain high and uniform standards of quality and services, and hence to protect the reputation and goodwill of Franchised Businesses, Franchisor, Franchisor's affiliate and the System. Accordingly, Franchisee covenants:

(a) To operate and advertise the Franchised Business, at Franchisee's own expense, using the Marks as specified by Franchisor without prefix or suffix;

(b) To adopt and use the Marks licensed under this Agreement solely in the manner prescribed by Franchisor; and

(c) To observe such reasonable requirements with respect to trademark registration notices as Franchisor may from time to time direct in the Manuals or otherwise in writing.

5.11 Inspections. In order to preserve the validity and integrity of the Marks and to assure that Franchisee is properly employing the same in the operation of the Franchised Business, Franchisor or its agents shall at all reasonable times have the right to inspect Franchisee's operations, business premises and the Franchised Business and to make periodic evaluations of the services provided and the products sold and used therein. Franchisee shall cooperate with Franchisor's representatives in such inspections and render such assistance to the representatives as may reasonably be requested.

5.12 Change of Marks. If Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue use of any Mark, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice of a modification or discontinuation from

Franchisor, take such action, at Franchisee's sole expense, as may be necessary to comply with the modification, discontinuation, addition or substitution.

5.13 Consents to Use of Marks. Franchisee additionally agrees to execute all additional documents and assurances in connection with the use of the Marks as reasonably requested by Franchisor and/or Franchisor's affiliate and agrees to fully cooperate with Franchisor or Franchisor's affiliate in securing all necessary and required consents of any state agency or legal authority to the use of the Marks or any other name that is or becomes a part of the System.

5.14 Name, Photo/Video and Other Information. Franchisee acknowledges and authorizes Franchisor and its Affiliates to use Franchisee's name, photographs or videos of Franchisee and/or the interior or exterior of the Franchised Business, biographical information on Franchisee, and operational information and data on the Franchised Business in any and all of Franchisor's publications and promotions, including printed and digital publications and on websites. Franchisee agrees and understands that any photograph or video of Franchisee or the Franchised Business will become Franchisor's property and will not be returned. Franchisee agrees and irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph or video of Franchisee for any lawful purpose. Franchisee waives any rights to royalties or any other compensation related to Franchisor's use of any photograph or video of Franchisee or the Franchised Business. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

## **VI. BUSINESS DEVELOPMENT AND OPENING; RELOCATION**

6.1 Ownership of Franchisee. Prior to the opening of the Franchised Business, any individual signing as franchisee shall establish a corporation, limited liability company, general partnership or limited partnership ("**Entity**"), to own and operate the Franchised Business and shall assign this Agreement to the Entity. Franchisee's owners, shareholders, officers, directors, members, managers and partners (or persons holding comparable positions in non-corporate entities) shall be referred to herein as "**Principals**". Franchisee must complete and update throughout the Term, as necessary, the "Statement of Ownership" attached as **Exhibit D**, and:

(a) All persons who own any interest in the Entity must guaranty Franchisee's performance under this Agreement by signing the "Guaranty and Assumption of Franchisee's Obligations" attached as **Exhibit E**;

(b) Franchisee shall provide to Franchisor a resolution signed by all shareholders, directors, members, managers or partners, as appropriate, designating the principal contact for the Entity and Franchisee. This principal contact must be a controlling shareholder, managing member or general partner. This representative shall have the authority to speak for and bind Franchisee in all matters pertaining to this Agreement, and all matters regarding the Franchised Business;

(c) Franchisee shall designate one owner of the entity having an ownership interest of ten percent (10) or more who will be the Operating Owner for the Franchised Business and will devote full-time and best efforts to the management of the Franchised Business. The Operating Owner must successfully complete Franchisor's initial training program. Franchisee shall give Franchisor immediate notice of any change in the Operating Owner and must arrange for the new Operating Owner to attend Franchisor's initial training program. The Operating Owner may also be the designated manager providing the direct on-site supervision of the operation of the Franchised Business.

(d) The Entity shall engage in no other business than the operation of the Franchised

Business unless Franchisor approves such other business in writing. Franchisor may, in its sole discretion, for any reason, elect to withhold approval;

(e) Franchisee shall furnish to Franchisor, upon execution or any subsequent transfer of this Agreement, a copy of Franchisee's articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement or equivalent governing document, as applicable, and shall thereafter promptly furnish Franchisor with a copy of any and all amendments or modifications thereto;

(f) Franchisee shall promptly furnish Franchisor, on a regular basis, with certified copies of such Entity records material to the Franchised Business as Franchisor may require from time to time in the Manuals or otherwise in writing; and

(g) Franchisee shall maintain transfer restrictions on its records, of any securities with voting rights, subject to the restrictions of this Agreement, and each certificate of Franchisee representing ownership or equity interests in the Entity, shall have conspicuously endorsed upon it the following legend:

The transfer of this *[stock/membership interest/ownership interest]* is subject to the terms and conditions of a Dual Brand Franchise Agreement with Chicago's Original Italian Beef Franchising, LLC and Five Flavors Franchising LLC dated \_\_\_\_\_. Reference is made to the provisions of said Franchise Agreement and to the governing documents of *[name of Franchisee Entity]*.

6.2 Site Selection and Approval. If the location is not designated on Exhibit A at the time this Agreement is executed, it is Franchisee's sole responsibility to undertake site selection activities and otherwise secure the premises for the Franchised Business. Prior to entering into a lease for a site, Franchisee must submit to Franchisor a site evaluation form for the proposed site, together with a letter of intent, proposed lease, or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Franchisor will provide Franchisee written notice of approval or disapproval of the proposed site within thirty (30) days after receiving Franchisee's written proposal and all required documents. Franchisee must obtain Franchisee's written approval of a proposed site before entering into a lease. Franchisee must have a proposed site approved by Franchisor within six (6) months of the date of the execution of this Agreement ~~for a location requiring ground up construction and within four (4) months of the date of the execution of this Agreement for an existing location.~~ Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if Franchisee has not obtained Franchisor's written approval of a site for the Franchised Business within time frames described above. While Franchisor may use its experience in providing any assistance to Franchisee regarding site selection and in approving a site, nothing contained herein shall be interpreted as a guarantee of success for said location.

6.3 Lease of Premises. Any letter of intent lease for the premises of a Franchised Business and any proposed lease for the premises of the Franchised Business must be ~~accepted~~ approved by Franchisor before it is executed by Franchisee. Franchisor may, in its discretion, require that the letter of intent and the lease contain commercially reasonable terms based on current market conditions and that certain terms and provisions be included in the letter of intent and the lease. Franchisor's ~~acceptance~~ approval of the lease shall also be conditioned upon the landlord's execution of the Addendum to Lease and Collateral Assignment attached hereto as Exhibit B, or inclusion in the lease of the same or similar terms as approved by Franchisor, ~~in the lease.~~ The requirements set forth herein apply whether the lessor is an unrelated third party or is an affiliate of Franchisee. Once executed, Franchisee will provide Franchisor with a fully signed copy of the complete lease for the premises of the Franchised Business.

6.4 Premises Development. Prior to obtaining possession of the site for the Franchised Business, Franchisee shall secure all financing required to fully develop the Franchised Business. Promptly after



obtaining possession of the site for the Franchised Business, Franchisee will: (i) cause to be prepared and submit for approval by Franchisor a site plan. Franchisor shall then provide basic drawings and specifications, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, furniture, signs, and decorating required for the development of the Franchised Business; Franchisee is required to hire a licensed architect designated by Franchisor and have these drawings and specifications modified by the architect as required, to meet applicable ordinances, building codes or permit requirements (Franchisor must approve any such modifications to the drawings and specifications); and to fit the configuration of the approved site; (ii) obtain all required zoning changes, all required building, utility, health, sanitation and sign permits and any other required permits and licenses; (iii) purchase or lease equipment, fixtures, furniture and signs as hereinafter provided; (iv) complete the construction and/or remodeling, equip, furnish and decorate the Franchised Business in full and strict compliance with plans and specifications approved by Franchisor and all applicable ordinances, building codes and permit requirements; (v) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and (vi) upon completion of construction, furnish Franchisor final costs for the construction, equipment, build-out, deposits, and total development of the Franchised Business. Once the premises of the Franchised Business is established and approved by Franchisor, no changes in the interior or exterior design of the Franchised Business or the equipment or fixtures used within may be made without prior written consent of Franchisor.

6.5 Franchisor Consent to Open. Franchisee shall not commence operation of the Franchised Business until: (1) the Franchisee entity has been established in accordance with Section 6.1 herein; (2) the premises of the Franchised Business has been developed in accordance with Section 6.2 herein; (3) Franchisee's Operating Owner and required managers have successfully completed the initial training program, Franchisee has hired the necessary staff of employees, and Franchisee has initiated a training program for its employees; (4) Franchisee has obtained all required certifications and license for operating the Franchised Business; (5) Franchisee has furnished Franchisor with copies of all insurance policies required by Article XII of this Agreement, and (6) Franchisee requests and obtains Franchisor's written consent to open for business. Franchisee must have met the foregoing requirements and opened the Franchised Business within twelve (12) months of Franchisor's written approval of the site for the Franchised Business for a ground up construction or within ~~six (6)~~ ten (10) months of Franchisor's written approval of the site for an existing location. Franchisor has the unilateral right (but not the obligation) to terminate the Agreement upon delivery of notice to Franchisee if fail to open the Franchised Business with Franchisor's approval within the applicable time periods above. If extenuating circumstances beyond Franchisee's control delay the opening of the Franchised Business and Franchisee has been making reasonable efforts to open the Franchised Business, Franchisor may (in its sole discretion) agree to extend the date for opening for an additional reasonable amount of time determined by Franchisor based on the circumstances.

#### 6.6 Relocation of Store.

(a) If Franchisee's lease for the premise of the Franchised Business terminates without fault of Franchisee, or expires without any possibility of renewal by Franchisee on commercially reasonable terms as determined by Franchisor, or if in the judgment of Franchisor and Franchisee there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission for relocation of the Franchised Business to a location approved by Franchisor. Franchisee may not open a relocated Franchised Business without the on-site presence of Franchisor's representative, unless a waiver is requested in writing by Franchisee and approved in writing by Franchisor. Even if the aforementioned request and approval are granted, Franchisee must obtain Franchisor's written authorization, in its sole discretion, of the specific date that the Franchised Business may open. In the event of relocation, the parties will enter into an agreement which will set forth the new location for Franchisee's Franchised Business and a deadline by which Franchisee must open for business at the new location, after which time Franchisee will be obligated to resume paying the royalty and Marketing Fund Contributions whether or not the new location has opened for business. Until such time that the new location is open for business, the amount of the royalty and Marketing Fund Contribution will be

based on the Franchisee's average weekly level of Gross Sales during the one-year period prior to closing the first Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall not be undertaken without Franchisor's prior written consent. Franchisee shall pay to Franchisor a relocation fee in the amount of fifty percent (50%) of the then-current Initial Franchise Fee to cover Franchisor's services and associated costs in connection with such relocation, including those related to (i) reviewing and approving the new location and the construction drawings for the Franchised Business at its new location and (ii) providing additional on-site training and assistance. Franchisee shall pay fifty percent (50%) of the relocation fee when Franchisor grants the approval to relocate and the balance of the relocation fee upon Franchisor's acceptance of the new location for the Franchised Business.

(b) Franchisor shall also have the right to require Franchisee to upgrade the relocated Franchised Business to conform to Franchisor's then current image, standards, and specifications for construction and equipment for all new Franchised Businesses.

(c) In the event of a relocation of the Franchised Business, Franchisee shall promptly remove from the former Franchised Business premises any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery, supplies, forms and other articles which display any of the Marks and distinctive features or designs associated with the System. Any articles which display any of the Marks or any distinctive features or designs associated with the System which are not used by Franchisee at the new Franchised Business location shall be disposed of by Franchisee as directed by Franchisor following notice to Franchisor to the effect such articles will not be used at the new Franchised Business. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such modifications or alterations as may be necessary to distinguish the former Franchised Business premises so clearly from its former appearance and from other Franchised Businesses so to prevent any possibility of confusion by the public (including, without limitation, removal of all distinctive physical and structural features identifying Franchised Businesses and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the former Franchised Business and adjacent areas at any time to make such alterations as Franchisor deems appropriate to distinguish Franchisee's former Franchised Business premises, without liability for trespass. Franchisee expressly acknowledges that failure to make such alterations will cause irreparable injury to Franchisor and hereby consents to entry, at Franchisee's expense, of any ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the former Franchised Business premises is not properly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement.

(d) In the event Franchisee loses possession of the Franchised Business for whatever reason prior to the expiration of the term of this Agreement, Franchisee is required to diligently search for a new location and open and operate the Franchised Business as promptly as commercially practicable. In the event Franchisee fails to diligently pursue a new location and open a new Franchised Business, Franchisee shall be liable to Franchisor for Liquidated Damages as provided herein.

## **VII. CONFIDENTIAL OPERATIONS STANDARDS MANUAL**

7.1 Compliance With Confidential Operations Standards Manuals. In order to protect the reputation and goodwill of Franchisor and the System and to maintain uniform standards of operation under the System and the Marks, Franchisee shall conduct the Franchised Business in accordance with the Confidential Franchise Operations Manual developed by each Franchisor (together with any other manuals and written materials created or approved for use in the operation of the Franchised Business granted herein, and all amendments and updates thereto, collectively the "**Manuals**"), which contains

the standards, specifications, procedures and techniques of the System. The Manuals shall remain the sole property of Franchisor and must be returned to Franchisor at Franchisor's direction. Franchisee, and its Principals acknowledge that the contents of the Manuals and Franchisee's knowledge of Franchisor's processes, services, products, know-how and the System, are secret, unique, and confidential and contain trade secrets and other material proprietary to Franchisor. Franchisee acknowledges that its entire knowledge of the operation of the Franchised Business is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of the information is proprietary, confidential and a Trade Secret of Franchisor. "**Trade Secrets**" refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures or improvements regarding the Franchised Business or the System that is valuable and secret in the sense that it is not generally known to competitors of Franchised Businesses. Franchisee shall maintain the absolute confidentiality of all Trade Secrets during and after the Term, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee agrees not to disclose the contents of the Manuals to unauthorized persons and to use Franchisee's best efforts to prevent unauthorized disclosure to any person, as this disclosure would cause irreparable harm to Franchisor and the System. Franchisee understands that the Manuals is loaned to Franchisee, and that at all times, the Manuals remains the sole property of Franchisor. The Manuals may be provided in printed or electronic form and Franchisee agrees to return any printed copies of the Manuals to Franchisor or destroy any files containing the Manuals upon the termination of this Agreement or at times as may otherwise be directed by Franchisor. Franchisee shall not copy or otherwise duplicate the Manuals or any other proprietary materials without Franchisor's consent. The Manuals may contain both mandatory as well as certain optional or advisory terms which Franchisor includes as a convenience to Franchisee and to assist in the operation of the Franchised Business as Franchisee deems appropriate in its business judgment. Franchisee must comply with all mandatory specifications, standards, and procedures set forth in the Manuals. Franchisor retains the right to modify, change, add to, delete, or supplement the Manuals and to specify other systems, procedures or forms in any manner it deems necessary, in its sole discretion, and shall notify Franchisee about changes in writing by mail, electronic mail or postings on Franchisor's intranet system or website on the internet. Upon receipt of notice of changes to the Manuals, Franchisee must comply with any such changes that are mandatory.

## **VIII. TRAINING**

8.1 Training Generally. Before Franchisee opens the Franchised Business, and from time to time thereafter, Franchisor will make available to Franchisee various mandatory and optional training programs. Franchisee must timely complete all mandatory training as set forth in this Article VIII. Franchisee acknowledges that, as the owner of the Franchised Business, Franchisee is responsible for the training of its employees.

8.2 Initial Training. The Operating Owner and three (3) managers must attend and successfully complete Franchisor's initial training program, including virtual pre-training to be completed prior to attending the in-person initial training program. The length of training will be determined at Franchisor's discretion and may be dependent upon the prior experience of the attendees. The cost of Initial Training for both the Operating Owner and managers (instruction and required materials) is borne by Franchisor. All other expenses, including travel, meals and lodging and Franchisee's employee wages, are the responsibility of Franchisee. Additional owners and managers may attend the initial training program as space is available and for the current tuition fee. The initial training program will be furnished at Franchisor's offices or other locations designated by Franchisor.

If, during the initial training program, Franchisor determines, in its sole discretion, that Franchisee's Operating Owner did not successfully complete the initial training, Franchisee has the right to require the

Operating Owner to attend and successfully complete additional training or to require a different owner to be designated Operating Owner to attend and successfully complete training, and/or Franchisor has the right to terminate this Agreement, effective upon delivery of written notice thereof to Franchisee. If Franchisee is terminated by Franchisor for failure to successfully complete the initial owner training, Franchisor agrees to refund ten percent (10%) of the initial franchise fee paid upon Franchisee's execution and delivery to Franchisor of a termination agreement and general release of all claims in a form satisfactory to Franchisor

If during any training program, Franchisor determines, in its sole discretion, that any proposed manager is not qualified to manage the Franchised Business, Franchisor will notify Franchisee of that determination and Franchisee must then select and enroll a substitute manager in such training program, and such substitute manager must attend and successfully complete the initial training program. If Franchisee desires to have additional managers trained by Franchisor, Franchisor will make this opportunity available to Franchisee provided training space is available in a regularly scheduled class. For each such additional manager, Franchisee will pay the then-current fee for this additional training.

8.3 On-Site Opening Assistance. One or more of Franchisor's representatives will provide on-site training and opening assistance to Franchisee and Franchisee's managers and employees prior to and immediately following the date of the opening of the Franchised Business. The length of the on-site training will be as Franchisor deems necessary for the proper opening and initial period of operation of the Franchised Business. Franchisee will pay an on-site training fee in the amount of the then-current daily fee for each of Franchisor's representatives that provide the on-site training- plus the travel expenses incurred by Franchisor's representative in conducting the on-site training. Franchisee will pay a non-refundable on-site training fee deposit in the amount of Twenty Thousand Dollars (\$20,000.00) upon the execution of this Agreement. The balance of the training fee shall be paid upon completion of the on-site training as determined by Franchisor. ~~Franchisee shall be responsible for the travel and living expenses incurred by Franchisor's representatives in providing the on-site opening training.~~

8.4 Supplemental Education. Franchisor may from time to time provide, and may require, that Franchisee, its owners and/or managers attend and successfully complete supplemental training, seminars, regional franchise meetings or webinars to be conducted at times and locations designated by Franchisor. Franchisor may require attendance at such training, seminars and meetings for up to five (5) days each calendar year. Franchisor may charge a tuition fee for any such training, seminars, meetings or webinars and Franchisee will be responsible for all expenses incurred by Franchisee's owners and/or managers in attending these programs.

8.5 Conferences and Conventions. Franchisor reserves the right to hold and require all franchisees to attend national, regional or local conferences for franchisees of both or either Franchisor to discuss updates to products, services, methods, operational standards, policies and procedures, and marketing and advertising. If Franchisor holds such conferences, Franchisee's owner(s) may be required to attend any conference for which Franchisor determines attendance is mandatory. Franchisor may charge Franchisee a fee to attend the conference ("Conference Registration Fee"). If Franchisor's owner(s) fail to attend any conference held during the term of this Agreement for which attendance is mandatory, Franchisee remains obligated to pay the Conference Registration Fee. Any costs or expenses associated with Franchisee's owner(s)'s attendance of such conferences will be borne solely by Franchisee.

8.6 Additional Training. Franchisee may request and Franchisor may, in its sole discretion, provide additional initial or ongoing training beyond the amount normally provided to franchisees ("**Additional Training**"). If Franchisor provides such Additional Training, Franchisee shall pay Franchisor its then-current training fees for such Additional Training, plus any travel and living expenses incurred by Franchisor's representative if travel to Franchisee's location is necessary to conduct such Additional Training.

## **IX. DUTIES OF FRANCHISOR**

9.1 Continuing Advisory Assistance. Franchisor will make available to Franchisee such continuing advisory assistance in the operation of the Franchised Business, in person or by electronic or written communications made available from time to time as Franchisor deems advisable.

9.2 Pre-Opening Assistance. Franchisor, in its sole discretion, may provide opening assistance to Franchisee at the Franchised Business, including but not limited to the following:

(a) Provide Franchisee with lists of designated and approved suppliers and other standards and specifications for purchasing initial furniture, fixtures, equipment, products, materials and supplies necessary for commencement of operations and guidance for ordering same;

(b) Provide location research and site selection assistance and guidance, including real estate and demographic analysis, as Franchisor deems advisable, subject to the availability of Franchisor's personnel. However, the selection of a site for the Approved Location is the sole responsibility of Franchisee;

(c) Provide typical floor plans and site build-out specifications for the construction of the Franchised Business; and

(d) Provide training to Franchisee's owners and managerial employees as set forth in Article VIII of this Agreement.

9.3 Standard Plans and Specifications. Franchisor will make available to Franchisee standard plans and specifications to be utilized only in the construction of the Franchised Business. The standard plans and specifications will be initially provided in the Manuals. No modification to or deviations from the standard plans and specifications may be made without the written consent of Franchisor. Franchisee shall obtain, at its expense, further qualified architectural and engineering services to prepare surveys, site and foundation plans, and to adapt the standard plans and specifications to applicable local or state laws, regulations or ordinances. Franchisee shall bear the cost of preparing plans containing deviations or modifications from the standard plans.

9.4 Uniformity; Suppliers. Franchisor will continue its reasonable efforts to assist Franchised Businesses in maintaining high and uniform standards of quality, cleanliness, appearance and service, to protect and enhance the reputation of the System and the demand for the products and services of the System. Franchisor will establish uniform criteria for approving suppliers and make every reasonable effort to disseminate its standards and specifications to prospective suppliers of Franchisee upon written request of Franchisee. However, Franchisor may elect not to make available to prospective suppliers the standards and specifications for such formulae or equipment designs deemed by Franchisor in its sole discretion to be confidential. Franchisor may conduct periodic inspections of the business premises and evaluations of the products used and sold at the Franchised Business.

9.5 Delegation. Franchisee agrees that Franchisor shall have the right to delegate to third-party designees, whether Franchisor's agents or independent contractors with whom Franchisor has contracted, the performance of any portion or all of Franchisor's obligations under this Agreement, and any right Franchisor has under this Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisor in compliance with this Agreement.

9.6 Website. Franchisor and their respective affiliates have developed and maintain websites relating to the Franchised Businesses (the "Website"). Franchisor and its affiliates may market and sell from the Website

various products and services worldwide that may compete with Franchisee and other franchisees within and outside the Protected Area. The Websites as they may be developed and changed from time to time is Franchisor's sole property or the sole property of their respective affiliates. Franchisor may provide to Franchisee a page on or linked to the Websites.

9.7 National Accounts. Franchisor may, but is not obligated to, develop various National Accounts under a National Accounts Program, for specific services such as catering. Franchisor, in its sole discretion, shall determine the best method of pursuing, negotiating with and servicing National Accounts, and shall establish the terms for each National Account contract in its sole discretion, based on the needs of the National Account and its customers, Franchisor, the System and the Franchisor's franchisees. A "National Account" as used herein is a business, institution, governmental agency or other person or entity that either itself or through common ownership, association or independent contractors, has multiple locations in a number of geographic areas that fall within multiple franchise territories, has ongoing demands for products and services that in a number of geographic areas or that exceed the capability of any single Franchised Business, and/or prefers a single contact in order to control pricing, billing, customer satisfaction, and/or similar requirements. In order to participate in the National Accounts Program, Franchisee must (i) be and remain in compliance under this Agreement, and (ii) agree to comply with Franchisor's published standards, policies and procedures for participation in the National Accounts Program as they may be modified and supplemented from time to time. Further, in order to provide services to a particular National Account, Franchisee must comply with the requirements of that particular National Account. Franchisee shall have the right to decline participation in the National Accounts Program or with respect to a particular National Account. Regardless of any other provisions of this Agreement, Franchisor grants to Franchisee no territorial rights of any kind whatsoever in connection with the National Accounts Program. Franchisee agrees that Franchisor and third parties designated by Franchisor may solicit prospective National Accounts located within Franchisee's Buona Protected Area in order to develop them as National Accounts. Further, in the event that Franchisee declines to participate in the National Accounts Program, declines to service any National Account location within Franchisee's Protected Area, or are prohibited from providing services to the National Account location within Franchisee's Buona Protected Area pursuant to the standards, policies and procedures of the National Accounts Program or the requirements of a particular National Account, Franchisor, its affiliates or designated agents or other franchisees may provide services at National Account locations or to National Account customers located within Franchisee's Buona Protected Area without violating Franchisee's rights to the Protected Area. Franchisee shall not be entitled to any compensation with respect to services provided to any National Account location or customer within Franchisee's Buona Protected Area after Franchisee has declined to provide such service or Franchisee is prohibited to provide such services pursuant to the standards, policies and procedures of the National Accounts Program or the contract with any particular National Account. If Franchisor will be providing administrative, billing and/or collection services with respect to any National Account, Franchisor has the right to charge Franchisee a reasonable administrative fee for such services.

## **X. DUTIES OF FRANCHISEE**

10.1 Maintenance and Renovation of the Franchised Business. Franchisee understands and acknowledges that every detail of the System is important to Franchisor, Franchisee and other franchisees so as to develop and maintain high and uniform operating standards, to increase the demand for Buona products and services and to protect the reputation and goodwill of Franchisor, the System and the Marks. Accordingly, Franchisee agrees that:

(a) Franchisee shall maintain, at all times during the Term, at Franchisee's expense, the premises of the Franchised Business and all fixtures, furnishings, signs, systems and equipment, in conformity with Franchisor's high standards and public image and to make such additions, alterations, improvements, repairs, and replacements (but no others, without Franchisor's prior written consent) as may be required by Franchisor from time to time, including but not limited to the

following, at Franchisee's sole cost and expense:

i. To keep the Franchised Business in the highest degree of cleanliness, sanitation and repair, including but not limited to such periodic repainting, repairs or replacement of damaged or obsolete, furniture, fixtures and equipment, and replacement of obsolete signs, as Franchisor may reasonably direct;

ii. To meet and maintain the highest governmental standards and ratings applicable to the operation of the Franchised Business; and

iii. For the Franchised Business to be able to offer new products or services or to permit the Franchised Business to operate more efficiently.

(b) In addition to the maintenance described in (a) above, Franchisee must complete a full reimagining, renovation, refurbish and modernization of the Franchised Business, within the time frame required by Franchisor, including the building design, parking lot, landscaping, equipment, point of sale system, signs, interior and exterior decor items, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies and other products and materials, to meet the then-current design criteria for Buona Businesses, including but not limited to such structural changes, remodeling and redecoration and such modifications to existing improvements as may be necessary to do so (a "**Franchised Business Renovation**"). Franchisee shall only be required to conduct a Franchised Business Renovation once during the Term and shall not be required to perform a Franchised Business Renovation if there is less than one (1) year remaining in the Term. Nothing herein shall be deemed to limit Franchisee's other obligations during the Term to operate the Franchised Business in accordance with Franchisor's standards and specifications for the System including but not limited to the obligations set forth in this Article X.

10.2 System Compliance. Franchisee shall operate the Franchised Business in strict conformity with such uniform methods, standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing to insure that the highest degree of quality, service and cleanliness is uniformly maintained, and Franchisee shall refrain from any deviation from such methods, standards and specifications, and shall refrain from otherwise operating in any manner which reflects adversely on Franchisor's name and goodwill or on the Marks or the System. In connection therewith, Franchisee agrees as follows:

(a) To maintain in sufficient supply, and use at all times, only such ingredients, products, materials, supplies, and paper goods that conform to Franchisor's standards and specifications, and to refrain from deviating from such standards and specifications by using nonconforming items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(b) To sell or offer for sale only such products and menu items that have been expressly approved for sale in writing by Franchisor, and that meet Franchisor's uniform standards of quality and quantity and have been prepared in accordance with Franchisor's methods and techniques for product preparation; including Franchisor's recipes, cooking techniques and processes as designated in the Operations Manuals. Franchisee shall not alter, dilute, substitute or otherwise change the quality or composition of any ingredients and materials. Franchisee acknowledges that such recipes, cooking techniques and processes are integral to the System and failure to adhere to such recipes, cooking techniques and processes (including the handling and storage of both ingredients and fully prepared menu items) shall be detrimental to the System and Marks;

(c) To sell or offer for sale the minimum menu items specified in the Manuals or otherwise in writing;

(d) To refrain from any deviation from Franchisor's standards and specifications for preparing, serving or selling the menu items, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(e) Upon thirty (30) days' written notice from Franchisor, to sell or offer for sale only such food products or beverages produced by Franchisor's designated food or beverage suppliers in accordance with Section 10.3 below, and to discontinue selling or offering for sale such items as Franchisor may, in its discretion, disapprove in writing at any time in its sole discretion;

(f) To use the premises of the Franchised Business solely for the purpose of conducting the Franchised Business, and to conduct no other business or activity from the premises, whether for profit or otherwise, without Franchisor's prior written consent, which Franchisor may withhold in its sole discretion;

(g) To keep the Franchised Business open and in normal operation during such business hours as Franchisor may prescribe from time to time in the Manuals or otherwise in writing;

(h) To permit Franchisor or its agents, at any time during ordinary business hours, to remove from the Franchised Business samples of any ingredients, products, materials, supplies and paper goods used in the operation of the Franchised Business, without payment, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies Franchisor may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if any such ingredient, products, materials, supplier or paper goods have been obtained from a supplier not approved by Franchisor, or if the sample fails to conform to Franchisor's specifications;

(i) To purchase, install and construct, at Franchisee's expense, all improvements, furniture, fixtures, equipment and signage specified in the approved standard plans and specifications, and such other furnishings, fixtures, equipment and signage as Franchisor may direct from time to time in the Manuals or otherwise in writing, and to refrain from installing or permitting to be installed on or about the premises of the Franchised Business, without Franchisor's written consent, any improvements, furniture, fixtures, equipment or signage not first approved in writing by Franchisor in its sole discretion;

(j) To comply with and obey all applicable civil and criminal laws, ordinances, rules, regulations, rulings and orders of public authorities of every nature which in any way regulate or affect the operation of the Franchised Business including but not limited to obtaining all required food handling and other permits, certificates, business licenses, health department approvals and similar items;

(k) To pay promptly all taxes and business expenses;

(l) To comply with all laws, ordinances, rules and regulations, rulings and orders of public authorities covering occupational hazards, accommodations for the disabled and equal access laws including but not limited to the Americans with Disabilities Act, workers' compensation insurance, and unemployment insurance; and

10.3 Purchase of Products and Services; Designated and Approved Suppliers. The reputation and



goodwill of Franchised Businesses is based on, and can be maintained only by, the provision and sale of high-quality services and products and the provision, presentation and packaging of those services and products in an efficient and appealing manner. Franchisor has developed standards and specifications for various services, products, furniture, fixtures, signs, equipment and supplies incorporated in or used in connection with the services and products authorized for sale at Franchised Businesses. Franchisor has also developed standards and specifications for suppliers of certain of the above products and services, including standards and requirements relating to product quality, prices, consistency, safety, reliability, financial capability, and customer relations. Franchisor will provide Franchisee with a list of designated and approved suppliers. Franchisee must purchase all fixtures, furniture, signs, equipment, and other equipment, materials, products and supplies, and certain services, including but not limited to design and architectural services, from distributors and suppliers that Franchisor has designated or approved (which may include Franchisor or its affiliates) and/or that conform to Franchisor's specifications and standards.

If Franchisor or an affiliate is a designated or an approved supplier, Franchisor has the right to make a profit on the sale of products or services to its franchisees. Franchisor reserves the right to receive rebates from any suppliers Franchisor has designated or approved.

Franchisor may approve a single distributor or supplier for any product or service and may approve a supplier only as to certain products or services. Franchisor may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of Franchised Businesses franchised or operated by Franchisor or an affiliate. Franchisor may, if it chooses, take advantage of discounts offered by a supplier in connection with the acquisition of large quantities of products and resell these products at a profit to franchisees. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Franchisor's continued evaluation of the supplier from time to time.

Franchisor may from time to time modify the list of designated suppliers, list of approved suppliers and list of approved products, furniture, fixtures, signs, play equipment, and other equipment, materials and supplies, and Franchisee may not, after receiving written notice of modification of the lists, reorder any such items that are no longer approved or reorder from a supplier that is no longer approved. If Franchisee would like to purchase any of the foregoing items of any brand or type or from a supplier which is not then approved, Franchisee must submit to Franchisor a written request for approval of the proposed product or supplier and such other information as Franchisor requires. Franchisor has the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered, at Franchisor's option, either directly to Franchisor or to any independent, certified entity which Franchisor designates for testing of the product. Franchisor has the right to charge Franchisee or the supplier a non-refundable fee to cover its costs of inspection and testing incurred in making a suitability determination. Franchisor reserves the right to periodically re-inspect the facilities and products of any approved supplier and to revoke Franchisor's approval of the supplier or product if the supplier does not continue to meet all of Franchisor's criteria. Franchisor will, within a reasonable time, notify Franchisee as to whether or not the proposed product and/or supplier is approved.

Franchisee must use only signs, promotional supplies, branded merchandise, cups, boxes, bags, napkins, wrappers and other packaging, and any other items imprinted with the Marks ("Trademarked Products") as Franchisor prescribes from time to time. Franchisee must purchase the imprinted items only from designated suppliers licensed by Franchisor to duplicate the Marks on such items.

Franchisee will at all times maintain an inventory of approved products, materials and supplies in sufficient quantity and variety to realize the full potential of the Franchised Business.

10.4 Proprietary Products. In order to protect Franchisor's trade secrets and to monitor the manufacture, packaging, processing and sale of proprietary products ("Proprietary Products"), Franchisor or

an affiliate shall (i) manufacture, supply, and sell Proprietary Products to its franchisees, and/or (ii) disclose the formulae for and methods and preparation of the Proprietary Products to a limited number of suppliers who shall be authorized by Franchisor to manufacture Proprietary Products to Franchisor's precise specifications and sell Proprietary Products to its franchisees. Franchisee acknowledges that Franchisee may be required to purchase and use Proprietary Products from Franchisor or a limited number of suppliers so authorized by Franchisor in the operation of the Franchised Business and that Franchisee shall be required to maintain a sufficient inventory of the Proprietary Products as specified by Franchisor for the Franchised Business. Franchisor and/or its affiliates may profit from the sale of Proprietary Products to franchisees.

10.5 Advertising Standards; Approval Procedures. All local advertising by Franchisee shall be (i) in such media and of such type and format as Franchisor may approve in its sole discretion, and (ii) conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify from time to time. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in this Section. All advertising and promotional plans proposed to be used by Franchisee, except such plans and materials that have been previously approved by Franchisor, shall be submitted to Franchisor for Franchisor's written approval (except with respect to prices to be charged) prior to any use thereof. Franchisor shall endeavor to complete its review of Franchisee's proposed advertising and promotional plans within thirty (30) days after Franchisor receives such plans. If written approval is not received by Franchisee from Franchisor within thirty (30) days after receipt by Franchisor of such plans, Franchisor shall be deemed to have disapproved such plans. Franchisee agrees to cooperate with Franchisor in displaying Franchisor's franchising information within the premises of the Franchised Business or on local advertising used by Franchisee and Franchisee will not be entitled to any compensation for displaying any such information at Franchisor's request.

10.6 Delegation of Operating or Managing Duties. If at any time Franchisee proposes for the Franchised Business to be operated or managed by an Entity or individual other than Franchisee, Franchisor reserves the right to review and approve the operating or managing entity or individual and to require and approve an operating or management agreement prior to such party's assumption of operations. Franchisor may, in its sole discretion, reject the operating entity, the individual operator or the operating or management agreement. If approved by Franchisor, the operating entity and/or individual shall agree in writing to attend all training required by Franchisor and to comply with all of Franchisee's obligations under this Agreement as though such party were the franchisee designated therein, on such form as may be designated by Franchisor. The operation of the Franchised Business by any party other than Franchisee, without Franchisor's prior written consent, shall be deemed a material default of this Agreement for which Franchisor may terminate this Agreement pursuant to the provisions of Section 16.

10.7 Staffing. Franchisee agrees to staff the Franchised Business with the number of managers, assistant managers and employees sufficient to operate the Franchised Business in compliance with this Agreement and the standards and specifications in the Manuals and to provide proper customer service during all hours of operation. Franchisee shall hire all employees of the Franchised Business, be exclusively responsible for complying with all employment laws and for all employment decisions and functions related to the operation of the Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, recordkeeping, supervision and discipline of employees. Franchisee shall implement a training program for said employees in compliance with Franchisor's requirements. Franchisee and Franchisor acknowledge that the employees of the Franchised Business are employees of Franchisee and not employees of Franchisor, that they should not be held out to third parties to be employees of Franchisor, and that Franchisee has the sole right to control employment and personnel policies and the day-to-day operations of the Franchised Business. Franchisee shall notify and communicate clearly with its employees in all dealings, including without limitation, employment applications, 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.

10.8 Catering and Delivery Services. Franchisee shall offer and sell the following services in accordance with Franchisor's current standards, specifications and procedures as set forth in the Manuals or otherwise in writing.

(a) Catering Services. Franchisee shall offer catering services to customers of the Franchised Business. In providing catering services, Franchisee shall (i) comply with all applicable health, sanitation, food handling, and food transportation requirements in connection with offering catering services, and (ii) shall purchase and maintain such vehicles, equipment and supplies necessary to offer catering services in compliance with Franchisor's standards, specifications and procedures. Franchisee shall restrict such activities to the geographic area that Franchisor designates, which geographic area may differ from the Buona Protected Area and may be adjusted by Franchisor from time to time in its discretion. Franchisor shall have the right to revoke Franchisee's right to offer and sell catering services if Franchisor determines in its sole discretion that Franchisee is not maintaining Franchisor's standards, specifications and procedures for catering or not complying with all applicable health, sanitation, food handling, and food transportation requirements, or if Franchisor determines in its sole discretion that offering such additional services is having an adverse impact on the quality of the operation of the Franchised Business.

(b) Third Party Delivery Services. Franchisee shall offer delivery to customers through Third Party Delivery Services unless such services are not available in Franchisee's market. A "Third Party Delivery Service" as used herein shall mean a company or business through which customers purchase menu items from the Franchised Business, that delivers said menu items to the customer at a location other than the Franchised Business. The Third Party Delivery Service typically charges the Franchisee a fee for this service which may be automatically deducted from the funds that are collected from the customer prior to disbursement of the funds by the Third Party Delivery Service to the Franchisee. Current examples of Third Party Delivery Services include, but are not limited to GrubHub, DoorDash, UberEats, ezCater. Franchisee shall, within seven (7) days of selling any menu items for the first time through a Third Party Delivery Service company, inform Franchisor in writing of the name of said company, and furnish Franchisor with access information to the websites of any Third Party Delivery Service being used in order to enable Franchisor to verify Franchisee's Gross Sales from all sources. This obligation shall apply to each Third Party Delivery Service company that submits an order to Franchisee's Store for the first time. Franchisor reserves the right to approve or disapprove any particular Third Party Delivery Service based on whether the service provided by the Third Party Delivery Service meets Franchisor's specifications and standards. Franchisee may be required to obtain and use software and/or applications required by Franchisor for the use of Third Party Delivery Services.

10.9 Security Agreement. In order to secure the prompt performance by Franchisor of the obligations of this Agreement, Franchisee hereby grants Franchisor a 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 Franchised Business, whether at the Approved Location 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 addition, and as a supplement to this Agreement, Franchisee shall execute Franchisor's standard Security Agreement as set forth in Exhibit F to this Agreement. 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 Franchisor's security interest as provided herein.

10.10 Computer/Point-of-Sale System Requirements. (a) Franchisee shall be required to purchase and use a point-of sale system, computer system and/or web-based platforms, including a customer order processing and inventory control system and/or cash register and credit/debit card system as specified by Franchisor in the Manuals or otherwise in writing, and pay all associated fees. Franchisee is responsible for becoming proficient in the use of any required point-of-sale, computer systems and/or web-based platforms and software. Franchisor shall have the right to access, for any purpose or use related to the operation, management and/or monitoring of the System, any information or reports generated or stored by the required point-of-sale system, computer systems and/or web-based platform. Franchisor shall have the right to require Franchisee to replace any of the components of your point-of-sale and/or computer systems if Franchisee deems the component to be (a) undersized or otherwise insufficient of the efficient operation and management of the Franchised Business, or (b) incompatible with Franchisor's computer system or the computer system that Franchisor designates for the franchise network use. Throughout the term of this Agreement, Franchisee shall be responsible for maintaining and upgrading as necessary all point-of-sale and/or computer hardware and software required to be used in the operation of the Franchised Business and shall be solely responsible for any and all consequences of not doing so.

(b) If Franchisor develops and custom designs a software program and hardware system for conducting accounting, inventory, point-of-sale or marketing functions and/or other activities related to the Franchised Business (hereinafter "Software Program"), Franchisee agrees to implement the Software Program into the Franchised Business, and to comply with all specifications and standards prescribed by Franchisor regarding the Software Program as provided from time to time in the Manuals. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall only utilize the Software Program as prescribed by Franchisor. At such time as Franchisor requires the implementation of such Software Program, Franchisee shall be required to purchase, lease or license the designated Software Program, to purchase or lease specified computer hardware compatible with the Software Program requirements and contract for on-going service, maintenance and support for such hardware and Software Program at terms designated by Franchisor or its suppliers.

(c) Throughout the term of this Agreement, Franchisee must maintain an active e-mail account and use the e-mail address provided by Franchisor for promoting and operating the Franchised Business and for communicating with Franchisor. Franchisee must have and maintain high-speed access to the Internet for promoting and operating the Franchised Business and for communicating with and receiving information from Franchisor in the manner Franchisor designates, including but not limited to system-wide area computer networks, intranet system or extranet system. Franchisee shall use any system-wide computer network or intranet or extranet system in compliance with the Manuals.

(d) Franchisee shall be solely responsible for protecting Franchisee's point-of-sale and computer systems from viruses, computer hackers and other computer-related and technology-related problems, and Franchisee releases Franchisor from all claims it may have as result of viruses, hackers or other computer-related or technology-related problems.

(e) Franchisee shall make arrangements for and accept payments systems which Franchisee designates from time to time, as part of the operation of the Franchised Business, including but not limited to credit card payments through Visa, MasterCard, and other credit card and debit card issuers and sponsors, check verification services, electronic funds transfer systems, mobile payment systems, and system-wide gift card programs. Franchisee's point-of-sale system and related payment processing systems must be compliant with current Payment Card Industry Data Security standards, all applicable data privacy laws, and any procedures required by the Manuals to prevent credit card fraud. Franchisee shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all loss, costs, expenses (including attorneys' fees), taxes, damages and liabilities, however caused, resulting directly or indirectly from Franchisee's failure to comply with Payment

Credit Industry Data Security Standards or data privacy laws.

10.11 Gift Cards/Loyalty Programs. Franchisee agrees to the following for both Brands:

- (a) to offer for sale gift cards and/or the loyalty program, which must be in the form and version designated by Franchisor ("Official Gift Card/Loyalty Program"), as it may be amended from time to time;
- (b) not to offer for sale or give away any form of Gift Card or Loyalty Program other than the Official Gift Card/Loyalty Program;
- (c) not to create Franchisee's own Gift Card or Loyalty Program;
- (d) to accept and honor the Official Gift Card/Loyalty Program in exchange for product when presented for redemption at Franchisee's Store;
- (e) to obtain and maintain whatever is the currently designated equipment and/or software necessary to process the authorized Gift Cards/Loyalty Program, which may be through a Mobile Application; and
- (f) to comply with any policy promulgated by Franchisor regarding changes to the form and use of Gift Card/Loyalty Program, including transition periods for the phasing in of modifications to the Official Gift Card/Loyalty Program.

10.12 Appearance, Customer Service and Customer Reimbursement. Franchisee, its managers, employees and agents shall (i) maintain a clean and attractive appearance, including wearing uniforms required by Franchisor for recognition of the Brands, (ii) give prompt, courteous, and efficient service to the public and (iii) otherwise operate the Franchised Business in strict compliance with the policies, practices, and procedures set forth in this Agreement and contained in the Manuals, in order to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, the Franchised Business, the products, supplies or equipment in any way without the prior written consent and approval of Franchisor, which Franchisor may withhold in its sole discretion. Franchisor reserves the right to establish maximum resale prices for use with multi-area marketing programs and special price promotions. If Franchisor is contacted by a customer or other patron of the Franchised Business who wishes to lodge a complaint, Franchisor reserves the right to address the complaint in order to preserve goodwill and prevent damage to the Brands. Franchisor's right to address complaints may include refunding money to the complaining customer in Franchisor's sole discretion, in which case Franchisee will reimburse Franchisor for all such amounts.

10.13 Protection of the Brands. Franchisee agrees to the following acknowledging that Franchisor must protect the Brands and images of all Franchised Businesses for the protection of Franchisor's Marks and the franchise system:

- (a) Food Borne Illness and other Public Health or Safety Issues. Franchisor has the right to require Franchisee to close its Franchised Business if Franchisor determines that Franchisee's Franchised Business has deficiencies relating to food safety and cleanliness or other public health and safety issues. Franchisee may not reopen the Franchised Business until Franchisor has re-inspected the Franchised Business and determined that it meets Franchisor's standards. In the event of an outbreak of a food borne illness, or any other public health or safety issue that potentially could negatively impact Franchisor's Marks and Brands, Franchisee must immediately notify Franchisor of such event, but no later than the next day following the occurrence. Further, Franchisee is strictly prohibited from speaking or communicating with the media in the event of an outbreak of a food borne illness or any other public health or safety issue,

whether at Franchisee's Franchised Business or at any other Franchised Business. Franchisor has the right to be the sole spokesperson on these issues.

(b) Restrictions Against Potentially Offensive Items. Franchisee is prohibited from displaying in the Franchised Business, or allowing any employees to wear, items that are potentially offensive to customers or other employees. By way of example only and not limiting the scope or applicability of this provision, such items include those that express any religious, political, or personal views. The Franchisor's determination in this regard shall be final.

(c) Anti-Discrimination. Franchisee shall not discriminate against any employees or against any customers (in the products or services that Franchisee provides or by refusing to provide products or services) on the basis of race, color, religion, age, sex, sexual orientation, gender identity, marital status, national origin, or disability. Franchisee will further comply with any anti-discrimination policies in the Manuals.

10.14 Technology Use and Restrictions. (a) the terms website, Social Media, Mobile Application and Digital Marketing are defined as follows for purposes of this Agreement:

- (i) Website. As used in this Agreement, a "website" is a collection of related web pages, including multimedia content, which is accessible via the Internet, that Franchisor operates or authorizes others to operate and that refers to the Franchised Businesses, the Marks, Franchisor and/or the System.
- (ii) Social Media. As used in this Agreement, the phrase "Social Media" means interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, interests and other forms of expression via virtual communities and networks, such as Facebook, You Tube, LinkedIn, Twitter, Instagram, Pinterest, blogs, or other similar communication methods.
- (iii) Mobile Application. As used in this Agreement, a "Mobile Application" or Mobile App is a software application designed for use on mobile devices, such as smartphones and tablets, rather than desktop or laptop computers.
- (iv) Digital Marketing. As used in this Agreement, "Digital Marketing" means the integrated marketing services used to attract, engage and convert customers online. Digital Marketing utilizes multiple channels such as content marketing, influencer marketing, SEO, social media and online advertising to help Brands connect with customers.

(b) In connection with any Website, Social Media and/or Digital Marketing, Franchisee agrees as follows:

- (i) Franchisee is strictly prohibited from establishing or maintaining any Websites, Social Media accounts or domain names which incorporate any of the Marks, name or initials into its web address. Franchisee is prohibited from establishing websites or domain names linking to Franchisor's websites without the prior written authorization of Franchisor.
- (ii) Franchisor will have the sole right to create, establish, own, and control the Websites and any page for Franchisee's Franchised Business linked to the Websites.

- (iii) Franchisor will have the sole right to create, establish, own, and monitor all Social Media postings for Franchisee's Franchised Business. Franchisee may participate in the content and maintenance of Social Media for Franchisee's Franchised Business, only in accordance with Franchisor's guidelines, specifications, standards, policies and procedures on Social Media that Franchisor may issue from time to time in the Manuals or otherwise, and subject to Franchisor's right to alter or delete postings made by Franchisee.
- (iv) Franchisor will have the sole right to control all aspects of Digital Marketing, including those related to Franchisee's Franchised Business. Unless Franchisor consents otherwise in writing, Franchisee may not, directly or indirectly, conduct or be involved in any Digital Marketing that uses the Marks or is related to Franchisee's Franchised Business. If Franchisor does give Franchisee written consent to conduct any Digital Marketing, Franchisee must do so in compliance with Franchisor's guidelines, specifications, standards, policies or procedures on Digital Marketing that Franchisor may issue from time to time in the Manuals or otherwise in writing.

(c) Franchisor will have the sole right to develop Mobile Applications using the Marks and relating to the operation of the Franchised Business. Franchisor may require that Franchisee participate and use any Mobile Applications designated by Franchisor and must do so in compliance with Franchisor's guidelines, specifications, standards, policies or procedures on Mobile Applications that Franchisor may issue from time to time in the Manuals or otherwise in writing.

10.15 Mystery Shopper Program. Franchisee must participate in any mystery shopper program established by Franchisor from time to time for the purpose of monitoring service and product quality, assessing compliance with the System, and/or measuring customer satisfaction in Franchised Businesses. ~~If such program is established, Franchisee agrees to pay the actual cost of any and all mystery shopping conducted at Franchisee's Franchised Business up to Two Hundred Fifty Dollars (\$250.00) per month to such third party supplier as Franchisor directs.~~ Franchisor will cover the expenses of the mystery shopper program; however, in the event that Franchisee does not achieve a passing score for any mystery shop visit in accordance with the requirements set forth in the Operations Manual, Franchisor shall conduct a re-inspection after a reasonable time and Franchisee shall pay for the cost of the re-inspection, either reimbursing Franchisor for the costs it incurs in sending a representative to conduct the re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

10.16 Quality Assurance Audits. Franchisee shall grant to Franchisor, its representatives and third party vendors designated by Franchisor the right to enter upon the premises of the Franchised Business at any time during ordinary business hours and without advance notice for the purpose of conducting inspections of the Franchisee's Franchised Business and its operations. Franchisee shall cooperate with Franchisor's representatives or vendors and permit them to (i) inspect the premises and the equipment; (ii) observe the operations of the Franchised Business for such consecutive or intermittent periods as they deem necessary, including the taking of photos and/or videos; (iii) interview employees of the Franchisee; (iv) interview customers of Franchised Business; and (v) to select inventory items, products, materials and supplies for testing and evaluation. Without limiting Franchisor's other rights under this Agreement, Franchisor may require Franchisee to immediately take such steps as may be necessary to correct the deficiencies detected during any such inspection, including but not limited to desisting from the further use of any practice or procedure, equipment or supplies, products or preparation methods, promotional materials, or other items or services that do not conform with Franchisor's then-current specifications, standards or requirements. ~~If Franchisor designates a third party service to conduct such Quality Assurance Audits, Franchisee shall be pay the actual cost of the audits up to Four Hundred Fifty Dollars (\$450.00) per calendar quarter to the designated third party supplier.~~ Further, if Franchisor requires Franchisee to take steps to correct the deficiencies during

an inspection, Franchisor shall conduct a re-inspection after a reasonable time to determine if the deficiencies have been corrected. Franchisee shall pay for the cost of the re-inspection, either reimbursing Franchisor for the costs it incurs in sending a representative to conduct the re-inspection (compensation for the representative and travel costs) or in paying the amount charged by a third party service.

## **XI. MARKETING**

11.1 **Marketing Fund.** Each Franchisor administers a national marketing fund (“Marketing Fund”). Franchisee’s required contributions to the Marketing Fund is set forth in Paragraph 3.3 of this Agreement.

Franchisor will be entitled to direct all advertising, marketing and promotional programs financed by the Marketing Fund, with sole discretion over the creative concepts, materials, and endorsements used in them, and the geographic, market, and media placement and allocation of the programs. Franchisee agrees that the Marketing Fund may be used to pay the costs of preparing and producing video, audio, digital and written advertising materials; administering national, regional or local advertising programs including, without limitation, direct mail and other media advertising, and employing advertising agencies to assist in those activities; establishing and maintaining the Websites; internet-based advertising and marketing programs, developing and maintaining other presence on the Internet, including reputation management and system-wide online programs for customer ordering and loyalty rewards program; intranet development supporting public relations; market research and marketing activities; providing advertising, marketing and promotional materials to Franchised Businesses; and any and all other activities for the purpose of promoting the Marks and Franchised Businesses. The Marketing Fund will furnish Franchisee with approved advertising, marketing and promotional materials at its direct cost of producing those materials.

The Marketing Fund will be a separate and distinct account and will be accounted for separately from the other funds of the Franchisor and will not be used to defray any of Franchisor’s general operating expenses, except for any reasonable salaries, administrative costs and overhead Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its advertising, marketing and promotional programs (including, without limitation, conducting market research, preparing advertising, marketing and promotional materials, and collecting and accounting for contributions to the Marketing Fund). Franchisor may spend in any fiscal year an amount greater or less than the total contribution of Franchised Businesses to the Marketing Fund in that year. Franchisor may cause the Marketing Fund to borrow from Franchisor or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay advertising, marketing and promotional costs of the Marketing Fund before other assets of the Marketing Fund are expended. Franchisor will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and will furnish it to Franchisee on written request.

Franchisee understands and acknowledges that the Marketing Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although Franchisor will endeavor to use the Marketing Fund to develop advertising, marketing and promotional materials, and to place advertising in a manner that will benefit all Franchised Businesses, Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Franchised Businesses operating in that geographic area or that any Franchised Business will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising, marketing and promotional materials or the placement of advertising. Except as expressly provided in this Section 11.1, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction, or administration of the Marketing Fund.

Franchisor reserves the right, in its sole discretion, to terminate or discontinue the Marketing Fund upon thirty (30) days’ notice to Franchisee. All unspent monies on the date of termination or discontinuance shall be distributed to franchisees of Franchisor in proportion to their respective contributions made to the Marketing Fund during the previous twelve (12) month period. Franchisor shall have the right to reinstate the



Marketing Fund upon the same terms and conditions herein set forth upon thirty (30) days' prior written notice to Franchisee.

11.2 Local Advertising. Beginning on the date of opening of the Franchised Business, in addition to the requirement for Franchisee to contribute to the Marketing Fund, each Period Franchisee must spend a minimum of one percent (1%) of the Gross Sales of the Franchised Business on local advertising, marketing and promotion to promote both the Buona and The Original Rainbow Cone Brands. Such expenditures will be made directly by Franchisee, subject to Franchisor's approval and direction. At Franchisor's request, Franchisee must furnish to Franchisor in a manner approved by Franchisor an accurate accounting of Franchisee's local advertising and marketing expenditures for each Period.

11.3 Grand Opening Advertising and Marketing. Beginning sixty (60) days prior to the opening of the Franchised Business and continuing through the first ninety (90) days of operation of the Franchised Business, Franchisee must spend a minimum of Twenty-Five Thousand Dollars (\$25,000.00) conducting an advertising and marketing campaign to promote the grand opening of the Franchised Business and both Brands. Grand opening monies will be spent on social media, print, radio, digital advertising and/or other advertising or promotions that Franchisor and Franchisee agree is best suited for Franchisee's grand opening campaign. The grand opening advertising and marketing shall be conducted in accordance with the Manuals and/or other written guidelines Franchisor may issue on initial advertising and promotion.

11.4 Co-operative Advertising. Franchisee shall join and participate in any local advertising co-operative which has been or may be formed consisting of franchisees and/or Franchisor-owned or Affiliate-owned Franchised Businesses in Franchisee's area or region. Franchisee agrees to contribute to the cooperative in the amount and manner agreed upon by a majority of the members of the cooperative. Contributions made by you to the cooperative will be credited to your local advertising expenditure requirements in Section 11.2 above. Each Franchised Business in the cooperative, whether franchised or company-owned or affiliate-owned, shall have one vote in the cooperative. Franchisor assumes no direct or indirect liability or obligation to Franchisee or to any local co-operative with respect to the maintenance, direction, or administration of the co-operative, including without limitation, any failure by any franchisees to make any contributions to the co-operative.

## **XII. INSURANCE**

12.1 Insurance Program. Franchisee shall procure, ~~prior to commencement of construction of by the Franchised Business~~ deadlines listed in Section 12.2, and shall maintain in full force and effect during the Term at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, members, managers, employees, agents and invitees, against any loss, liability, or expense whatsoever from personal injury, death or property damage or casualty, including fire, lightning, theft, vandalism, malicious mischief, and other perils normally included in an extended coverage endorsement arising from, occurring upon or in connection with the construction, operation or occupancy of the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection.

12.2 Insurance Requirements. Such policy or policies shall be written by an insurance company satisfactory to Franchisor, and shall include, at a minimum the following coverage:

(a) **Workers' Compensation Insurance**, with statutory limits as required by the laws and regulations applicable to the employees of Franchisee who are engaged in the performance of their duties relating to the Franchised Business, including any pre-opening training programs, as well as such other insurance as may be required by statute, ordinance or regulation of the state or locality in which the Franchised Business is located; Franchisor reserves the right to require that owners and executive officers not be excluded from this coverage. Such coverage must be obtained on or before

the date Franchisee hires any employees.

(b) **Employer's Liability Insurance**, for employee bodily injuries, and deaths, with a limit of \$500,000 each accident; and for employee disease with a limit of \$500,000. Such coverage must be obtained on or before the date Franchisee hires any employees.

(c) **Comprehensive or Commercial General Liability Insurance**, covering claims for bodily injury, death and property damage, including Premises and Operations, Independent Contractors, Products and Completed Operations, Personal Injury, Contractual, and Broad Form Property Damage Liability coverages, to be obtained by the date the Approved Location has been determined, with limits as follows:

Occurrence/Aggregate Limit of \$1,000,000 for bodily injury, death and property damage each occurrence and \$2,000,000 for general aggregate; \$2,000,000 for Products/Completed operations in the aggregate, \$1,000,000 each occurrence; and \$1,000,000 personal advertising injury.

(d) **Comprehensive Automobile Liability Insurance**, if applicable, covering owned, non-owned and hired vehicles, to be obtained prior to the use of any vehicles in the operation of the Franchised Business, with limits as follows:

Combined Single Limit of \$1,000,000 for bodily injury, death and property damage per occurrence or Split liability limits of:

- \$500,000 for bodily injury per person
- \$500,000 for bodily injury per occurrence
- \$250,000 for property damage;

(e) **Liquor Liability Insurance** (if the Franchised Business will sell alcoholic beverages) with limits of \$1,000,000 each common cause and \$2,000,000 in the aggregate; to be obtained prior to the date the Franchised Business begins offering alcoholic beverages;

(f) **All Risk Property Insurance**, on a replacement cost basis, with limits as appropriate, covering the real property of Franchisee and any real property which Franchisee may be obligated to insure by contract. Such real property may include, but is not limited to, buildings, machinery, equipment, furniture, fixtures and inventory; Such coverage must be obtained prior to the delivery of installation of any equipment, furniture, fixtures, or inventory are delivered to the premises of the Franchised Business.

(g) **Umbrella/Excess Liability Insurance** on a Follow Form basis with a limit of \$5,000,000 per occurrence and in the aggregate with Employer's Liability, General Liability, Auto Liability and as applicable, Liquor Liability; to be obtained by the date the Approved Location has been determined;

(h) **Business Interruption Insurance**, covering Franchisee's loss of revenues and ongoing expenses and to cover any amounts due and owing to Franchisor under this Agreement, including but not limited to the royalties, Marketing Fund contributions, and technology fees that would have been made by Franchisee had the business interruption not occurred, based upon the average of receipts of the Franchised Business for the trailing twelve months prior to the interruption, in an amount not less than the actual loss resulting from an interruption of business for a minimum of twelve (12) months; to be obtained prior to the opening of the Franchised Business;

(i) **Cyber Insurance**, covering breach, system failure, extortion and crime coverage with a limit of \$1,000,000 each occurrence and in the aggregate; and to be obtained prior to the installation and use of the computer system for the Franchised Business;

(j) **PCI DSS Liability** coverage with a limit of \$1,000,000 each occurrence and in the aggregate; to be obtained prior to the opening of the Franchised Business.

12.3 Additional Insurance Requirements. All such policies of insurance shall be placed with an insurance company that has a claims rating ability of at least A- from A.M. Best and shall provide that the same shall not be canceled, modified or changed without first giving thirty (30) days' prior written notice thereof to Franchisor. No such cancellation, modification or change shall affect Franchisee's obligation to maintain the insurance coverages required by this Agreement. Except for Workers' Compensation Insurance, Franchisor shall be named as an Additional Insured on a primary and non-contributory basis for ongoing and completed operations on all such required policies. Workers' Compensation Insurance, General Liability, Auto Liability, and Umbrella/Excess Liability policies shall include a waiver of subrogation in favor of Franchisor. All liability insurance policies shall be written on an "occurrence" policy form. Franchisee shall be responsible for payment of any and all deductibles from insured claims under its policies of insurance. Franchisee shall not satisfy the requirements of this Article XII unless and until certificates of such insurance, including renewals thereof, have been delivered to Franchisor. Franchisee shall not self-insure any of the insurance coverages required by this Agreement, or non-subscribe to any state's applicable workmen's compensation laws without the prior written consent of Franchisor which Franchisor may withhold. Franchisor shall have the right, at any time during the Term to increase the minimum limits of insurance coverage or otherwise modify the insurance requirements of this Agreement upon written notice in the Manuals or as otherwise prescribed by Franchisor in writing. If Franchisee shall fail to comply with any of the insurance requirements contained in this Article XII, upon written notice to Franchisee by Franchisor, Franchisor may, without any obligation to do so, procure such insurance and Franchisee shall pay Franchisor, upon demand, the cost thereof plus interest at the maximum rate permitted by law, and a reasonable administrative fee designated by Franchisor.

12.4 Primary Coverage. Franchisee agrees that all insurance policies obtained by Franchisee pursuant to this Article XII shall be primary coverage, the applicable limits of which shall be exhausted before any benefits (defense or indemnity) may be obtained under any other insurance (including self-insurance) providing coverage to Franchisor. In the event payments are required to be made under Franchisor's own insurance policies or self-insurance (whether for defense or indemnity) before the applicable coverage limits for the insurance policies obtained by Franchisee are exhausted, then Franchisee hereby agrees to reimburse, hold harmless and indemnify Franchisor and its insurers for such payments. Franchisee shall notify its insurers of this Agreement and shall use its best efforts to obtain an endorsement on each policy it obtains pursuant to this Article XI stating as follows:

The applicable limits of this policy shall be applied and exhausted before any benefits may be obtained (whether for defense or indemnity) under any other insurance (including self-insurance) that may provide coverage to Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company and/or Five Flavors Franchising LLC. All insurance coverage obtained by Chicago's Original Italian Beef Franchising LLC and/or Five Flavors Franchising LLC shall be considered excess insurance with respect to this policy, the benefits of which excess insurance shall not be available until the applicable limits of this policy are exhausted.

12.5 No Limitation on Coverage. Franchisee's obligation to obtain and maintain the foregoing policy or policies of insurance 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 Article XIV of this Agreement.

12.6 Issuance of Insurance. Franchisee must obtain the insurance required by this Agreement no later than fifteen (15) days before the date on which any construction or build-out at the premises of the Franchised Business is commenced. The Franchised Business shall not be opened for business prior to Franchisor's receipt of satisfactory evidence that all insurance required by this Agreement is in effect. Upon obtaining such insurance, and on each policy renewal date thereafter, Franchisee shall promptly submit evidence of satisfactory insurance and proof of payment therefore to Franchisor, together with, upon request, copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to Franchisor.

### **XIII. CONFIDENTIAL INFORMATION**

13.1 Definition. For purposes of this Agreement, the term "Confidential Information" means information relating to Franchisor or the System that is not generally available to the public, including the Manuals, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Franchised Business and the System. Further, Confidential Information shall include all customer information, lists, data and records of the Franchised Business. Confidential Information does not include information Franchisee can demonstrate came to Franchisee's attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

13.2 Maintenance of Confidential Information. During the Term, and after the expiration or termination of this Agreement, Franchisee must use its best efforts to protect the Confidential Information. Accordingly, Franchisee must not communicate, divulge, or use for the benefit of any other person, persons or entity, any part of the Confidential Information. Franchisee may divulge such Confidential Information only to such employees of Franchisee who must have access to it in order to carry out Franchisee's obligations under this Agreement, and as may be required by law, provided Franchisee shall give Franchisor prior written notice of any such required disclosure by law immediately upon receipt of notice by Franchisee in order for Franchisor to have the opportunity to seek a protective order or take such other actions as it deems appropriate under the circumstances. Franchisor reserves the right to require Franchisee, or any of its owners, officers, partners, principals, managers, and employees having access to the Confidential Information to execute a confidentiality agreement or similar instrument(s) containing restrictions as those provided in this Section and, as applicable, throughout this Agreement. Such requirement shall not create an employee or joint employee relationship between Franchisor and Franchisee's employees, nor does it constitute control by Franchisor over Franchisee's employment matters.

### **XIV. COVENANTS**

14.1 Franchisee's Best Efforts. Franchisee covenants that, during the Term, except as otherwise approved in writing by Franchisor, Franchisee or, alternatively, one designated management employee or approved agent if that employee or agent assumes primary responsibility for the operation of the Franchised Business, shall devote full time energy and best efforts to the development and promotion of the Franchised Business and to the management and operation of the Franchised Business.

14.2 Non-Competition and Non-Solicitation During Term. Franchisee acknowledges that Franchisee will receive valuable, specialized training and the Confidential Information. Franchisee covenants that, during the Term, Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, shall not, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity:

(a) Divert or attempt to divert any business or customer of the Franchised Business to a Competitive Business (defined in Section 14.5) by direct or indirect inducements or otherwise, or to do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(b) Have any ownership interest in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business. However, this covenant shall not apply to any business operated by Franchisee under a franchise agreement with Franchisor or any of its Affiliates.

14.3 Post-Termination Covenants. Franchisee covenants that Franchisee and any of its shareholders, officers, directors, members, managers, partners and guarantors, either directly or indirectly, for itself or themselves or on behalf of, or in conjunction with, any other person or entity, regardless of the cause for termination shall not:

(a) For a period of two (2) years following the expiration or termination of this Agreement, have any ownership interest in, maintain, operate, engage in, serve as a director, officer, manager, employee, consultant or representative of, grant a franchise to, advise, help, make loans to, lease property to, or have any interest in, directly or indirectly, a Competitive Business that is located within a radius of ten (10) miles of (i) the location specified in the Approved Site Location Addendum as described in Article I or (ii) the location of any other Franchised Business, whether owned by Franchisor or any other franchisee of Franchisor, in existence as of the date of expiration or termination of this Agreement. This restriction will not apply to the ownership of less than 2% of the outstanding shares of a publicly-traded security. Franchisee and its officers, directors, shareholders, managers, members, partners and guarantors expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting those skills. As a result, adherence to this restriction will not deprive them of their personal goodwill or ability to earn a living.

14.4 Nondisclosure and Noncompetition Agreement. Franchisee must have its shareholders, officers, directors, members, managers, partners, guarantors, supervisory and principal employees, including managers and assistant managers (as a condition to their employment), anyone Franchisee may choose to send to training, and anyone who has access to the Manuals or any of Franchisor's proprietary information or Confidential Information, execute Franchisor's standard Nondisclosure and Noncompetition Agreement (which is an exhibit to the Franchise Disclosure Document and as may be updated in the Manuals) before performing any work at the Franchised Business or otherwise having access to Franchisor's proprietary information. A copy of all the signed agreements shall be delivered to Franchisor within one (1) week of their execution. The failure of Franchisee to obtain execution of such Nondisclosure and Noncompetition Agreements as required by this Section shall constitute a material breach of this Agreement.

14.5 Competitive Business. For purposes of this Article XIII, a "**Competitive Business**" is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from Italian beef and Italian sausage products and other Italian specialties or more than ten percent (10%) of its

gross sales from ice cream.

14.6 Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article XIV, is held unenforceable by a court or other tribunal having jurisdiction on a final decision, then Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant was separately stated in and made a part of this Article XIV.

14.7 Right to Reduce Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article XIV, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article XXIII.

14.8 Injunctive Relief. The parties acknowledge that it will be difficult to ascertain with any degree of certainty the amount of damages resulting from a breach by Franchisee of any of the covenants contained in this Article XIV. It is further agreed and acknowledged that any violation by Franchisee of any of said covenants will cause irreparable harm to Franchisor. Accordingly, Franchisee agrees that upon proof of the existence of a violation of any said covenants, Franchisor will be entitled to injunctive relief against Franchisee in any court of competent jurisdiction having authority to grant such relief, together with all costs and reasonable attorneys' fees incurred by Franchisor in bringing such action.

14.9 Interpretation. ALL PARTIES TO THIS AGREEMENT ACKNOWLEDGE THAT THIS SECTION HAS BEEN FULLY NEGOTIATED AND HAS BEEN ENTERED INTO FREELY. If any provision of this Article XIV shall be held to be invalid by any tribunal, the terms of said invalid provision shall be modified to the least possible extent to make the provision valid. This Article XIV shall not be interpreted against either party as drafter.

## **XV. TRANSFERABILITY OF INTEREST**

15.1 Transfer by Franchisor. This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to transfer or assign its interest in this Agreement to any person, persons or Entity. If Franchisor's assignee assumes all the obligations of Franchisor hereunder and sends Franchisee written notice of the assignment so attesting, Franchisor will have no further obligation under this Agreement, and Franchisee agrees promptly to execute a general release of Franchisor and its Affiliates, from claims or liabilities of Franchisor under this Agreement.

15.2 Transfer by Franchisee. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this Agreement in reliance on Franchisee's business skills and financial capacity. Accordingly, neither (i) Franchisee, nor (ii) any immediate or remote successor to Franchisee, nor (iii) any individual or any Entity which directly or indirectly owns any interest in Franchisee or in this Agreement, shall sell, assign, transfer, convey, donate, pledge, mortgage, or otherwise encumber any direct or indirect interest in (i) this Agreement, (ii) Franchisee, or (iii) a substantial portion of the assets of the Franchised Business without the prior written consent of Franchisor. Acceptance by Franchisor of any royalty fee, marketing fund contributions or any other amount accruing hereunder from any third party, including but not limited to any proposed transferee, shall not constitute Franchisor's approval of such party as a transferee or the transfer of this Agreement to such party. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void, and shall

constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 16.2(f) of this Agreement.

15.3 Conditions of Consent. Franchisor shall not unreasonably withhold its written approval of a transfer, provided Franchisee and the assignee or transferee have met all of the following conditions as determined by Franchisor in its sole discretion:

(a) Franchisee shall not be in default under this Agreement or any agreement with Franchisor and its Affiliates at the time Franchisee requests the right to transfer the franchise or at the time the Franchised Business is to actually be transferred. All accounts payable and other monetary obligations to Franchisor and its Affiliates shall be paid in full;

(b) Franchisee shall have agreed to remain obligated under the covenants contained in Article XIV hereof as if this Agreement had been terminated on the date of the transfer;

(c) The transferee must be of good moral character and reputation, in the reasonable judgment of Franchisor;

(d) Franchisor shall have determined, to its satisfaction, that the transferee's qualifications meet Franchisor's then-current criteria for new franchisees;

(e) The terms and conditions of the proposed transfer, including all financial terms of the proposed transfer, shall be provided in writing to Franchisor at least fifteen (15) business days prior to the proposed effective date of the transfer, and shall be approved in writing by Franchisor;

(f) The transferee shall execute, at Franchisor's option, (i) written assignment, in form satisfactory to Franchisor, pursuant to which the transferee shall assume all of the obligations of Franchisee under this Agreement and any other agreement relating to the Franchised Business to be transferred; or (ii) Franchisor's then-current form of dual brand Franchise Agreement and such other then-current ancillary agreements as Franchisor may reasonably require. The then-current form of the Franchise Agreement may contain new or significantly different terms, including but not limited to a higher royalty fee and advertising fund contribution and less territorial protection than contained in this Agreement. The then-current form of the Franchise Agreement will expire on the expiration date of this Agreement and will contain the same renewal rights, if any, as are available to Franchisee under this Agreement;

(g) Franchisee shall execute a general release in favor of Franchisor and its Affiliates of any claims it may have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successors and assigns relating to the Franchised Business, unconditionally releasing them from any and all claims Franchisee might have against Franchisor and its Affiliates, or their shareholders, officers, directors, members, managers, employees and agents, predecessors, successor and assigns, as of the date of the assignment;

(h) The transferee shall agree at its sole cost and expense, to complete a Franchised Business Renovation, within the time frame required by Franchisor, unless a Franchised Business Renovation was completed less than five (5) years prior to the date of the transfer, and perform such other scope of work as may be determined by Franchisor;

(i) The transferee and such other individuals as may be designated by Franchisor in the Manuals or otherwise in writing, must have successfully completed the training courses then in effect for new franchisees which will be covered by the Transfer Fee paid. However, the Transferee shall

be responsible for payment for any onsite training fees incurred for onsite training conducted by Franchisor after the transfer;

(j) The transferee's Entity's operating agreement, bylaws, partnership agreement or equivalent governing document shall provide that further assignments or transfers of any interest in the Entity are subject to all restrictions imposed upon assignments and transfers in this Agreement;

(k) Franchisee shall, at Franchisor's option and request, execute a written guarantee of the transferee's obligations under this Agreement, which guarantee shall not exceed a period of three (3) years from the date of the transfer;

(l) Transferee obtains an assignment of Franchisee's existing lease with the lessor's written consent or executes a new lease with the lessor for the premises of the Franchised Business and the remaining term of the assigned lease or the term of the new lease plus any renewals equals the franchise term hereunder; and

(m) Except as provided for in Section 15.4 below, Franchisee shall pay to Franchisor a transfer fee equal to seventy-five percent (75%) of the then-current Initial Franchise Fee if the Transferee is a new franchisee or fifty percent (50%) of the then-current Initial Franchise Fee if the Transferee is an existing franchisee of Franchisor. The transfer fees required cover Franchisor's administrative expenses in connection with the transfer. Franchisee shall pay a non-refundable deposit on the transfer fee in the amount of Five Thousand Dollars (\$5,000.00) at the time Franchisee requests from Franchisor its written consent of the proposed transfer.

15.4 Transfer to a New Entity or Existing Franchisee. If a proposed transfer is (i) individual owners assigning this Agreement to a newly established Entity pursuant to Section 6.1 of this Agreement; or (ii) among existing shareholders, partners or members of Franchisee the transfer fees shall be One Thousand Five Hundred Dollars (\$1,500.00). In the event of such transfer, Franchisor reserves the right to waive conditions or requirements contained in Section 15.3 in its sole discretion and to require the Principals of the transferee to execute a Guaranty and Assumption of Franchisee's Obligations as required by Section 6.1.

15.5 Grant of Security Interest. Franchisee shall grant no security interest in any of its assets without the prior written consent of Franchisor and unless the secured party agrees that, in the event of any default by Franchisee under any documents related to the security interest (i) Franchisor shall be provided with notice of default and given a reasonable time within which to cure said default, (ii) Franchisor shall have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee or to purchase the rights of the secured party upon payment of all sums then due to such secured party, except such amounts which may have become due as a result of any acceleration of the payment dates based upon Franchisee's default and (iii) the secured party shall agree to such other requirements as Franchisor, in its sole discretion, deems reasonable and necessary to protect the integrity of the Marks and the System. In the event Franchisor purchases the rights of the secured party in any assets, upon payment of all sums then due to such secured party, Franchisor shall receive title to such assets. Under no circumstances that Franchisee grant a security interest in this Agreement or the franchise granted hereunder.

15.6 Transfer on Death or Mental Incapacity. Upon the death or mental or physical incapacity of any person with an interest in this Agreement as determined by a physician, the Franchised Business or Franchisee, the executor, administrator, or personal representative of such person shall transfer his interest to a third party approved by Franchisor within twelve (12) months after such death or mental



incapacity. Such transfer, including but not limited to transfer by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Article XV, the personal representative of the deceased Franchisee shall have a reasonable time, but in no event more than twelve (12) months from Franchisee's death, to sell or transfer the deceased's interest in this Agreement and the Franchised Business, which sale or assignment shall be subject to all the terms and conditions for assignments and transfers contained in this Agreement. If the interest is not sold or assigned within the twelve (12) month period, Franchisor may terminate this Agreement.

Upon request by Franchisee's executor, administrator, or personal representatives, Franchisor, in its sole discretion, may agree to enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisee's executor, administrator or personal representative transfers Franchisee's interest in the Franchised Business as provided herein. Franchisee acknowledges and agrees that Franchisor's agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as Franchisor is operating the Franchised Business. Franchisee further acknowledges that if Franchisee temporarily operates the Franchised Business on Franchisee's behalf under this Paragraph 15.7, Franchisee will indemnify and hold harmless Franchisor and Franchisor's agent or representative respecting any and all claims arising out of Franchisor's operation of the Franchised Business under this Paragraph 15.7. Nothing herein shall require Franchisor to operate the Franchised Business upon the request of Franchisee's executor, administrator or personal representative.

15.7 Involuntary Transfers. Involuntary transfers of this Agreement by Franchisee are not binding on Franchisor and constitute grounds for the termination of this Agreement without the opportunity to cure. Franchisee agrees that using this Agreement as security for a loan or otherwise encumbering this Agreement is prohibited, unless Franchisor specifically consents to such action in writing prior to the proposed transaction. Franchisee shall not grant a sub-franchise under this Agreement nor otherwise seek to license or permit others to use this Agreement or any of the rights derived by Franchisee under it. Any attempt to transfer this Agreement in whole or part, or any material portion or property used by Franchisee in connection with this Agreement, whether or not binding on Franchisor, shall be grounds for the termination of this Agreement without the opportunity to cure, unless the transfer is authorized in writing by Franchisor.

15.8 Transfer by Court Order. If a court of competent jurisdiction orders an individual owner of Franchisee to transfer to his or her spouse all or any part of Franchisee's interest in this Agreement or the Franchised Business, or any of the assets of the Franchised Business, such an order shall constitute a transfer under the terms of this Agreement and shall cause the transferee to be subject to all of the terms and conditions concerning transfers set forth in this Agreement.

15.9 Right of First Refusal.

15.9.1 Franchisee grants to Franchisor the right, but not the obligation, to acquire the Franchised Business on the same terms and conditions specified in a bona fide written offer from a qualified third party. However, Franchisor may substitute the cash equivalent for any portion of the purchase price to be paid by non-cash consideration. Franchisor may purchase the interest for itself or assign its right without recourse to a nominee who will purchase the interest directly from Franchisee. Franchisee shall notify Franchisor in writing of the terms and conditions of each proposed transfer, including the interest proposed to be transferred, the purchase price or other consideration to be paid, any financing terms being extended by Franchisee, the date of the proposed transfer and all other pertinent provisions of the proposed sale. In addition, a copy of the contract, agreement, memorandum

of sale, deposit receipt, or letter of intent shall also be forwarded to Franchisor as soon as it is received by Franchisee. Following its receipt of all pertinent data and documents concerning the proposed transfer, including any additional data concerning the transaction requested by Franchisor from Franchisee, Franchisor shall have thirty (30) days within which to advise Franchisee in writing of Franchisor's election to acquire the interest proposed to be transferred on the same terms and conditions agreed to by the prospective transferee. Should Franchisor elect to acquire the interest proposed to be transferred pursuant to its right of first refusal, Franchisee and Franchisor shall cooperate to consummate the transfer. The date for the completion of the transfer may be extended at Franchisor's option for up to thirty (30) days beyond the date originally indicated for the completion of the transfer in order to allow the completion of the transaction in a manner more convenient to Franchisor. The above right of first refusal provisions shall apply to any sale, pledge, assignment, trade or transfer of any ownership interests in the Entity.

15.9.2 If Franchisor does not elect to purchase the interest proposed to be transferred, Franchisee may complete the proposed transfer on the terms and conditions set forth in its notice to Franchisor subject to Franchisor's right to approve the proposed transferee and the terms and conditions set forth under Section 15.3 above. However, if there are any changes in the terms and conditions of the proposed transfer after Franchisee notifies Franchisor of the proposed transfer, including any changes in the terms and conditions occurring after Franchisor notifies Franchisee of its election not to purchase the interest pursuant to its right of first refusal, Franchisee must notify Franchisor of the changes in writing and Franchisor shall have an additional thirty (30) days within which to elect to purchase the interest proposed to be transferred on the revised terms and conditions. If the proposed transfer is not completed for any reason after Franchisor elects not to purchase the interest being transferred, Franchisor's right of first refusal is reinstated as to any later proposed sales or transfers by Franchisee.

## **XVI. DEFAULT AND TERMINATION**

16.1 Termination Without Notice Due To Insolvency. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against Franchisee and not opposed by Franchisee; if Franchisee is adjudicated bankrupt or insolvent; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under applicable law of any jurisdiction should be instituted by Franchisee or against Franchisee and not opposed by Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's property or business; if suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Business is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereon by any sheriff, marshal or constable.

16.2 No Cure Period. Franchisee shall be in default under this Agreement and Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted to Franchisee, without affording Franchisee any opportunity to cure the same effective upon receipt of notice from Franchisor to Franchisee, upon occurrence of any of the following events:

(a) Franchisee fails to obtain site approval for the Franchised Business within six (6) months of the date of the execution of this Agreement for a location requiring ground up construction and

within four (4) months of the date of the execution of this Agreement for an existing location as required by Section 6.2; or Franchisee fails to open the Franchised Business with Franchisor's approval as required in Section 6.5 within twelve (12) months of Franchisor's written approval of the site for the Franchised Business for a ground up construction or within six (6) months of Franchisor's written approval of the site for an existing location. However, Franchisor may in its sole discretion extend this period for matters not within control of Franchisee or for other mutually agreed upon grounds;

(b) Franchisee at any time ceases to operate the Franchised Business for forty-eight (48) hours or more or otherwise abandons the Franchised Business, or loses the right to possession of the premises of the Franchised Business, or causes its lease for the premises of the Franchised Business to be terminated, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. However, if, through no fault of Franchisee, the premises are damaged or destroyed by an event not within the control of Franchisee such that repairs or reconstruction cannot be completed within six (6) months thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate the Franchised Business and/or reconstruct the premises, which approval shall not be unreasonably withheld, provided Franchisee is not then in default under this Agreement or any other agreement between Franchisee and Franchisor or any of its Affiliates, but may be conditioned upon the payment of an agreed minimum royalty to Franchisor during the period in which the Franchised Business is not in operation;

(c) Franchisee, or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks;

(d) Franchisee, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any other franchisee, any officer, director, member, manager or employee of Franchisor or any of its Affiliates, customers or employees of Franchisee, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct;

~~(e) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business; or Franchisee violates any law, regulation, or order or any guideline set forth in the Manuals relating to health, sanitation or safety;~~

~~(f)~~(e) Franchisee, or any of its shareholders, members, managers, partners, officers or directors, transfers, hypothecates, pledges, sells, or assigns all or any part of this Agreement, the Franchised Business, the Franchisee Entity or any interest in the Franchisee Entity, or any material portion of the property associated with the Franchised Business or attempts to sublicense to another party any of the rights or property licensed to Franchisee under this Agreement without first receiving written authorization from Franchisor;

~~(g)~~(f) Franchisee, or any of its shareholders, members, managers, partners, officers, directors, guarantors or principal employees violate any provisions under the Noncompetition and Nondisclosure Agreement;

~~(h)~~(g) Contrary to the terms of Article VII hereof, Franchisee or any of its shareholders, members, managers, partners, officers, directors or principal employees discloses or divulges the contents of the Manuals or other Confidential Information, or participates in the unauthorized use of the Confidential Information;

~~(h)~~(h) An approved transfer is not effected as required by Section 15.7, following Franchisee's death or mental incapacity;

~~(i)~~(i) Franchisee knowingly maintains false books or records, submits any false reports to Franchisor or otherwise commits an act of fraud with respect to Franchisee's acquisition or performance of this Agreement;

~~(j)~~(j) Franchisee or any Affiliate of Franchisee defaults under any other agreement with Franchisor or its Affiliates, or any predecessor or successor to Franchisor, including but not limited to another franchise agreement or an area development agreement, and such agreement is thereafter terminated. For purposes of this Section 16.2(k), "Affiliate of Franchisee" means a corporation, partnership or limited liability company whose equity is owned in whole or in part by (i) Franchisee, (ii) one or more of Franchisee's shareholders, partners or members, (iii) one or more parent, spouse, sibling, child or grandchild or another blood relation of a shareholder, partner or member of Franchisee, or (iv) any other entity of which Franchisee is a shareholder, partner or member.

~~(k)~~(k) Franchisee defaults more than once in any twelve (12) month period under Sections 16.4 or 16.5, for failure to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice;

~~(l)~~ Franchisee uses the Marks in any unauthorized manner or is otherwise in default of the provisions of Article V hereof;

~~(m)~~(l) Franchisee sells unapproved products or goods from or through the Franchised Business;

~~(n)~~(m) Franchisee relocates the Franchised Business without obtaining Franchisor's advanced written permission as required by this Agreement;

~~(o)~~(n) Franchisee denies Franchisor, or its designee, the right to inspect the premises of the Franchised Business;

~~(p)~~ Franchisee fails to maintain insurance as required by this Agreement;

~~(q)~~(o) Franchisee lease or sublease for the premises of the Franchised Business is terminated or expires and Franchisee is unable to retain possession of the premises of the Franchised Business and fails to relocate in accordance with Section 6.6;

~~(r)~~(p) Franchisee fails to timely pay any lender to whom Franchisor has guaranteed Franchisee's obligations, or if Franchisor has entered into any financing arrangement with Franchisor (i) more than three (3) times if the default is cured, or (ii) one time if the default is not cured during the financing term; and

~~(s)~~(q) Franchisee fails to timely pay any vendors, suppliers or the lessor of the premises of the Franchised Business more than three (3) times during the term of this Agreement;

~~(t)~~(r) Franchisee has made any material misrepresentation or omission in its application for the franchise; and

~~(u)~~(s) Franchisee has received three (3) or more notices for the same default during the term, regardless of whether the default was cured after receipt of notice.

16.3 Five-Day Cure Period. Except as provided in Sections 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within five (5) days following Franchisor's written notice to Franchisee:

(a) Franchisee fails to pay any money owed to us, including but not limited to royalties, marketing fund contributions and any other financial obligations owed to Franchisor by Franchisee; or Franchisee fails to submit daily or weekly gross sales reports necessary for a determination of the amount of fees due;

~~(b) Franchisee fails or refuses to maintain and operate its Franchised Business in compliance with this Agreement, the System and the Manuals (other than in a manner that constitutes a default of Sections 16.1, 16.2 or 16.3 for which those sections are controlling), including, but not limited to failing to complete a Franchised Business Renovation, within the time frame required by this Agreement, at Franchisee's expense;~~

~~(c)~~(b) Franchisee fails to pay for any products, supplies or equipment, or fails to pay any fees or other amounts due to Franchisor, or any of its Affiliates or assigns of Franchisor, or Franchisee fails to pay third parties for amounts related to the operation of the Franchised Business within the applicable time period; or

~~(d)~~(c) Franchisee fails to submit to Franchisor such reports or other financial statements required to be delivered to Franchisor by Franchisee when due, or fails to submit any other report or statement to Franchisor or its Affiliates required by this Agreement or otherwise requested by Franchisor or its Affiliates, by its due date.

(d) A threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business; or Franchisee violated any law, regulation, or order or any guideline set forth in the Manual relating to health, sanitation or safety;

(e) Franchisee uses the Marks in any unauthorized manner or is otherwise in default of the provisions of Article V hereof; or

(f) Franchisee fails to maintain insurance as required by this Agreement.

16.4 Thirty-Day Cure Period. Except as provided in Sections 16.1, 16.2 and 16.3 of this Agreement, Franchisor shall have the right to terminate this Agreement if Franchisee commits any of the following breaches and fails to cure the same within thirty (30) days following Franchisor's written notice to Franchisee:

(a) Franchisee fails or refuses to maintain and operate its Franchised Business in compliance with this Agreement, the System and the Manual (other than in a manner that constitutes a default of Sections 16.1, 16.2 or 16.3 for which those sections are controlling), including, but not limited to failing to complete a Franchised Business Renovation, within the time frame required by this Agreement, at Franchisee's expense;  
or

~~16.4(b) Franchisee fails to comply with any other term or condition in this Agreement not specifically listed in Sections 16.1, 16.2, or 16.3 above and fails to cure the same within thirty (30) days following Franchisor's written notice to Franchisee.~~

16.5 Cross-Default and Cross-Termination Provisions.

(a) A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates. A default by Franchisee under any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be deemed a default under this Agreement. A default by the guarantors of this Agreement or any other agreement of guaranty will be deemed a default of this Agreement. For purposes of clarity, any agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates include, without limitation, any other Franchise Agreement or Area Developer Agreement.

(b) If this Agreement is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor or its Affiliates may, at their option, elect to terminate any or all other agreements between Franchisee (or an affiliate of Franchisee) and Franchisor or its Affiliates. If any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates is terminated as a result of a default by Franchisee (or any affiliate of Franchisee), Franchisor may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any other agreement between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates will be grounds for termination of this Agreement and/or all agreements between Franchisee (or any affiliate of Franchisee) and Franchisor or its Affiliates without additional notice or opportunity to cure.

16.6 Arrearage Agreement. Notwithstanding anything to the contrary set forth in this Agreement, Franchisee hereby acknowledges that any agreement between Franchisee and Franchisor or its Affiliates relating to past due amounts accruing hereunder (an “**Arrearage Agreement**”), including but not limited to any promissory note, payment plan or amendment to this Agreement shall be deemed to be a material part of this Agreement and shall be incorporated herein by reference. A default under any Arrearage Agreement shall be deemed a material default of this Agreement, regardless of the reason Franchisee fails to pay the amount that is the subject of an Arrearage Agreement. This provision does not require Franchisor to waive any payments due from Franchisee or to enter into any Arrearage Agreement.

16.7 Statutory Cure Period. If a default is curable under this Agreement, and the applicable law in the state in which the Franchised Business is located requires a longer cure period than that specified in this Agreement, the longer period will apply.

16.8 Right to Operate Upon Default. In addition to Franchisor’s right to terminate this Agreement and not in lieu of such right or any other rights, in the event that Franchisee has not cured a default under this Agreement within fourteen (14) days after receipt of a written notice of default, Franchisor may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default has been cured and that there is compliance with the requirements of this Agreement. Franchisee acknowledges and agrees that Franchisor’s agent or other representative designated by Franchisor may take over, control and operate the Franchised Business, that Franchisee shall pay Franchisor the then-current published fee for such management service, plus all travel expenses, room and board and other expenses reasonably incurred by such agent or representative so long as it shall be required to enforce compliance with this Agreement. Franchisee further acknowledges that if Franchisor temporarily operates the Franchised Business on Franchisee’s behalf under this Paragraph 16.8, Franchisee will indemnify and hold harmless Franchisor and Franchisor’s agent or representative respecting any and all claims arising out of Franchisor’s operation of the Franchised Business under this Paragraph 16.8. Nothing herein shall require Franchisor to operate the Franchised Business when Franchisee is in default.

16.9 Monetary Fees for Non-Compliance. In addition to any and all other remedies available to Franchisor under this Agreement or under the law upon a default by Franchisee, Franchisor may impose on Franchisee monetary non-compliance fees for the defaults described in this Section 16.9:

- a. Failure to Report Gross Revenues. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to report the Gross Revenues of the Franchised Business and/or Daily Flash Reports as set forth in Section 4.2 by the stated deadline.
- b. Failure to Furnish Reports, Financial Statements and Tax Returns. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee fails to furnish the reports, financial statements, and/or tax returns as set forth in Sections 4.3, 4.4 or 4.5 by the stated deadlines.
- c. Failure to Pay Royalties, Marketing Fund contributions, Technology Fees. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100) per day, beginning on the first day after performance is due, up through and including the day the default is cured, if Franchisee is in default in the payment of royalties, Marketing Fund contribution or technology fees as required under Article IV.
- d. Failure to Properly Use Trade Secret Products. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day for each and every day, beginning with the first day that Franchisee fails to properly use Trade Secret Products as required in Section 10.3.
- e. Failure to Comply with Specific Operating Standards. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to comply with the following specific Operating Standards, as set forth in this Agreement or in the Manuals, and of which the Franchisor has given Franchisee at least fifteen (15) days' notice: (i) all employees wearing required uniforms as required in Section 10.9; (ii) using designated or approved suppliers as required in Section 10.3; (iii) complying with the insurance requirements set forth in Section 12; and (iv) always having adequate staffing and a trained manager on the premises of the Franchised Business as required in Section 10.6. The imposition of this fee does not limit Franchisor from any other remedies available to it under this Agreement or under applicable law.
- f. Failure to Keep Restaurant Open During Hours Required. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee's Franchised Business fails to be open for business for all the days and hours that are required, pursuant to Section 10.2(g). The hours include the time of opening and closing for business. This fee shall not apply in the event that Franchisee obtains Franchisor's prior written consent to close the Franchised Business for specific days or hours. Such consent shall apply only to each request Franchisee submits to Franchisor, which request shall include the specific dates and hours that Franchisee wishes to close the Franchised Business.
- g. Unauthorized Use of Marks. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) for each and every day, beginning with the first day up through and including the day the default is cured, that Franchisee makes any unauthorized use of the Marks in any manner or in any media, including but not limited to signage, menus, advertising, social media

or other internet use, and including during the term of this Agreement, or subsequent to its expiration or termination for any reason.

- h. Failure to Comply with Audit. Franchisee shall pay Franchisor a fee of One Thousand Dollars (\$1,000) per day, for each and every day, beginning with the first day up through and including the day the default is completely cured, that Franchisee fails to provide all the information, records, and documents that Franchisor requests in connection with an audit of Franchisee's Franchised Business under Section 4.7. of this Agreement, or refuses entry to Franchisor's representative for an inspection of the Franchised Business under Section 10.2(m).

## XVII. EFFECT OF TERMINATION OR EXPIRATION

17.1 Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights granted to Franchisee under this Agreement will immediately terminate, Franchisee shall cease to be a licensed franchisee of Franchisor, and:

(a) Franchisee shall immediately cease to operate the Franchised Business as an Franchised Business, and shall not thereafter, directly or indirectly, represent to the public that the restaurant is or was a Franchised Business;

(b) Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever, any menus, recipes, confidential formulae, equipment, methods, procedures, techniques associated with the System, the Marks, and Franchisor's other trade names, trademarks and service marks associated with the System. In particular, and without limitation, Franchisee shall cease to use all signs, menus, advertising and promotional materials, stationery, forms, packaging, containers and any other articles which display the Marks;

(c) In the event Franchisee continues to operate or subsequently begins to operate a restaurant or other business, Franchisee shall not use any reproduction, counterfeit, copy, or colorable imitation of the Marks in conjunction with such other business which is likely to cause confusion or mistake or to deceive, and further agrees to remove all unique markings, colors, décor, Marks and other features ("**Trade Dress**") that identify the Franchised Business as a former Franchised Business, and otherwise take all necessary steps to disassociate itself from the System and Franchisor, including but not limited to, the removal of signs and all Trade Dress from the premises of the Franchised Business and destruction of printed materials.

(d) Franchisee acknowledges that all telephone numbers, facsimile numbers, telephone directory listings, e-mail addresses, social media accounts, websites, internet addresses, listings or other presence on the Internet (collectively "**Identifiers**") used in the operation of the Franchised Business constitute Franchisor's assets, and upon termination or expiration of this Agreement, Franchisee will take such action within five (5) days to assign to Franchisor or Franchisor's designee as determined by Franchisor, all of Franchisee's right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks of the termination or expiration of Franchisee's right to use any Identifiers, and to authorize a transfer of the same to Franchisor, or at Franchisor's direction, to its designee. Further, Franchisee shall deliver to Franchisor any passwords or account manager access information for any Identifiers. Franchisee acknowledges that Franchisor has the sole right to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute



such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks or any other third parties having control over the Identifiers to transfer such Identifiers to Franchisor or Franchisor's designee. The telephone company and all listing agencies, internet service providers, domain name registrars, social media platforms or networks or any other third parties having control over the Identifiers may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor's rights to the Identifiers and Franchisor's authority to direct their transfer.

(e) Franchisee shall immediately take all actions as shall be necessary to amend or cancel any assumed name, fictitious or business name or equivalent registration that contains any Marks or other trademarks of Franchisor or in any way identifies Franchisee as being affiliated with the System;

(f) Franchisee shall immediately notify all of its suppliers, utilities, landlords, creditors and others with whom it is doing business that Franchisee is no longer affiliated with the Franchised Business or the System and provide proof to Franchisor of this notification within five (5) days of the termination or expiration of this Agreement;

(g) Franchisee shall immediately make such modifications or alterations to the Franchised Business premises or cessation of operation of the Franchised Business as may be necessary to prevent the operation of any businesses thereon by Franchisee or others in derogation of this Article XVII, and shall make such specified additional changes thereto as Franchisor may reasonably request for that purpose. The modifications and alterations required by this Article XVII shall include but are not limited to removal of all trade dress, proprietary marks and other indicia of the System;

(h) Franchisee shall immediately pay to Franchisor and its Affiliates all sums, fees or charges owed to Franchisor or its Affiliates;

(i) Franchisee shall immediately turn over to Franchisor the Manuals, training materials and any other materials containing the Confidential Information and other data, records, files, instructions, correspondence and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession and all copies thereof (all of which are acknowledged to be Franchisor's property) and shall retain no copy or record of any of the foregoing, in any format whether electronic or otherwise, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law; and

(j) Franchisee and its owners shall comply with all of the post-termination covenants set forth in Article XIV.

**17.2 Franchisor's Right to Purchase.** Franchisor shall have the right (but not the duty) to exercise by notice of intent to do so within thirty (30) days after termination or expiration of this Agreement, to purchase any and all improvements, furniture, fixtures, equipment, advertising and promotional materials, ingredients, products, materials, supplies, paper goods and any items bearing Franchisor's Marks at then-current fair market value, but specifically excluding any value for goodwill or going concern value. If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and his/her determination of fair market value shall be binding. If Franchisor elects to exercise any option to purchase provided in this Section, it shall have the right to set-off all amounts due from Franchisee under this Agreement and the

cost of the appraisal, if any, against any payment therefor. In the event the premises are leased to Franchisee, Franchisee shall, upon termination of this Agreement and upon request by Franchisor, immediately assign, set over and transfer unto Franchisor, at Franchisor's sole option and discretion, said lease and the premises, including improvements. Any such lease entered into by Franchisee shall contain a clause specifying the landlord's consent to assign such lease to Franchisor or its assignee in the event this Agreement is terminated.

17.3 Damages Resulting From Breach. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in seeking recovery of damages caused by any action of Franchisee in violation of, or in obtaining injunctive relief for the enforcement of, any portion of this Article XVII. Franchisee acknowledges and agrees that any failure to comply with the provisions of this Article XVII shall result in irreparable injury to Franchisor.

17.4 Additional Documents. Franchisee shall execute such documents as Franchisor may reasonably require to effectuate termination of the Franchised Business and Franchisee's rights to use the Marks and the System.

17.5 Acknowledgements. Upon the termination or expiration of this Agreement for any reason, Franchisee acknowledges and agrees that:

(a) No payment is due to Franchisee from any source for any claimed goodwill or other equity claimed by Franchisee based on Franchisee's operation or ownership of the Franchised Business, or otherwise; and

(b) No fees, charges, or other payments of any kind from Franchisee to Franchisor or its Affiliates are refundable wholly or partially.

## **XVIII. TAXES AND PERMITS**

18.1 Taxes. Franchisee shall promptly pay when due all taxes, accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business under this Agreement. Franchisor will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against Franchisee or the Franchised Business or on Franchisor in connection with your operation of the Franchised Business, or any payments Franchisee makes to Franchisor pursuant to this Agreement, including but not limited to royalties and advertising fund contributions (except for Franchisor's own income taxes). If any such taxes are assessed against Franchisor, Franchisee shall reimburse Franchisor the actual amount of the taxes upon demand and upon receipt of proof of tax assessment.

18.2 Permits. Franchisee, in the conduct of the Franchised Business, shall comply with all applicable laws and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business operated under this Agreement, including but not limited to licenses to do business, food service certifications, trade name registrations, sales tax permits and fire clearances.

## **XIX. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION**

19.1 Independent Contractor. This Agreement does not establish Franchisee as an agent, legal representative, joint venturer, partner, joint employer, employee or servant of Franchisor for any purpose whatsoever, and Franchisor shall not be construed to be jointly liable for any of Franchisee's or its employees' acts or omissions under any circumstances. Franchisee is solely responsible for the day-to-day operation of the Franchised Business. It is understood and agreed that Franchisee is an

independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor. The parties further agree that this Agreement does not create any fiduciary relationship between them. During the Term and any extension hereof, Franchisee agrees to take such action as Franchisor deems reasonably necessary for Franchisee to inform and hold itself out to the public, its employees and suppliers as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall prominently display, by posting of a sign within public view on or in the premises of the Franchised Business, and on any stationery, forms and promotional material a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee as a franchisee of Franchisor.

19.2 No Employment Relationship. Franchisee expressly acknowledges that Franchisee 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, Franchisee's obligations under this Agreement and the standards, specifications, policies and procedures required by Franchisor hereunder and in the Manuals are imposed not for the purpose of exercising control over Franchisee but rather for the limited purpose of protecting the Marks and Confidential Information, goodwill and brand consistency. The parties acknowledge and agree that Franchisee is solely responsible for the management of the Franchised Business as an independent franchise owner/operator.

19.3 Indemnification.

(a) Franchisee agrees to defend, indemnify and hold harmless Franchisor and its Affiliates, and their respective officers, directors, members, managers, employees, agents, predecessors, successors and assigns from all claims, demands, losses, damages, liabilities, cost and expenses (including attorneys' fees and expenses of litigation) resulting from, or alleged to have resulted from, or in connection with Franchisee's operation, possession or ownership of the Franchised Business, the Franchised Business premises, or Franchisee's use of the Marks and the System in any manner not in accordance with this Agreement, including but not limited to any claim or action based on or arising out of any injuries, including death, to persons or damage to or destruction of property, sustained or alleged to have been sustained in connection with or to have arisen out of or incidental to the Franchised Business and/or the performance of this Agreement by Franchisee, its shareholders, officers, directors, members, managers, partners, employees, agents, employees, and its subcontractors, their agents and employees or anyone for whose acts they may be liable, regardless of whether or not such claim, demand, damage, loss, liability, cost or expense is caused in whole or in part by the negligence of Franchisor, Franchisor's representatives, or the employees, agents, invitees, or licensees thereof.

(b) Franchisor shall advise Franchisee in the event Franchisor receives notice that a claim has been or may be filed with respect to a matter covered by this Agreement, and Franchisee shall immediately assume the defense thereof at Franchisee's sole cost and expense. In any event, Franchisor will have the right, through counsel of its choice, to control any matter to the extent it could directly or indirectly affect Franchisor and/or its Affiliates or their officers, directors, employees, agents, successors or assigns. If Franchisee fails to assume such defense, Franchisor may defend, settle, and litigate such action in the manner it deems appropriate and Franchisee shall, immediately upon demand, pay to Franchisor all costs (including attorneys' fees and cost of litigation) incurred by Franchisor in effecting such defense, in addition to any sum which Franchisor may pay by reason of any settlement or judgment against Franchisor.

(c) Franchisor's right to indemnify hereunder shall exist notwithstanding that joint or several liabilities may be imposed upon Franchisor by statute, ordinance, regulation or judicial decision.

(d) Franchisee agrees to pay Franchisor all expenses including attorneys' fees and court costs, incurred by Franchisor or its Affiliates, and their successors and assigns to remedy any defaults of or enforce any rights under this Agreement, effect termination of this Agreement or collect any amounts due under this Agreement.

## **XX. APPROVALS; WAIVERS; VARIATION OF STANDARDS**

### **20.1 Approvals.**

(a) Whenever this Agreement requires the prior approval of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval, and such approval or consent must be in writing.

(b) Franchisor makes no warranties or guarantees upon which Franchisee may rely. Franchisor assumes no liability or obligation to Franchisee or any third party to which Franchisor would not otherwise be subject by Franchisor providing any waiver, approval, advice, consent or suggestions to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

20.2 Waiver. No failure of Franchisor to exercise any 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 right to demand strict compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants of this Agreement affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any rights under this Agreement, or its right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payments due to it shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

20.3 Variation of Standards. Because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary standards described in this Agreement for any franchise owner based upon the peculiarities of any condition that Franchisor considers important to that franchise owner's successful operation. Franchisee has no right to require Franchisor to grant Franchisee a similar variation or accommodation.

## **XXI. NOTICES**

21.1 Notices. All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service, or by e-mail 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:

Notice to Franchisor:  
Chicago's Original Italian Beef Franchising LLC/Five Flavors Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu

General Counsel  
[blansu@buona.com](mailto:blansu@buona.com)  
AND  
Joseph Buonavolanto III  
Vice President of Franchising  
[JB3@buona.com](mailto:JB3@buona.com)

Notice to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address or e-mail address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

## **XXII. SEVERABILITY AND CONSTRUCTION**

22.1 Severability. Except as expressly provided to the contrary in this Agreement, each article, section, paragraph, part, term, and provision of this Agreement shall be considered severable. If, for any reason, any article, section, part, term, or provision of this Agreement is determined to be invalid, 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, or have any other effect upon, such other portions, articles, sections, parts, terms, or provisions of this Agreement as may remain otherwise enforceable, and the latter shall continue to be given full force and effect to bind the parties hereto, the invalid portions, articles, sections, parts, terms or provisions being deemed not to be part of this Agreement.

### 22.2 Construction.

(a) Except as has been expressly provided to the contrary in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, members, managers and employees, and Franchisee's and Franchisor's permitted respective successors and assigns, any rights or remedies under or by reason of this Agreement.

(b) All 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.

(c) All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgements, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all Franchisee parties hereto on behalf of Franchisee.

(d) This Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

(e) This Agreement may be signed with full legal force and effect using electronic signatures and records. Delivery of this Agreement by electronic mail or other functionally equivalent means of transmission constitutes valid and effective delivery.

### **XXIII. ENTIRE AGREEMENT; SURVIVAL**

23.1 Entire Agreement. This Agreement, the documents referred to herein and the exhibits hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and supersede any and all prior agreements. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, modification or variance of this Agreement shall be binding on either party unless in writing and executed by Franchisor and Franchisee. Representations by either party, whether oral, in writing, electronic or otherwise, that are not set forth in this Agreement shall not be binding upon the party alleged to have made such representations and shall be of no force or effect. Nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the franchise disclosure document provided to Franchisee. Franchisee understands and agrees that Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution of this Agreement and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and in the most recent franchise disclosure document provided by Franchisor or its representatives. Franchisee further acknowledges and agrees that no representations have been made to it by Franchisor regarding projected sales volumes, market potential, revenues, or profits of Franchisee's Franchised Business, other than as stated in this Agreement or in the most recent franchise disclosure document provided by Franchisor or its representatives.

23.2 Survival. Notwithstanding anything herein to the contrary, upon the termination of this Agreement for any reason whatsoever (including the execution of a subsequent franchise agreement pursuant to the provisions of Section 2.2(b)), or upon the expiration of the Term of this Agreement, all provisions of this Agreement which, by their nature, are intended to extend beyond the expiration or termination of this Agreement, shall survive termination or expiration and be fully binding and enforceable as though such termination or expiration had not occurred.

### **XXIV. DISPUTE RESOLUTION; APPLICABLE LAW; VENUE**

24.1 Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each party shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations

and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings.

Notwithstanding the foregoing, Franchisor shall have no obligation to mediate before commencing litigation in the following circumstances: (i) In the event Franchisor seeks the entry of temporary and permanent injunctions and orders of specific performance in a court of competent jurisdiction to: (a) enforce the provisions of this Agreement relating to Franchisee's use of the Marks and/or your non-disclosure and non-competition obligations under this Agreement; (b) prohibit any act or omission by Franchisee or Franchisee's 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 cause irreparable harm to Franchise, the System, the Marks and/or other franchises of Franchisor agree to waive any claims for damages in the event there is a later determination that an injunction or specific performance order was issued improperly; (ii) in the event Franchisor is filing suit to enforce Franchisee's obligations to pay Franchisor under this Agreement and to seek collection of such fees due and owing to Franchisor; and (iii) in the event Franchisee has abandoned the Franchised Business or has lost its right to possess the premises of the Franchised Business so that the Franchised Business is no longer operating.

24.2 Arbitration. Except for controversies, disputes or claims related to or based on Franchisee's use of the Marks or Confidential Information, Franchisee's compliance with its non-competition obligations and any rights Franchisor may have to possession of the premises of the Franchised Business under any sublease, lease or collateral assignments, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Franchisee (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Franchisee or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Franchisee or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association ("AAA") in accordance with the AAA's then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Cook County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

24.3 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction.

Franchisor and Franchisee agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

#### 24.4 Limitations on Proceedings.

(a) Franchisor and Franchisee agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Franchisee and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Franchisee. Further, neither Franchisor nor Franchisee shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Franchisee with another arbitration of any kind, nor shall Franchisor or Franchisee attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Franchisee controls, is controlled by, or is in active concert with another franchisee of Franchisor, or there is a guarantor of some or all of Franchisee's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Franchisee shall be permitted.

24.5 Governing Law/Consent to Venue and Jurisdiction. All arbitration proceedings between Franchisor and Franchisee shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee and/or any affiliate of Franchisee and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Cook County, Illinois or in arbitration in Cook County, Illinois pursuant to this Article XXIV, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Cook County, Illinois pursuant to this Article XXIV. Franchisor, Franchisor's Affiliates, Franchisee and Franchisee's Affiliates each waive their rights to a trial by jury.

24.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted; but each shall be cumulative of any other right or remedy provided in this Agreement.

24.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Franchisee will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Franchisee agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars



(\$1,000.00), but upon due notice, and Franchisee's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Franchisee. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

24.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Business, brought by Franchisee must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

24.9 DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

24.10 Costs and Attorney's Fees. If a claim for amounts owed by Franchisee to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Franchisee or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

24.11 Liquidated Damages. Franchisor shall have the right to impose liquidated damages against Franchisee in the following events: (a) Franchisee terminates this Agreement without good cause, (b) Franchisor terminates this Agreement based on Franchisee's material breaches under this Agreement, (c) Franchisee abandons the Franchised Business, which for purposes of this Section is failing to open or operate the Franchised Business for more than two (2) consecutive days, (d) loses possession of the premises of the Franchised Business and fails to find a new location and to re-open the Franchised Business or (e) Franchisee transfers an interest in the Franchised Business or the ownership of Franchisee or of the assets of Franchisee or the Franchised Business (or any interest therein) without fully complying with Article XV of this Agreement, whether or not Franchisor terminates this Agreement. The amount of liquidated damages shall be equal to (i) the number of months remaining in the term of this Agreement, times (ii) the average Gross Sales of Franchisee's Franchised Business for each Brand during the thirty-six (36) month period immediately preceding the date of termination (or if Franchisee has been in business less than 36 months, then during the entire period Franchisee has been in business), times (iii) the applicable royalty rate for the Gross Sales for each respective Brand as provided in Section 3.2 herein times (iv) the present value factor based on an interest rate of four percent (4%) per year (4/12% per month), using the Present Value of an Annuity. This remedy is in addition to Franchisor's other rights and remedies set forth in this Agreement. The liquidated damages are not a penalty or forfeiture, but are a reasonable measure of damages where the exact amount of actual damages would be difficult to ascertain. Franchisee also agrees to pay Franchisor's costs and attorney's fees in connection with enforcing this Liquidated Damages provision.

25.1 Modifications. No modification of any provision of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee; however, the Manuals may be modified by Franchisor from time to time and is fully enforceable against Franchisee.

25.2 Beneficiaries. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third parties shall have any right or claims, benefit, or right as a third party beneficiary under this Agreement or any provision hereof. Similarly, Franchisee is not entitled to claim any rights or benefits including those of a third party beneficiary, under any contract, understanding or agreement between Franchisor and any other person or entities, unless that contract, understanding or agreement specifically refers to Franchisee by name or to a class which Franchisee belongs and specifically grants rights or benefits to Franchisee or to the concerned class.

25.3 Entity Authority. The person or persons signing this Agreement for Franchisee warrant to Franchisor that he, she or they have the requisite authority to sign this Agreement. At the request of Franchisor, the concerned Entity signatory agrees to promptly provide Franchisor with a certified copy of the resolution or other document authorizing the execution of this Agreement and naming the officers or other positions of the Entity that are authorized to sign this Agreement for the Entity.

25.4 Set Off. Franchisee shall not be allowed to set off amounts owed to Franchisor or other amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold any amounts due to any alleged nonperformance by Franchisor hereunder, which right of set off is expressly waived by Franchisee. Franchisor shall be allowed to set off amounts owed to Franchisee against monies owed to Franchisor by Franchisee.

25.5 Joint and Several Liability. If two or more persons, corporations, partnerships, or other entities or any combination thereof, sign this Agreement, the liability of each shall be joint and several. All Principals are jointly and severally liable for the performance of Franchisee hereunder.

25.6 Successors in Interest. This Agreement is binding upon the heirs, administrators, personal representatives, assigns and successors in interest to the parties to this Agreement.

25.7 Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably, in good faith or as it deems necessary or advisable, Franchisor will satisfy its obligations whenever Franchisor exercises reasonable business judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System and Franchised Businesses generally, even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit all Franchised Businesses and the System include but are not limited to enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

25.8 Modification of the System. Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System including but not limited to altering the products, programs, services,

methods, standards, forms, policies and procedures of the System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services that the Franchised Restaurant is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes that Franchisee is required to observe under this Agreement; and changing, improving, modifying, or substituting other words or designs for, the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder. Franchisee will accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including but not limited to any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

25.9 Force Majeure. Neither Franchisee nor Franchisor will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform their 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, riot, acts of terrorism, or pandemic; 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. However, this clause shall not apply or not result in an extension of the term of this Agreement.

25.10 Executive Order 13224. To enable Franchisor to comply with U.S. Executive Order 13224, Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of its equity owners, directors, officers, employees, representatives, and agents (collectively, the "Included People"): (a) is, or is owned or controlled by, a suspected terrorist or foreign terrorist, as those terms are used, contemplated, and/or implied in Executive Order 13224, and (b) to the best of Franchisee's knowledge, has any of the Included People been designated a suspected terrorist or foreign terrorist as those terms are used, contemplated, and/or implied in Executive Order 13224.

25.11 Acknowledgements.

(a) FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETED COPY OF THIS AGREEMENT, THE EXHIBITS HERETO, IF ANY, AND THE AGREEMENTS RELATING THERETO, IF ANY, PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED "DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES" AT LEAST FOURTEEN (14) DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, APPLICABLE BY STATE.

(b) FRANCHISEE RECOGNIZES AND UNDERSTANDS THAT IT MAY INCUR OTHER EXPENSES AND/OR OBLIGATIONS AS PART OF THE INITIAL INVESTMENT IN THE FRANCHISED BUSINESS WHICH THE TERMS OF THIS AGREEMENT MAY NOT ADDRESS, AND WHICH INCLUDE WITHOUT LIMITATION: OPENING ADVERTISING, EQUIPMENT, FIXTURES, OTHER FIXED ASSETS, CONSTRUCTION, LEASEHOLD IMPROVEMENTS AND DECORATING COSTS AS WELL AS WORKING CAPITAL NECESSARY TO COMMENCE OPERATIONS.

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

25.12. We have the right, at any time, to require you to execute and deliver separate Franchise Agreements for each Brand, each containing all of the terms of this Agreement pertaining to such Brand. You agree to execute and return such replacement Franchise Agreements to Franchisor within thirty (30) days after receipt of such agreements.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed, sealed, and delivered this Agreement on the date below each signature.

**FRANCHISOR:**

**Chicago's Original Italian Beef Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**Five Flavors Franchising, LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

**EXHIBIT A**  
**APPROVED LOCATION AND PROTECTED AREA**

As provided in the above franchise agreement, the following information is now available and is hereby specified for inclusion in the franchise agreement.

**Approved Location:** The location approved by the Franchisor for operation of the Franchised Business is \_\_\_\_\_  
\_\_\_\_\_ (“Approved Location”).

**Description of the Buona Protected Area:** ~~The boundaries of the Buona Protected~~

**Non-Urban Area** ~~are described as follows:~~ [INSERT DESCRIPTION]

~~. If a map of the Approved Location is attached hereto in a non-urban area, the boundaries of the Buona Protected Area as shown on the map shall control.~~ are described as follows: [INSERT DESCRIPTION].

The parties acknowledge and agree that the Buona Protected Area described above contains the following people population: \_\_\_\_\_.

**Description of The Original Rainbow Cone Urban Area.** ~~Within~~ If the Approved Location is in an urban area, the Buona Protected Area shall be a one-half (1/2) mile radius of from the Approved Location.

If a map is attached hereto, the boundaries of the Protected Area as shown on the map shall control.

**FRANCHISOR:**  
**Chicago’s Original Italian Beef**  
**Franchising LLC**  
An Illinois limited liability company

**FRANCHISEE:**  
\_\_\_\_\_

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Five Flavors Franchising, LLC**  
An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**EXHIBIT B**  
**ADDENDUM TO LEASE AND COLLATERAL ASSIGNMENT OF**  
**LEASE**

This Addendum to Lease, dated \_\_\_\_\_, 20\_\_\_\_, is entered into by and between \_\_\_\_\_ (“**Lessor**”), and \_\_\_\_\_ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement, dated \_\_\_\_\_, 20 , and pertaining to the premises located at \_\_\_\_\_ (“**Lease**”). Lessor acknowledges that Lessee intends to operate a Buona/The Original Rainbow Cone Franchised Business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Chicago’s Original Italian Beef Franchising LLC, an Illinois limited liability company and Five Flavors Franchising, LLC (collectively “**Franchisor**”) under the names designated by Franchisor (herein referred to as “**Franchised Business**”).

B. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Term. The term of the Lease (initial term or initial term plus any renewal options) shall extend through the term of the Franchise Agreement which shall expire on \_\_\_\_\_.

2. Use of Premises. Lessor and Lessee agree that, during the term of the Franchise Agreement, the Premises shall be used only for the operation of a Franchised Business under a Franchise Agreement with Franchisor, unless another use is approved in writing Franchisor.

3. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

4. Franchisor’s Right to Enter. Lessor and Lessee agree that the employees of Franchisor, or its parent, subsidiaries or affiliates, shall have the right to enter the leased premises to make any modifications necessary to protect their proprietary marks.

5. Retail Radius Restrictions in Lease. Any “retail radius restriction” or similar provision shall not be binding upon nor enforceable against Franchisor, nor shall such provision be enforceable against the Lessee in case Franchisor, its parent, subsidiaries or affiliates open a location within a restricted area.

6. Assignment. Lessee shall have the right to assign all of its right, title and interest in the Lease to Franchisor or its parent, subsidiary, affiliate, or another franchisee, at any time during the term of the Lease, including any extensions or renewals thereof, without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as Attachment A (the “**Collateral Assignment**”). However, no assignment shall be effective until the time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment, and nothing contained herein or in any other document shall constitute Franchisor or its designated transferee a

party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or its designated transferee unless and until the Lease is assigned to, and accepted in writing by, Franchisor or its designated transferee. In the event of any assignment, Lessee shall remain liable under the terms of the Lease. Franchisor shall have the right to reassign the Lease to another franchisee without the Lessor's consent in accordance with this Section.

~~7.1. Amendment/Termination During Default and Notice.~~

~~a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in the Collateral Assignment. Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.~~

~~b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:~~

Chicago's Original Italian Beef Franchising LLC  
Five Flavors Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu  
General Counsel  
[blansu@buona.com](mailto:blansu@buona.com)  
AND  
Joseph Buonavolanto III  
Vice President of Franchising  
[JB3@buona.com](mailto:JB3@buona.com)

~~Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.~~

~~e)7. Term. Following Franchisor's approval of the Lease, Lessor and Lessee agreesagree not to terminate prior to the end of the Lease term, or in any way amend or alter or amend the same during the term of the Franchise Agreement, including any renewal thereof, the terms of this Lease without Franchisor's prior written consent, and any. Any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.~~

8. Default and Notice.

a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the



default and take an automatic assignment of Lessee's interest as provided in the Collateral Assignment. Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated, to cure the default or violation.

b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

Chicago's Original Italian Beef Franchising LLC  
Five Flavors Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu  
General Counsel  
blansu@bouna.com  
AND  
Joseph Buonavolanto III  
Vice President of Franchising  
JB3@buona.com

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

8.9. Termination or Expiration.

a) Upon Lessee's default and failure to cure the default within the applicable cure period, if any, under either the Lease or the Franchise Agreement, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any later time to re-assign the Lease to a new franchisee without Lessor's consent and to be fully released from any and all liability to Lessor upon the reassignment, provided the franchisee agrees to assume Lessee's obligations and the Lease.

b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's marks, system, and trade dress, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

9.10. Consideration; No Liability.

a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment from Lessee to Franchisor as evidenced by Attachment A hereto.

b) Lessor further acknowledges that Lessee is not an agent or employee of

Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

~~10~~11. Sales Reports. If requested by Franchisor, Lessor will provide Franchisor with whatever reports, information or data Lessor has regarding Lessee's sales from its Franchised Business.

~~11~~12. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

~~12~~13. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

~~13~~14. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Addendum.

**IN WITNESS WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

**LESSOR:**

**LESSEE:**

\_\_\_\_\_

\_\_\_\_\_

By

By

\_\_\_\_\_

\_\_\_\_\_

Title

Title

\_\_\_\_\_

\_\_\_\_\_

**Attachment A**  
**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (**Effective Date**), the undersigned, \_\_\_\_\_, (**Assignor**) hereby assigns, transfers and sets over unto Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company and/or Five Flavors Franchising LLC, an Illinois limited liability company (**Assignee**) all of Assignor's right, title and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as Attachment A (**Lease**) with respect to the premises located at \_\_\_\_\_. This Collateral Assignment of Lease (**Collateral Assignment**) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Collateral Assignment unless Assignee shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement for a Franchised Business between Assignee and Assignor (**Franchise Agreement**), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in the event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease at least thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

**ASSIGNEE:**

**CHICAGO'S ORIGINAL ITALIAN BEEF  
FRANCHISING LLC**

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

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

**FIVE FLAVORS FRANCHISING, LLC**

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

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

**EXHIBIT C**  
**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION**  
**FORM**

|                                                                  |                           |
|------------------------------------------------------------------|---------------------------|
| Franchisee Name                                                  | Business No.              |
| Franchisee Mailing Address (street)                              | Franchisee Phone No.      |
| Franchisee Mailing Address (city, state, zip)                    |                           |
| Contact Name, Address and Phone number (if different from above) |                           |
| Franchisee Fax No.                                               | Franchisee E-mail Address |

Bank Account Information:

|                                                 |             |         |                             |
|-------------------------------------------------|-------------|---------|-----------------------------|
| Bank Name                                       |             |         |                             |
| Bank Mailing Address (street, city, state, zip) |             |         |                             |
| Bank Account No.                                | Checking    | Savings | Bank Routing No. (9 digits) |
|                                                 | (check one) |         |                             |
| Bank Mailing Address (city, state, zip)         |             |         | Bank Phone No.              |

Authorization:

Franchisee hereby authorizes Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company and Five Flavors Franchising LLC (collectively "Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

|                              |             |
|------------------------------|-------------|
| Signature: _____             | Date: _____ |
| Name: _____                  |             |
| Its: _____                   |             |
| Federal Tax ID Number: _____ |             |

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

## EXHIBIT D

### STATEMENT OF OWNERSHIP

Name of Entity and, if applicable, Trade Name: \_\_\_\_\_  
\_\_\_\_\_

Form of Ownership (Check One)

\_\_\_\_ Corporation    \_\_\_\_ Limited Liability Company    \_\_\_\_ Partnership

Or    \_\_\_\_ Other: \_\_\_\_\_

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

State and Date of Formation: \_\_\_\_\_

Management: Managers, officers, board of directors, etc.

| Name | Title |
|------|-------|
|      |       |
|      |       |
|      |       |

Owners: Members, Stockholders, Partners

| Name | Address | Percentage Owned |
|------|---------|------------------|
|      |         |                  |
|      |         |                  |
|      |         |                  |

Operating Owner (as defined in Section 6.1(c)) designated by Franchisee: \_\_\_\_\_

Franchisee acknowledges this Statement of Ownership applies to Franchised Business authorized under the Franchise Agreement. Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

**FRANCHISEE:** \_\_\_\_\_

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

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

Date: \_\_\_\_\_

## EXHIBIT E

### GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS ("Guaranty") is made as of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to, the execution of the Franchise Agreement by Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company, and Five Flavors Franchising LLC, an Illinois limited liability company (collectively "Franchisor"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that \_\_\_\_\_ ("Franchisee") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;

2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;

3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Franchisee's obligations to Franchisor under the Franchise Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.

4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.

5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Franchisee's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f) Guarantor has established adequate means of obtaining from Franchisee, on a continuing basis, information regarding Franchisee's financial condition.

Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Franchisee.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Franchisee, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Franchisee, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Franchisee's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Franchisee for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Franchisee to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Franchisee which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Franchisee are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Franchisee, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) **Perform Work.** Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchised Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the



lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.

- (b) Cure Defaults. Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) Specific Performance. From time to time and without first requiring performance on the part of Franchisee and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Franchisee's Debt to Guarantor.** Guarantor agrees that, until full payment of the amounts due to Franchisor from Franchisee under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Franchisee, whether or not Franchisee becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Franchisee, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Franchisee. In the event of insolvency and consequent liquidation of the assets of Franchisee through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Franchisee applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Franchisee. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Franchisee or against any assignee or trustee in bankruptcy of Franchisee; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Guaranty:

- (a) Amendments. This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.

- (b) Attorneys' Fees; Expenses. Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) Governing Law. This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) Choice of Venue. If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) No Waiver by Franchisor. Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.
- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. Definitions. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Franchisee. The word "**Franchisee**" means \_\_\_\_\_, and all other persons and entities signing the Franchise Agreement in whatever capacity.
- (b) Guarantor. The word "**Guarantor**" means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word "**Franchisor**" means Chicago's Original Italian Beef Franchising LLC, Five Flavors Franchising LLC, and their respective successors and assigns.

[remainder of page intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Franchisee: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Franchisee: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

Percentage ownership must equal 100

## EXHIBIT F

### SECURITY AGREEMENT

Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company, and Five Flavors Franchising LLC, an Illinois limited liability company (collectively "Secured Party"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Debtor"), agree as follows:

#### 1. Background.

Secured party, as franchisor, and Debtor, as franchisee, are parties to a Franchise Agreement of even date (the "Franchise Agreement") pursuant to which, among other things, Debtor is obligated to pay, from time to time, certain sums to Secured Party. In order to induce Secured Party to enter into the Franchise Agreement, Debtor, among other things, is entering into this Security Agreement pursuant to which Debtor's payment and performance of all obligations under the Franchise Agreement are secured on the terms and conditions hereinafter provided for. Capitalized terms defined in the Franchise Agreement shall have the same meaning herein as therein.

#### 2. Security Interest.

To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities collectively, "Obligations"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in and to the Franchise Agreement and all signs and other appurtenances and other property, real and personal, bearing any of the Proprietary Marks used at, located on or affixed to the Franchised Business operated by Debtor ("Franchised Restaurant"), and all equipment, fixtures, furnishings and improvements located at the Franchised Restaurant, whether now owned or hereafter acquired by Debtor (the "Collateral").

#### 3. Default.

3.1. Definitions. The term "Event of Default" means the occurrence and continuation of any one (1) or more of the following events:

(a) any failure of Debtor promptly and faithfully to pay, observe and perform, when due, any of the Obligations;

(b) if Debtor becomes insolvent, commits an act of bankruptcy, files a voluntary petition in bankruptcy, or an involuntary petition in bankruptcy is filed, or a permanent or temporary receiver or trustee for the Franchised Restaurant, or all or substantially all of the Debtor's property, is appointed by any court and such appointment is not actively opposed through legal action, or Debtor makes an assignment or arrangement for the benefit of creditors, or calls a meeting of creditors, or Debtor makes a written statement to the effect that he or it is unable to pay his or its debts as they become due, or a levy of execution is made upon Debtor, or an attachment or lien outstanding with respect to the Franchised Restaurant for thirty (30) days, unless the attachment or lien is being duly contested in good faith by Debtor and Secured Party is advised in writing

(c) if Debtor loses possession or the right of possession of all or a significant part of the Franchised Restaurant through condemnation or casualty and the Franchised Restaurant is not relocated or reopened as required by the Franchise Agreement;

(d) if Debtor abandons, surrenders or transfers control of the operation of the Franchised

Business without Secured Party's prior written consent; or

(e) if Debtor is a corporation, limited liability company, partnership, joint venture or other legal entity, any action is taken which purports to merge, consolidate, dissolve or liquidate Debtor without the prior written consent of Secured Party.

3.2. Remedies. Upon the occurrence of an Event of Default, all amounts payable to Secured Party shall become immediately due and payable and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the state or states in which the Collateral may be located, including, but not limited to, the right to enter upon the Franchised Restaurant peaceably and remove all Collateral. Secured Party shall give Debtor reasonable notice of the time and place of any public or private sale or other intended disposition of all or any particular Collateral, as the case may be. Debtor agrees that the requirement of reasonable notice shall be met if notice is mailed to Debtor at its address first above written not less than five (5) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and other legal expenses. Secured Party's rights and remedies, whether pursuant hereto or pursuant to the Illinois Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Illinois Uniform Commercial Code, shall be cumulative and not alternative.

4. Notices. Any notice, request or other communication to either party by the other as provided for herein shall be given in writing and shall be deemed given on the date the same is (i) actually received or (ii) three (3) days after being mailed by certified or registered mail, return receipt requested, postage prepaid and addressed to the addresses first set forth below. The person and the place to which notices or copies of notices are to be mailed to either party may be changed from time to time by such party by written notice to the other party.

5. Applicable Law. This Agreement shall be governed by and interpreted under the laws of the State of Illinois, without regard to the principles of conflict of laws thereof.

6. Miscellaneous.

6.1. This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns, and legal representatives of the parties hereto.

6.2. The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.

6.3. Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself (as secured party) and for Debtor (as debtor), as Debtor's agent. Upon Secured Party's request, Debtor shall execute any such financing statement as debtor.

**SECURED PARTY:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISIGN LLC**

**DEBTOR:**

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

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

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

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

**FIVE FLAVORS FRANCHISING, LLC**

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

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

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

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

**EXHIBIT C**  
**AREA DEVELOPMENT AGREEMENT**





AREA DEVELOPMENT AGREEMENT

CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC

with

---

---

## CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC

### AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("this Agreement") is entered into by and between Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability Franchisor, having its principal place of business at 6801 Roosevelt Road, Berwyn, IL 60402 ("Franchisor", "we" or "us"), and \_\_\_\_\_, a \_\_\_\_\_ with a principal address of \_\_\_\_\_ ("Developer" or "you"). Certain provisions of this Agreement are applicable to the owners of Developer ("Owners") on whose business skill, financial capability and personal character we are relying in entering into this Agreement.

#### WITNESSETH:

WHEREAS, Franchisor is in the business of offering and selling franchises for a restaurant featuring Italian beef and other food items under the name, service marks and trademarks "BUONA," "BUONA BEEF" and similar marks and logos (the "Marks") using certain procedures, techniques, business methods, business forms, business policies and a body of knowledge pertaining to the establishment and operation of Buona restaurants (the "System").

WHEREAS, Franchisor also grants development rights to persons or entities who meet our qualifications and who are willing to undertake the investment and effort necessary to establish, develop, own and operate multiple Buona restaurants in accordance with the System.

WHEREAS, you have expressed a desire to and have applied for the right to develop, own and operate a total of three (3) or more Buona Restaurants and Franchisor has approved your application in reliance upon all of the representations made therein and is willing to grant to Developer the right to develop multiple Buona restaurants within a certain agreed upon territory on the terms and conditions set forth herein.

WHEREAS, Developer is signing simultaneously with this Agreement a Franchise Agreement for the establishment of its first Buona franchised restaurant.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

#### 1. GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, the right to obtain licenses, subject to the terms of this Agreement, to establish and operate BUONA franchised restaurants ("Buona Restaurant") within the geographic area described in Exhibit A attached hereto and incorporated herein by this reference ("Development Area"). Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement, as defined in Section 4.1 below, or under the termination of this Agreement pursuant to Section 7 below.

1.2 You agree to be bound by the development schedule set forth in Exhibit B attached hereto ("Development Schedule"). Time is of the essence of this Agreement. Each Buona restaurant franchise must

be established and operated pursuant to a separate Franchise Agreement ("Franchise Agreement") to be entered into by you (or an entity owned by your Owners) and us. Each Franchise Agreement shall be in the form of Franchise Agreement being offered by us at the time you execute the Franchise Agreement, which may differ from the form of Franchise Agreement being offered by us on the date of execution of this Agreement, except that an addendum to the Franchise Agreement shall be entered into to incorporate terms of this Agreement relating to payments due under each Franchise Agreement. The terms and conditions of each such Franchise Agreement shall control the establishment and operation of such Buona Restaurant.

1.3 Except as otherwise provided in this Agreement, and as long you are in compliance with the Development Schedule and otherwise in compliance with this Agreement, we shall not establish, nor license anyone other than Developer the right to establish any Buona Restaurant in the Development Area prior to the expiration of the Development Schedule set forth in Exhibit B. As an alternative to a contiguous Development Area in which all Franchised Restaurants will be developed, we may designate a separate Development Area for each Franchised Restaurant to be developed and each specified Development Area will expire according to the development deadlines for that particular Franchised Restaurant as set forth in Exhibit B. We (and any affiliate) reserve the right to:

(a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks ("Alternate Distribution Channels");

(b) 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.

(c) to acquire or be acquired by a Franchisor establishing businesses identical or similar to the Buona Restaurant, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area; and

(d) to implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and

(e) to engage in any other business activities not expressly prohibited by this Agreement.

1.4 This Agreement is not a Franchise Agreement, and you shall have no right to use in any manner the System or the Marks by virtue of entering into this Agreement.

1.5 Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

## **2. FEES**

2.1 Concurrent with the execution of this Agreement, you must execute a Franchise Agreement for the first Buona Restaurant to be developed and pay the initial franchise fees of Forty Thousand Dollars (\$40,000.00) due under said Franchise Agreement. The initial franchise fee for the remaining Franchise

Agreements shall be Thirty-Two Thousand Dollars (\$32,000.00) on the condition that, at the time you sign any additional Franchise Agreement under this Agreement, you are currently in compliance with the Development Schedule. If you are not in compliance with the Development Schedule at the time of signing any additional franchise agreement, you will pay the then-current initial franchise fee being charged to new franchisees if it is greater than Thirty-Two Thousand Dollars (\$32,000.00).

2.2 Upon the execution of this Development Agreement, you shall pay a fee ("Development Fee") in the amount of Sixteen Thousand Dollars (\$16,000.00) times the number of additional Buona 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, 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 Sixteen Thousand Dollars (\$16,000.00) of the Development Fee against the Initial Franchise Fee for each additional Franchise Agreement for a Buona Restaurant executed pursuant to, and in accordance with, this Development Agreement.

Pursuant to the above paragraph and the Development Schedule, the Development Fee under this Agreement is \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

2.3 A separate Franchise Agreement shall be executed for each additional Buona Restaurant. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Buona Restaurant.

### **3. DEVELOPMENT OBLIGATIONS**

3.1 The terms and conditions of this Agreement are contingent upon you being in full compliance with the Development Schedule. In addition, you must at all times after the opening of each Buona Restaurant continuously maintain in operation pursuant to each Franchise Agreement at least the number of Buona Restaurants set forth in the Development Schedule, and your Owners must at all times own a majority control over the entity that owns each Buona franchise developed hereunder. You may develop and open any Buona Restaurant earlier than the date set forth in the Development Schedule as long as you do so in compliance with this Agreement and the applicable Franchise Agreement.

3.2 You must develop each Buona Restaurant in the following manner:

(a) By giving us written notice of your intention to begin development of the next Buona Restaurant at least thirty (30) days before the execution of the Franchise Agreement for the applicable restaurant;

(b) By submitting to us a description of the proposed site, together with a letter of intent in a form approved by us or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site;

(c) By executing the then-current form of the Franchise Agreement for the applicable restaurant at the approved site and complying with its terms. We acknowledge that the franchisee for each Franchise Agreement may be a separate entity owned by your Owners.

(d) By executing a lease, in a form approved by us, or purchase agreement for the

proposed site; and

(e) By meeting all of the requirements for developing and opening the Buona Restaurant under the terms of the applicable Franchise Agreement.

3.3 We will be obligated to execute the Franchise Agreement only if (i) you continue to maintain the requisite knowledge, experience, skills, and financial resources to perform as a franchisee, (ii) you are in compliance with this Agreement, including but not limited to compliance with the Development Schedule and in compliance with the in-term covenants set forth in Paragraph 6.4, (iii) you (and/or an affiliate) are in compliance any and all existing Franchise Agreements between us.

3.4 Subject to our prior written approval, you may develop and open more Buona Restaurants in the Development Area than you are required to develop under the Development Schedule.

3.5 At Franchisor's request, Developer shall provide to Franchisor a periodic report of Developer's activities and progress in developing and establishing Buona franchised restaurants under this Agreement. The reports shall be submitted in the form and in the manner specified by Franchisor.

#### **4. TERM AND RIGHT OF FIRST REFUSAL**

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement shall expire on the date you sign a Franchise Agreement for the last franchise to be developed under this Agreement. The term of this Agreement is not related or affected by the term of any franchise agreement, lease, or other agreement related to any Buona Restaurant. This Agreement does not contain or create any right to renewal. Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement.

4.2 Following the completion of the Development Schedule and the termination of your exclusive rights to the Development Area, provided you are in full compliance with this Agreement, you shall have the rights of first refusal set forth below:

(a) In the event we seek to establish or license others to establish a Buona Restaurant within the Development Area, we shall first offer you the option to establish such additional Buona Restaurants under our then-current terms and conditions. We shall provide you with written notice of our intent to establish or license another to establish an additional Buona Restaurant along with a general description of the proposed Buona Restaurant, a copy of the then-current Franchise Disclosure Document and Franchise Agreement and all other documents we deem necessary to include with the notice. You shall have thirty (30) days from the receipt of our notice to exercise the option to establish such additional Buona Restaurants by executing the Franchise Agreement and all other documents we require for such additional Buona Restaurants and to pay the initial fee due under the agreement. If you fail to execute the Franchise Agreement and other required documents and to pay the initial fee required under the Franchise Agreement within the said thirty (30) day period, you shall have no further right to establish or operate such additional Buona Restaurant. Notwithstanding the foregoing, in the event our bona fide arrangements or agreements with a bona fide third party, the lease restrictions for the proposed premises of the Buona Restaurant, or other circumstances or conditions related to the establishment of the additional Buona Restaurant, prevent or restrict you from operating the additional Buona Restaurant or restrict or prevent us from offering you the rights set forth in this Paragraph, we shall have no obligation to offer you the right to establish or operate the additional Buona Restaurant.

5. **DUTIES OF THE DEVELOPER**

5.1 You shall perform the following obligations:

- (a) You shall comply with all terms and conditions set forth in this Agreement.
- (b) You shall comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement; however, we shall determine what, if any, initial training at our headquarters will be required of your Owners and managers in connection with the second or any subsequent Franchise Agreements.
- (c) You shall comply with the non-disclosure and non-competition obligations under Section 6 of this Agreement.

6. **PROPRIETARY MARKS/CONFIDENTIAL INFORMATION**

6.1 Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that under this Agreement we do not grant you any right to use the Marks. Any right to use the Marks is granted under the individual franchise agreements executed by you in connection with this Agreement. You must not use the Marks, or any portion of any Mark or any name confusingly similar to any Mark as part of your business entity name.

6.2 Confidential Information. For purposes of this Agreement, the term “Confidential Information” means information relating to Franchisor or the System that is not generally available to the public, including the Manual, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Buona Restaurant and the System. Confidential Information does not include information Developer can demonstrate came to Developer’s attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Developer, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Developer by Franchisor, becomes a part of the public domain, through publication or communication by others.

6.3 Non-disclosure Agreement. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development of Buona Restaurants under this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition, a breach of this Agreement and copyright infringement. You acknowledge and agree that the Confidential Information belongs to us and our affiliate, is proprietary information, and may contain trade secrets belonging to us and our affiliate and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree herein, that you: (1) will not use the Confidential Information during and after the term of this Agreement in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees and the use of non-disclosure and/or

non-competition agreements we may prescribe for your employees who have access to the Confidential Information. Upon our request, you must provide us with copies of signed non-disclosure and/or non-competition agreements signed by any Owners, managers or employees. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) information, processes, or techniques which are generally known and used in the food and restaurant industry (as long as the availability is not because of a disclosure by you) and (b) disclosure of the Confidential Information in legal proceedings when you are legally required to disclose it and you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

6.4 In-Term Non-Competition Agreement. You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information between you and us if you or your Owners were permitted to hold interests in any competitive businesses, as described below. You also acknowledge that we have entered into this Agreement with you in part in consideration of, and in reliance on, your agreement to deal exclusively with us. Therefore, during the term of this Agreement, neither you, nor any Owner, may, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with, any person or legal entity, own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any business which offers products or services which are the same as, or similar to, those offered by a Buona Restaurant (other than through a franchise agreement with Franchisor), or any entity which is granting franchises or licenses for any business which offers products or services which are the same as, or similar to, those offered by a Buona Restaurant. (The ownership of five percent (5%) or less of a publicly traded Franchisor will not be deemed to be prohibited by this paragraph.) Further, during the term of this Agreement, you will not (1) divert customers or business from any Buona Restaurants to any other business or (2) hire any employees of ours or our affiliates.

## 7. DEFAULT AND TERMINATION

7.1 The right to open Buona Restaurants has 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 comply strictly with the Development Schedule.

7.2 You shall be in default under this Agreement, and all rights granted herein to you shall automatically terminate without notice or an opportunity to cure if:

(a) you are adjudicated bankrupt, become insolvent, commits any affirmative action of insolvency or files 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 its creditors;

(b) if a final judgment against your business assets remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed);

(c) if execution is levied against your business or property;

(d) if suit to foreclose any lien or mortgage against Developer's premises or business assets is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary

petition for bankruptcy or insolvency filed by you;

(e) upon the dissolution of the entity that is Developer is dissolved, or upon the death of one or more of your Owners;

(f) Developer or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks; or

(g) Developer, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any officer, director, member, manager or employee of Franchisor or any of its Affiliates, or any Buona franchisee or employees of franchisees, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct.

7.3 If you (i) fail to meet any of the deadlines set forth in the Development Schedule; (ii) fail to comply with any other term and condition of this Agreement; (iii) make or attempt to make a transfer, sale or assignment of this Agreement in violation of this Agreement; or (iv) you or other entity owned by the Owners are in default under any individual Franchise Agreement with us, or of any other agreement to which we are parties; any such event shall constitute a default under this Agreement. Upon any such default, we, in our sole discretion, may do any one or more of the following:

(a) Terminate this Agreement and all rights granted hereunder to you without affording you any opportunity to cure the default effective immediately upon delivery to you of a written notice from us;

(b) Reduce the number of Buona Restaurants which you have the right to establish and open pursuant to this Agreement and reduce the corresponding Development Territory; or

(c) Exercise any other rights and remedies which we may have under applicable law.

7.4 Upon termination or expiration of this Agreement, all remaining rights granted to you to establish and open Buona Restaurants under this Agreement for which a Franchise Agreement has not been executed shall automatically be null and void. You shall have no right to establish, open or operate any Buona Restaurants for which a Franchise Agreement has not been executed by us prior to the date of termination or expiration of this Agreement. Upon termination or expiration of this Agreement, we will have the right to establish ourselves or through an affiliate or grant to a third party the right to establish a Buona Business within the Development Territory as long as there is no violation of the territorial protections granted to you under existing individual Franchise Agreements.

7.5 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto. The terms and conditions of each Franchise Agreement must be complied with by you or your affiliate as franchisee thereunder and shall control in determining whether any default exists under such Franchise Agreement.

7.6 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other



right or remedy provided or permitted by law or equity.

## 8. TRANSFERABILITY; ENTITY AS DEVELOPER

8.1 This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Franchisor herein.

8.2 You understand and acknowledge that the rights granted to you in this Agreement are personal to you and that we granted them in reliance upon the qualifications of you or your Owners. You and your Owners shall not, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Developer to any third party, and nothing in this Agreement shall be construed as granting you the right to do so. Any purported assignment, sale or transfer by Developer or its Owners shall be null and void and shall constitute a material default hereunder. Any such purported assignment or transfer occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, shall be a material default of this Agreement. You have represented and hereby represent to us that you are entering into this Agreement with the intention of complying with its terms and conditions through the term of this Agreement and not for the purpose of resale of the developmental rights hereunder.

## 9. POST-TERMINATION COVENANTS

9.1 Unless otherwise specified, the term "Developer" as used in this Section 9 shall include each and every Owner of Developer.

9.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will have access to the Confidential Information. Accordingly, Developer covenants that Developer and its Owners shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or entity:

(a) own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any Competitive Business or any entity which is franchises, licenses or develops Competitive Businesses within the Development Area, or within a ten (10) mile radius of any existing Buona Restaurant, except under a validly existing Franchise Agreement with Franchisor. You acknowledge and agree that, after the date of this Agreement, other Buona Restaurants may open, thereby expanding the geographical area in which you will not be able to compete with us. For purposes of this Section 9, a **"Competitive Business"** is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from Italian beef and Italian sausage products and other Italian specialties.

(b) directly or indirectly divert or attempt to divert any former business or customer of a Buona Restaurant to any competitive business; and

(c) employ or seek to employ any person employed by us or our affiliate or by any other Buona Restaurant franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment, subject to applicable law;

The ownership of two percent (2%) or less of a publicly traded Franchisor will not be deemed to be

prohibited by this paragraph.

9.3 Court Modification of Agreement. You 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 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.

9.4 Enforcement of Covenants Not to Compete. You acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you hereby acknowledge that we may seek to obtain the entry of an injunction prohibiting any conduct by you or your Owners in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful use of the Confidential Information. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants not to compete set forth in this Agreement. You further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of those covenants not to compete set forth in this Agreement.

9.5 In addition to the foregoing covenants, you, your Owners, and/or affiliates shall be bound by and comply with the covenants contained in each Franchise Agreement entered into by them.

## 10. NOTICES

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to Franchisor:  
Chicago's Original Italian Beef Franchising LLC  
6801 Roosevelt Road  
Berwyn, Illinois 60402  
Attn: Brian Lansu  
General Counsel  
[BLansu@buona.com](mailto:BLansu@buona.com)

AND  
Joseph Buonavolanto III  
Vice President of Franchising  
[JB3@buona.com](mailto:JB3@buona.com)

Notice to Developer:

\_\_\_\_\_  
\_\_\_\_\_

---

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

## **11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

11.1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, 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. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

11.2 Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary or as directed by us to that end.

11.3 You understand and agree that nothing in this 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 by you in the conduct of your business, or any claim or judgment arising therefrom. You shall indemnify and hold us, our officers, directors, employees and agents harmless against any and all such claims directly or indirectly from, as a result of, or in connection with your business operations under this Agreement or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

## **12. DISPUTE RESOLUTION**

12.1 Mandatory Mediation. Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each party shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential, and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good

faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings. Notwithstanding the foregoing, Franchisor shall have no obligation to mediate claims that are the subject of Paragraph 12.2 herein.

12.2 Specific Performance; Injunctive Relief. Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to seek the entry of temporary and permanent injunctions and orders of specific performance to: (i) enforce the provisions of this Agreement relating to your use of the Marks and the non-disclosure and non-competition obligations under this Agreement; (ii) prohibit any act or omission by Developer or its Owners 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 the BUONA franchises; (iii) prevent any other irreparable harm to our interests; (iv) enforce your obligations upon termination or expiration of this Agreement; and (v) prohibit an assignment or attempted assignment of any interest in this Agreement or Developer in violation of the applicable provisions of this Agreement. 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' fees, expert witness fees, costs of investigation and proof of facts, court costs, other 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 damages in the event there is a later determination that an injunction or specific performance order was issued improperly.

12.3 Arbitration. Except for controversies, disputes or claims related to or based on Developer's use of the Marks or Confidential Information, Developer's compliance with its non-competition obligations, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Developer (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Developer or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Developer or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association ("AAA") in accordance with the AAA's then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Cook County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

12.4 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW,

ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Developer agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

12.5 Limitations on Proceedings.

(a) Franchisor and Developer agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Developer and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Developer. Further, neither Franchisor nor Developer shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Developer with another arbitration of any kind, nor shall Franchisor or Developer attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Developer controls, is controlled by, or is in active concert with another developer of Franchisor, or there is a guarantor of some or all of Developer's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Developer shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Developer shall be permitted.

12.6 Governing Law/Consent to Jurisdiction. All arbitration proceedings between Franchisor and Developer shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Developer and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Developer and/or any affiliate of Developer and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Cook County, Illinois or in arbitration in Cook County, Illinois pursuant to this Article XII, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Cook County, Illinois pursuant to this Article XII. Franchisor, Franchisor's Affiliates, Developer and Developer's Affiliates each waive their rights to a trial by jury.

12.7 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted, but each shall

be cumulative of any other right or remedy provided in this Agreement.

12.8 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Developer will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Developer agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Developer's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Developer. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

12.9 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Developer and Franchisor, or Developer's Development Schedule, brought by Developer must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

12.10 DAMAGES. FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

12.11 Costs and Attorney's Fees. If a claim for amounts owed by Developer to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Developer or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

### 13. MISCELLANEOUS.

13.1 Invalid Provisions; Substitution of Valid Provisions. To the extent that any provision of this 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.

13.2 Severability; Construction. The provisions of this Agreement are deemed to be severable. The parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement. All headings of the various Sections and Paragraphs of this Agreement are for convenience only and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable.

13.3 Waiver of Obligations. Either you or the Franchisor may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. 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 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 any failure, refusal or neglect of either of us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder.

13.4 Entire Agreement; Modification. This Agreement and all exhibits to this Agreement constitute the entire understanding and agreement between the parties and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by the Franchisor relating to the subject matter of this Agreement, except for those contained in the Franchise Disclosure Document provided to Developer (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by the Franchisor of any representation made in its Franchise Disclosure Documents, including the exhibits and any amendments thereto. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

13.5 Force Majeure. Neither you nor the Franchisor will be liable for loss or damage or deemed to be in breach of this 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, riot, acts of terrorism, or pandemic; 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. However, this clause shall not apply or not result in an extension of the term of this Agreement.

13.6 No Liability to Others; No Other Beneficiaries. We will not, because of this 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 Agreement, and no other party will have, or is intended to have, any rights because of this Agreement. We do not warrant that the obligations of this Agreement have been agreed to by or will be enforced against any of our other developers.

#### **14. SUPERIORITY OF FRANCHISE AGREEMENT**

For each Buona Restaurant developed in the Development Area, a separate Franchise Agreement shall be executed and the individual franchise fee as prescribed hereunder shall be paid to us. It is understood

and agreed by you that any and all Franchise Agreements executed in connection with Buona Restaurants developed by you within the Development Area under this Agreement are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Development Area, the Franchise Agreement shall have precedence and superiority over this Agreement.

**15. OWNER GUARANTY.**

This Agreement must be personally guaranteed and the obligations hereunder assumed by all of the Owners of the Developer, and all such Owners must execute the Guaranty and Assumption of Obligations which is attached hereto as Exhibit C concurrently with the execution of this Agreement by Developer.

**16. ACKNOWLEDGEMENTS**

16.1 You and your Owners affirm that all information you have given to us in any and all applications, financial statements and other submissions is true, complete and accurate in all respects, with you expressly acknowledging that we are relying upon the truthfulness, completeness and accuracy of such information.

16.2. You have conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in Buona Restaurant franchises involves business risks and that the success of the venture is primarily dependent upon your business abilities and efforts, your active participation in the operation of the business, and other factors beyond our control.

**17. EXECUTION OF AGREEMENT.**

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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement on the dates set forth below each signature.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability Franchisor

**DEVELOPER:**  
**[ENTITY NAME]**  
A \_\_\_\_\_

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

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

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

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



**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DEVELOPMENT AREA**

*[Insert description]*

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN**  
**BEEF FRANCHISING, LLC**  
An Illinois limited liability Franchisor

**DEVELOPER:**  
**[ENTITY NAME]**

A \_\_\_\_\_

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

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

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

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

## **EXHIBIT B TO THE AREA DEVELOPMENT AGREEMENT**

### **DEVELOPMENT SCHEDULE**

Developer is obligated under this Agreement to develop, open and operate a minimum of three (3) Buona restaurants. On or before the date set forth below, Developer is obligated by this Agreement to have signed Franchise Agreements, signed leases or purchase agreements, and commenced operating Buona restaurants:

| <u>Last date for<br/>Execution of<br/>Franchise Agreement</u> | <u>Last date for<br/>Execution of Lease or<br/>Purchase Agreement for<br/>Franchisor Approved Site</u> | <u>Date for<br/>Commencement<br/>of Operations</u> |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <u>Upon the execution of this Agreement</u>                   | _____                                                                                                  | _____                                              |
| _____                                                         | _____                                                                                                  | _____                                              |
| _____                                                         | _____                                                                                                  | _____                                              |
| _____                                                         | _____                                                                                                  | _____                                              |
| _____                                                         | _____                                                                                                  | _____                                              |

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN**  
**BEEF FRANCHISING LLC**  
An Illinois limited liability Franchisor

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

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

**DEVELOPER:**  
**[ENTITY NAME]**

A \_\_\_\_\_

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

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

## **EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT**

THIS GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS ("Guaranty") is made as of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to, the execution of the Franchise Agreement by Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company ("Franchisor"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that \_\_\_\_\_ ("Developer") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;

2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;

3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Developer's obligations to Franchisor under the Area Development Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.

4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.

5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Developer's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guaranty or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e)

Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f) Guarantor has established adequate means of obtaining from Developer, on a continuing basis, information regarding Developer's financial condition. Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Developer.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Developer, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Developer, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Developer's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Developer for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Developer to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Developer which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Developer are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Developer, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

- (a) **Perform Work.** Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchise Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (b) **Cure Defaults.** Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) **Specific Performance.** From time to time and without first requiring performance on the part of Developer and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) **Other Rights and Remedies.** In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Developer's Debt to Guarantor.** Guarantor agrees that, until full payment of the amounts due to Franchisor from Developer under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Developer, whether or not Developer becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Developer, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Developer. In the event of insolvency and consequent liquidation of the assets of Developer through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Developer applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Developer. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Developer or against any assignee or trustee in bankruptcy of Developer; provided however, that such assignment

shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Guaranty:

- (a) **Amendments.** This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.
- (b) **Attorneys' Fees; Expenses.** Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) **Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) **Governing Law.** This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) **Choice of Venue.** If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) **No Waiver by Franchisor.** Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that

provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.

- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.

- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. **Definitions.** The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used

in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Developer. The word “**Developer**” means \_\_\_\_\_, and all other persons and entities signing the Franchise Agreement in whatever capacity.
- (b) Guarantor. The word “**Guarantor**” means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word “**Franchisor**” means Chicago’s Original Italian Beef Franchising LLC, its successors and assigns.

[remainder of page intentionally left blank]



THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

Percentage ownership must equal 100

**EXHIBIT C-1**  
**DUAL BRAND AREA DEVELOPMENT AGREEMENT**



DUAL BRAND  
AREA DEVELOPMENT AGREEMENT

CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
and FIVE FLAVORS FRANCHISING LLC

with

---

---

**BUONA/THE ORIGINAL RAINBOW CONE  
AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement ("this Agreement") is entered into by and between Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 ("**Chicago's Original**") and Five Flavors Franchising, LLC, an Illinois limited liability company, having its principal place of business at 6801 Roosevelt Road, Berwyn, Illinois 60402 ("**Five Flavors**") (Chicago's Original and Five Flavors being collectively referred to herein as "**Franchisor**", "we" or "us"), and \_\_\_\_\_, a \_\_\_\_\_ with a principal address of \_\_\_\_\_, ("Developer" or "you"). Certain provisions of this Agreement are applicable to the owners of Developer ("Owners") on whose business skill, financial capability and personal character we are relying in entering into this Agreement.

**WITNESSETH:**

WHEREAS, Chicago's Original and Five Flavors and their respective affiliates have developed and own a unique system for operating and granting others the right to own and operate a restaurant business offering products to the general public at the restaurant premises or by delivery service, with the Buona System having a menu featuring Italian beef sandwiches and including a variety of sandwiches, pasta, burgers, hot dogs, salads and dessert and with The Original Rainbow Cone System having a menu featuring a variety of high quality ice cream cones, ice cream cakes, sundaes and shakes, packaged ice cream, mini-donuts and related products; The systems of both Chicago's Original and Five Flavors shall be collectively referred to herein as the "**System**";

WHEREAS, Chicago's Original identifies its System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark "Buona," "Buona Beef" and such other trade names, service marks, trademarks, logos, designs, and trade dress as are now, or may hereafter, be designated by it for use in connection with the Buona System and Five Flavors identifies its System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including but not limited to the mark "The Original Rainbow Cone" and such other trade names, service marks, trademarks and trade dress as are now, or may hereafter, be designated by it for use in connection with The Original Rainbow Cone System. The marks of both Systems licensed to you under this Agreement shall be collectively referred to herein as the "**Marks**";

WHEREAS, Franchisor also grants development rights to persons or entities who meet our qualifications and who are willing to undertake the investment and effort necessary to establish, develop, own and operate multiple single brand Franchised Restaurants and/or dual brand Buona/The Original Rainbow Cone restaurants in accordance with the System. Buona restaurants and Buona/The Original Rainbow Cone restaurants are collectively referred to herein as "Franchised Restaurants."

WHEREAS, you have expressed a desire to and have applied for the right to develop, own and operate a total of three (3) or more Franchised Restaurants and Franchisor has approved your application in reliance upon all of the representations made therein and is willing to grant to Developer the right to develop multiple Franchised Restaurants within a certain agreed upon territory on the terms and conditions set forth herein.

WHEREAS, Developer is signing simultaneously with this Agreement a Franchise Agreement for the establishment of its first Franchised Restaurant.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party

to the other set forth in this Agreement, hereby agree as follows:

**1. GRANT**

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, the right to obtain licenses, subject to the terms of this Agreement, to establish and operate Franchised Restaurants within the geographic area described in Exhibit A attached hereto and incorporated herein by this reference ("Development Area"). Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement, as defined in Section 4.1 below, or under the termination of this Agreement pursuant to Section 7 below.

1.2 You agree to be bound by the development schedule set forth in Exhibit B attached hereto ("Development Schedule"). Time is of the essence of this Agreement. Each Franchised Restaurant must be established and operated pursuant to a separate single brand or dual brand Franchise Agreement ("Franchise Agreement") to be entered into by you (or an entity owned by your Owners) and us. Each Franchise Agreement shall be in the form of Franchise Agreement being offered by us at the time you execute the Franchise Agreement, which may differ from the form of Franchise Agreement being offered by us on the date of execution of this Agreement, except that an addendum to the Franchise Agreement shall be entered into to incorporate terms of this Agreement relating to payments due under each Franchise Agreement. The terms and conditions of each such Franchise Agreement shall control the establishment and operation of such Franchised Restaurant.

1.3 Except as otherwise provided in this Agreement, and as long you are in compliance with the Development Schedule and otherwise in compliance with this Agreement, we shall not establish, nor license anyone other than Developer the right to establish any Franchised Restaurant in the Development Area prior to the expiration of the Development Schedule set forth in Exhibit B. As an alternative to a contiguous Development Area in which all Franchised Restaurants will be developed, we may designate a separate Development Area for each Franchised Restaurant to be developed and each specified Development Area will expire according to the development deadlines for that particular Franchised Restaurant as set forth in Exhibit B. We (and any affiliate) reserve the right to:

(a) distribute products and services which comprise, may in the future comprise or which do not comprise, a part of the System through any alternative distribution channels including, but not limited to, supermarkets and other retail facilities, wholesale sale, catalogs, direct marketing, the Internet or similar electronic media, using the Marks ("Alternate Distribution Channels");

(b) 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.

(c) to acquire or be acquired by a Franchisor establishing businesses identical or similar to the Franchised Restaurant, even if the other business operates, franchises, and/or licenses competitive businesses anywhere, including the Protected Area; and

(d) to implement and maintain multi-area marketing programs at any time, including internet and regional or national accounts. Franchisor reserves the right to establish mandatory policies and procedures for these multi-area marketing programs; and

(e) to engage in any other business activities not expressly prohibited by this Agreement.

Franchisor Five Flavors Franchising LLC reserves the right to grant franchises and/or development rights for the development of The Original Rainbow Cone Restaurants within any Development Area that is specified only for the development of a Buona Restaurant.

1.4 This Agreement is not a Franchise Agreement, and you shall have no right to use in any manner the System or the Marks by virtue of entering into this Agreement.

1.5 Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

## **2. FEES**

2.1 Concurrent with the execution of this Agreement, you must execute a Franchise Agreement for the first Franchised Restaurant to be developed and pay the initial franchise fees of for the type of Franchised Restaurant to be developed as set forth in Exhibit B. The initial franchise fee for the remaining Franchise Agreements shall be discounted by twenty percent (20%) of the current initial franchise fee on the condition that, at the time you sign any additional Franchise Agreement under this Agreement, you are currently in compliance with the Development Schedule. If you are not in compliance with the Development Schedule at the time of signing any additional franchise agreement, you will pay the then-current full initial franchise fee being charged to new franchisees.

2.2 Upon the execution of this Development Agreement, you shall pay a fee (“Development Fee”) based on the number and type of additional Franchised Restaurants to be developed after the first franchise restaurant as calculated in Exhibit B to this Agreement. The Development Fee is consideration for this Development 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 the amount of the Development Fee paid for each additional Franchises Restaurant against the Initial Franchise Fee due under each additional single brand and/or dual brand Franchise Agreement for a Franchised Restaurant executed pursuant to, and in accordance with, this Development Agreement.

2.3 A separate single brand or dual brand Franchise Agreement shall be executed for each additional Franchised Restaurant. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Franchised Restaurant.

## **3. DEVELOPMENT OBLIGATIONS**

3.1 The terms and conditions of this Agreement are contingent upon you being in full compliance with the Development Schedule. In addition, you must at all times after the opening of each Franchised Restaurant continuously maintain in operation pursuant to each Franchise Agreement at least the number of Franchised Restaurants set forth in the Development Schedule, and your Owners must at all times own a majority control over the entity that owns each Franchised Restaurant developed hereunder. You may develop and open any Franchised Restaurant earlier than the date set forth in the Development Schedule as long as you do so in compliance with this Agreement and the applicable Franchise Agreement.

3.2 You must develop each Franchised Restaurant in the following manner:

(a) By giving us written notice of your intention to begin development of the next Franchised Restaurant at least thirty (30) days before the execution of the Franchise Agreement for the applicable restaurant;

(b) By submitting to us a description of the proposed site, together with a letter of intent in a form approved by us or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site;

(c) By executing the then-current form of the Franchise Agreement for the applicable restaurant at the approved site and complying with its terms. We acknowledge that the franchisee for each

Franchise Agreement may be a separate entity owned by your Owners.

(d) By executing a lease, in a form approved by us, or purchase agreement for the proposed site; and

(e) By meeting all of the requirements for developing and opening the Franchised Restaurant under the terms of the applicable Franchise Agreement.

3.3 We will be obligated to execute the Franchise Agreement only if (i) you continue to maintain the requisite knowledge, experience, skills, and financial resources to perform as a franchisee, (ii) you are in compliance with this Agreement, including but not limited to compliance with the Development Schedule and in compliance with the in-term covenants set forth in Paragraph 6.4, (iii) you (and/or an affiliate) are in compliance any and all existing Franchise Agreements between us.

3.4 Subject to our prior written approval, you may develop and open more Franchised Restaurants in the Development Area than you are required to develop under the Development Schedule.

3.5 At Franchisor's request, Developer shall provide to Franchisor a periodic report of Developer's activities and progress in developing and establishing Franchised Restaurants under this Agreement. The reports shall be submitted in the form and in the manner specified by Franchisor.

#### **4. TERM AND RIGHT OF FIRST REFUSAL**

4.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement shall expire on the date you sign a Franchise Agreement for the last franchise to be developed under this Agreement. The term of this Agreement is not related or affected by the term of any franchise agreement, lease, or other agreement related to any Franchised Restaurant. This Agreement does not contain or create any right to renewal. Notwithstanding Section 4.2 below, any and all rights in the Development Area granted to you under this Agreement expire upon the expiration of this Agreement.

4.2 Following the completion of the Development Schedule and the termination of your exclusive rights to the Development Area, provided you are in full compliance with this Agreement, you shall have the rights of first refusal set forth below:

(a) In the event we seek to establish or license others to establish a Franchised Restaurant within the Development Area, we shall first offer you the option to establish such additional Franchised Restaurants under our then-current terms and conditions. We shall provide you with written notice of our intent to establish or license another to establish an additional Franchised Restaurant along with a general description of the proposed Franchised Restaurant, a copy of the then-current Franchise Disclosure Document and Franchise Agreement and all other documents we deem necessary to include with the notice. You shall have thirty (30) days from the receipt of our notice to exercise the option to establish such additional Franchised Restaurants by executing the Franchise Agreement and all other documents we require for such additional Franchised Restaurants and to pay the initial fee due under the agreement. If you fail to execute the Franchise Agreement and other required documents and to pay the initial fee required under the Franchise Agreement within the said thirty (30) day period, you shall have no further right to establish or operate such additional Franchised Restaurant. Notwithstanding the foregoing, in the event our bona fide arrangements or agreements with a bona fide third party, the lease restrictions for the proposed premises of the Franchised Restaurant, or other circumstances or conditions related to the establishment of the additional Franchised Restaurant, prevent or restrict you from operating the additional Franchised Restaurant or restrict or prevent us from offering you the rights set forth in this Paragraph, we shall have no obligation to offer you the right to establish or operate the additional Franchised Restaurant.

## 5. **DUTIES OF THE DEVELOPER**

5.1 You shall perform the following obligations:

(a) You shall comply with all terms and conditions set forth in this Agreement.

(b) You shall comply with all of the terms and conditions of each Franchise Agreement including, without limitation, the operating requirements specified in each Franchise Agreement; however, we shall determine what, if any, initial training at our headquarters will be required of your Owners and managers in connection with the second or any subsequent Franchise Agreements.

(c) You shall comply with the non-disclosure and non-competition obligations under Section 6 of this Agreement.

## 6. **PROPRIETARY MARKS/CONFIDENTIAL INFORMATION**

6.1 Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that under this Agreement we do not grant you any right to use the Marks. Any right to use the Marks is granted under the individual franchise agreements executed by you in connection with this Agreement. You must not use the Marks, or any portion of any Mark or any name confusingly similar to any Mark as part of your business entity name.

6.2 **Confidential Information.** For purposes of this Agreement, the term “Confidential Information” means information relating to Franchisor or the System that is not generally available to the public, including the Manual, operational standards, specifications, procedures and methods, recipes and food and preparation methods, prepared mixes, products, supplies, equipment, marketing, advertising and promotional material and methods, and accounting systems, and all other information and know-how relating to the methods of developing, operating and marketing the Franchised Restaurant and the System. Confidential Information does not include information Developer can demonstrate came to Developer’s attention through legal methods other than by disclosure by Franchisor, or which, at the time of disclosure thereof by Franchisor to Developer, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Developer by Franchisor, becomes a part of the public domain, through publication or communication by others.

6.3 **Non-disclosure Agreement.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development of Franchised Restaurants under this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition, a breach of this Agreement and copyright infringement. You acknowledge and agree that the Confidential Information belongs to us and our affiliate, is proprietary information, and may contain trade secrets belonging to us and our affiliate and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree herein, that you: (1) will not use the Confidential Information during and after the term of this Agreement in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees and the use of non-disclosure and/or non-competition agreements we may prescribe for your employees who have access to the Confidential Information. Upon our request, you must provide us with copies of signed non-disclosure and/or non-competition agreements signed by any Owners, managers or employees. The restrictions on your disclosure and use of the Confidential Information will not apply to the following: (a) information, processes, or techniques which are generally known and used in the food and restaurant industry (as long as the availability is not because of a disclosure by you) and (b) disclosure



of the Confidential Information in legal proceedings when you are legally required to disclose it and you have first given us the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

6.4 **In-Term Non-Competition Agreement.** You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information between you and us if you or your Owners were permitted to hold interests in any competitive businesses, as described below. You also acknowledge that we have entered into this Agreement with you in part in consideration of, and in reliance on, your agreement to deal exclusively with us. Therefore, during the term of this Agreement, neither you, nor any Owner, may, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with, any person or legal entity, own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any business which offers products or services which are the same as, or similar to, those offered by a Franchised Restaurant (other than through a franchise agreement with Franchisor), or any entity which is granting franchises or licenses for any business which offers products or services which are the same as, or similar to, those offered by a Franchised Restaurant. (The ownership of five percent (5%) or less of a publicly traded Franchisor will not be deemed to be prohibited by this paragraph.) Further, during the term of this Agreement, you will not (1) divert customers or business from any Franchised Restaurants to any other business or (2) hire any employees of ours or our affiliates.

## **7. DEFAULT AND TERMINATION**

7.1 The right to open Franchised Restaurants has 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 comply strictly with the Development Schedule.

7.2 You shall be in default under this Agreement, and all rights granted herein to you shall automatically terminate without notice or an opportunity to cure if:

(a) you are adjudicated bankrupt, become insolvent, commits any affirmative action of insolvency or files 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 its creditors;

(b) if a final judgment against your business assets remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed);

(c) if execution is levied against your business or property;

(d) if suit to foreclose any lien or mortgage against Developer's premises or business assets is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by you;

(e) upon the dissolution of the entity that is Developer is dissolved, or upon the death of one or more of your Owners;

(f) Developer or any of its shareholders, members, managers, partners, officers, directors or guarantors, is indicted for, convicted of, or pleads guilty to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, or the goodwill associated with the System and the Marks, or Franchisor's interest in the System or the Marks; or

(g) Developer, or any of its shareholders, members, managers, partners, officers or directors verbally or physically assaults or abuses any officer, director, member, manager or employee of Franchisor or any of its Affiliates, or any franchisee of Franchisor or employees of such franchisees, after receiving a verbal or written warning against this conduct from Franchisor regarding this conduct.

7.3 If you (i) fail to meet any of the deadlines set forth in the Development Schedule; (ii) fail to comply with any other term and condition of this Agreement; (iii) make or attempt to make a transfer, sale or assignment of this Agreement in violation of this Agreement; or (iv) you or other entity owned by the Owners are in default under any individual Franchise Agreement with us, or of any other agreement to which we are parties; any such event shall constitute a default under this Agreement. Upon any such default, we, in our sole discretion, may do any one or more of the following:

(a) Terminate this Agreement and all rights granted hereunder to you without affording you any opportunity to cure the default effective immediately upon delivery to you of a written notice from us;

(b) Reduce the number of Franchised Restaurants which you have the right to establish and open pursuant to this Agreement and reduce the corresponding Development Territory; or

(c) Exercise any other rights and remedies which we may have under applicable law.

7.4 Upon termination or expiration of this Agreement, all remaining rights granted to you to establish and open Franchised Restaurants under this Agreement for which a Franchise Agreement has not been executed shall automatically be null and void. You shall have no right to establish, open or operate any Franchised Restaurants for which a Franchise Agreement has not been executed by us prior to the date of termination or expiration of this Agreement. Upon termination or expiration of this Agreement, we will have the right to establish ourselves or through an affiliate or grant to a third party the right to establish a Franchised Restaurant within the Development Territory as long as there is no violation of the territorial protections granted to you under existing individual Franchise Agreements.

7.5 No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto. The terms and conditions of each Franchise Agreement must be complied with by you or your affiliate as franchisee thereunder and shall control in determining whether any default exists under such Franchise Agreement.

7.6 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

## **8. TRANSFERABILITY; ENTITY AS DEVELOPER**

8.1 This Agreement is fully assignable by us and will inure to the benefit of any assignee or other legal successor to the interest of the Franchisor herein.

8.2 You understand and acknowledge that the rights granted to you in this Agreement are personal to you and that we granted them in reliance upon the qualifications of you or your Owners. You and your Owners shall not, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Developer to any third party, and nothing in this Agreement shall be construed as granting you the right to do so. Any purported assignment, sale or transfer by Developer or its Owners shall be null and void and shall constitute a material default hereunder. Any such purported assignment or transfer occurring by operation of law or otherwise, including any assignment by or to any trustee in bankruptcy, shall be a material default of this Agreement. You have represented and hereby represent to us that you are entering into this Agreement with the intention of complying with its terms and conditions through the term of this Agreement and not for the purpose of resale of the developmental rights hereunder.

## 9. POST-TERMINATION COVENANTS

9.1 Unless otherwise specified, the term "Developer" as used in this Section 9 shall include each and every Owner of Developer.

9.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will have access to the Confidential Information. Accordingly, Developer covenants that Developer and its Owners shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or entity:

(a) own, maintain, operate, engage in, consult with or have any interest in (as disclosed or beneficial owner) any Competitive Business or any entity which is franchises, licenses or develops Competitive Businesses within the Development Area, or within a ten (10) mile radius of any existing Franchised Restaurant, except under a validly existing Franchise Agreement with Franchisor. You acknowledge and agree that, after the date of this Agreement, other Franchised Restaurants may open, thereby expanding the geographical area in which you will not be able to compete with us. For purposes of this Section 9, a **"Competitive Business"** is defined as any retail establishment that derives more than ten percent (10%) of its gross sales from Italian beef and Italian sausage products and other Italian specialties or any retail establishment that derives more than ten percent (10%) of its gross sales from ice cream;

(b) directly or indirectly divert or attempt to divert any former business or customer of a Franchised Restaurant to any competitive business; and

(c) employ or seek to employ any person employed by us or our affiliate or by any other Franchised Restaurant franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment, subject to applicable law;

The ownership of two percent (2%) or less of a publicly traded Franchisor will not be deemed to be prohibited by this paragraph.

9.3 Court Modification of Agreement. You 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 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.

9.4 Enforcement of Covenants Not to Compete. You acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you hereby acknowledge that we may seek to obtain the entry of an injunction prohibiting any conduct by you or your Owners in violation of the terms of the covenants not to compete set forth in this Agreement. You expressly agree that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through your unlawful use of the Confidential Information. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants not to compete set forth in this Agreement. You further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by us in connection with the enforcement of those covenants not to compete set forth in this Agreement.

9.5 In addition to the foregoing covenants, you, your Owners, and/or affiliates shall be bound by and comply with the covenants contained in each Franchise Agreement entered into by them.

**10. NOTICES**

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by U.S. Certified mail, Return Receipt Requested, or commercial overnight delivery service to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notice to Franchisor:

Chicago's Original Italian Beef Franchising LLC and Five Flavors Franchising LLC

6801 Roosevelt Road

Berwyn, Illinois 60402

Attn: Brian Lansu

General Counsel

[BLansu@buona.com](mailto:BLansu@buona.com)

AND

Joseph Buonavolanto III

Vice President of Franchising

[JB3@buona.com](mailto:JB3@buona.com)

Notice to Developer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and shall be deemed so delivered (i) at the time delivered by hand; (ii) one (1) business day after deposit within commercial overnight courier, (iii) three (3) business days after placement in the U.S. Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed, or (iv) on the date of transmission if an e-mail is sent on business days during business hours and there is confirmation of transmission (and if not sent during business hours, as of the next business day).

**11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

11.1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, 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. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

11.2 Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary or as directed by us to that end.

11.3 You understand and agree that nothing in this 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 by you in the conduct of your business, or any claim or judgment arising therefrom. You shall indemnify and hold us, our

officers, directors, employees and agents harmless against any and all such claims directly or indirectly from, as a result of, or in connection with your business operations under this Agreement or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

## **12. DISPUTE RESOLUTION**

12.1 **Mandatory Mediation.** Except as otherwise specifically provided herein, prior to the initiation of litigation by either party pursuant to this Agreement, the parties must make a good faith effort to resolve any controversies between them by non-binding mediation either through a mutually acceptable mediator or through an established mediation service selected by Franchisor (in either case, "Mediator"). Mediation shall take place in the Cook County, Illinois. Prior to mediation, each party involved in mediation shall sign the standard confidentiality agreement reasonably required by Mediator or a confidentiality agreement reasonably required by Franchisor if the Mediator does not have a standard confidentiality agreement. No litigation proceeding may be commenced until the earlier of thirty (30) days from the selection of the Mediator, or the mutual agreement by both parties that mediation has been unsuccessful, or if the notified party fails to respond to the requesting party within thirty (30) days of the delivery of notice requesting mediation. The parties will share equally all fees and expenses of the mediator, and each party shall bear its own costs otherwise. Each party hereby agrees that all statements made in the course of mediation shall be strictly confidential, and shall not be disclosed to or shared with any third parties, other than the mediator. Each party also agrees that any documents or data specifically prepared for use in good faith negotiations and/or mediation shall not be disclosed to or shared with any third party except those parties whose presence is necessary to facilitate the mediation process. The parties agree not to make copies of any such documents, and to return them to the other party upon the conclusion of the mediation. Each party agrees and acknowledges that no statements made in, or evidence specifically prepared for mediation shall be admissible for any purpose in any subsequent proceedings. Notwithstanding the foregoing, Franchisor shall have no obligation to mediate claims that are the subject of Paragraph 12.2 herein.

12.2 **Specific Performance; Injunctive Relief.** Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to seek the entry of temporary and permanent injunctions and orders of specific performance to: (i) enforce the provisions of this Agreement relating to your use of the Marks and the non-disclosure and non-competition obligations under this Agreement; (ii) prohibit any act or omission by Developer or its Owners 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 the Franchised Restaurants; (iii) prevent any other irreparable harm to our interests; (iv) enforce your obligations upon termination or expiration of this Agreement; and (v) prohibit an assignment or attempted assignment of any interest in this Agreement or Developer in violation of the applicable provisions of this Agreement. 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' fees, expert witness fees, costs of investigation and proof of facts, court costs, other 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 damages in the event there is a later determination that an injunction or specific performance order was issued improperly.

12.3 **Arbitration.** Except for controversies, disputes or claims related to or based on Developer's use of the Marks or Confidential Information, Developer's compliance with its non-competition obligations, all controversies, disputes or claims between Franchisor, its affiliates, and their respective owners, officers, directors, agents, employees and attorneys, and Developer (its affiliates and owners and guarantors, if applicable), arising out of or related to this Agreement or any other agreement between the parties; the parties' rights and obligations under this Agreement; Franchisor's relationship with Developer or the obligations by and between the parties; or the validity of this Agreement or any other agreement between Franchisor and Developer or any provision of such agreements, will be submitted to binding Arbitration administered by the American Arbitration Association ("AAA") in accordance with the AAA's then-current Commercial Arbitration Rules. The arbitration hearing shall take place in Cook

County, Illinois, before a single arbitrator. Any party who fails or refuses to submit any dispute to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration. The parties shall have thirty days after the service of a Statement of Claim and demand for arbitration to agree on a single arbitrator. If the parties cannot agree on a single arbitrator, the matter will be filed with and administered by the AAA, or if AAA is not available, any comparable arbitration body.

12.4 Scope of Arbitration. The arbitrator shall have the right to award or include in the award any relief which he or she deems proper in the circumstances including but not limited to money damages (with interest on unpaid amounts from the date due), specific performance and attorneys' fees and costs, in accordance with this Agreement. THE FOREGOING TO THE CONTRARY NOTWITHSTANDING, THE ARBITRATOR MUST NOT AWARD CONSEQUENTIAL, EXEMPLARY OR PUNITIVE DAMAGES. THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT IN A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. The award and decision of the arbitrator shall be conclusive and binding upon all parties to this Agreement and judgment upon the award may be entered in any court of competent jurisdiction. Franchisor and Developer agree that, in connection with any arbitration proceeding, each shall file any compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within thirty (30) days after the date of the filing of the claim to which it relates.

12.5 Limitations on Proceedings.

(a) Franchisor and Developer agree that arbitration will be conducted on an individual basis only, and not on a joint, collective or class-wide basis, and that an arbitration proceeding between Franchisor and its Affiliates, and Developer and its shareholders, officers, directors, members, managers, employees and agents, may not be consolidated or joined with any other arbitration proceeding between Franchisor and any other person or entity. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Franchisor and Developer. Further, neither Franchisor nor Developer shall attempt to consolidate or otherwise combine in any manner, an arbitration proceeding involving Franchisor and Developer with another arbitration of any kind, nor shall Franchisor or Developer attempt to certify a class or participate as a party in a class action against the other.

(b) The foregoing notwithstanding, in the event Developer controls, is controlled by, or is in active concert with another developer of Franchisor, or there is a guarantor of some or all of Developer's obligations to Franchisor, then the joinder of those parties to any arbitration between Franchisor and Developer shall be permitted, and in all events, the joinder of an owner, director, officer, member, manager, partner or other representative or agent of Franchisor or Developer shall be permitted.

12.6 Governing Law/Consent to Jurisdiction. All arbitration proceedings between Franchisor and Developer shall be governed by the Federal Arbitration Act ("FAA") and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the FAA, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*) or other federal law, this Agreement shall be interpreted and governed under the laws of the State of Illinois and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Illinois, which laws shall prevail if there is any conflict of law. Developer and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Developer and/or any affiliate of Developer and Franchisor, its Affiliates and their respective officers, directors, members, managers, and employees, the parties agree that the exclusive venue for disputes between them shall be

in the state and federal courts of Cook County, Illinois or in arbitration in Cook County, Illinois pursuant to this Article XII, and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Cook County, Illinois or to arbitration in Cook County, Illinois pursuant to this Article XII. Franchisor, Franchisor's Affiliates, Developer and Developer's Affiliates each waive their rights to a trial by jury.

12.6 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein, or by law or equity provided or permitted, but each shall be cumulative of any other right or remedy provided in this Agreement.

12.7 Injunctive Relief. Notwithstanding the above arbitration provisions, Franchisor and Developer will each have the right in a proper case to seek injunctive relief and any damages incidental thereto from a court of competent jurisdiction. Developer agrees that Franchisor may obtain this injunctive relief, without posting a bond or bonds in excess of a total of One Thousand Dollars (\$1,000.00), but upon due notice, and Developer's sole remedy in the event of the entry of any injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had; however, all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived by Developer. Any such action will be brought as provided in this Article and the prevailing party shall be entitled to its costs and attorneys' fees.

12.8 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any and all claims and actions arising out of or relating to this Agreement (including, but not limited to, the offer and sale of this franchise), the relationship of Developer and Franchisor, or Developer's Development Schedule, brought by Developer must be commenced within one (1) year from the occurrence of the events giving rise to such claims or action, or such claim or action shall be barred.

12.9 DAMAGES. FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY CONSEQUENTIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

12.10 Costs and Attorney's Fees. If a claim for amounts owed by Developer to Franchisor or its affiliates is asserted in any legal proceeding before a court of competent jurisdiction, or if Developer or Franchisor is required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees, expert witness fees, court costs and other expenses of litigation, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement.

### **13. MISCELLANEOUS.**

13.1 Invalid Provisions; Substitution of Valid Provisions. To the extent that any provision of this 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.

13.2 Severability; Construction. The provisions of this Agreement are deemed to be severable. The parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement. All headings of the various Sections and Paragraphs of this Agreement are for convenience only

and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable.

13.3 Waiver of Obligations. Either you or the Franchisor may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. 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 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 any failure, refusal or neglect of either of us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder.

13.4 Entire Agreement; Modification. This Agreement and all exhibits to this Agreement constitute the entire understanding and agreement between the parties and there are no other oral or written understandings or agreements between the parties, and no oral or written representations by the Franchisor relating to the subject matter of this Agreement, except for those contained in the Franchise Disclosure Document provided to Developer (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this Section is intended as, nor shall it be interpreted to be, a disclaimer by the Franchisor of any representation made in its Franchise Disclosure Documents, including the exhibits and any amendments thereto. Except for modifications permitted to be made unilaterally by us, this Agreement may be modified only by written agreement signed by both you and us.

13.5 Force Majeure. Neither you nor the Franchisor will be liable for loss or damage or deemed to be in breach of this 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, riot, acts of terrorism, or pandemic; 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. However, this clause shall not apply or not result in an extension of the term of this Agreement.

13.6 No Liability to Others; No Other Beneficiaries. We will not, because of this 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 Agreement, and no other party will have, or is intended to have, any rights because of this Agreement. We do not warrant that the obligations of this Agreement have been agreed to by or will be enforced against any of our other developers.

#### **14. SUPERIORITY OF FRANCHISE AGREEMENT**

For each Franchised Restaurant developed in the Development Area, a separate Franchise Agreement shall be executed and the individual franchise fee as prescribed hereunder shall be paid to us. It is understood and agreed by you that any and all Franchise Agreements executed in connection with Franchised Restaurants developed by you within the Development Area under this Agreement are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed



within the Development Area, the Franchise Agreement shall have precedence and superiority over this Agreement.

**15. OWNER GUARANTY.**

This Agreement must be personally guaranteed and the obligations hereunder assumed by all of the Owners of the Developer, and all such Owners must execute the Guaranty and Assumption of Obligations which is attached hereto as Exhibit C concurrently with the execution of this Agreement by Developer.

**16. ACKNOWLEDGEMENTS**

16.1 You and your Owners affirm that all information you have given to us in any and all applications, financial statements and other submissions is true, complete and accurate in all respects, with you expressly acknowledging that we are relying upon the truthfulness, completeness and accuracy of such information.

16.2. You have conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, an investment in Franchised Restaurant franchises involves business risks and that the success of the venture is primarily dependent upon your business abilities and efforts, your active participation in the operation of the business, and other factors beyond our control.

**17. EXECUTION OF AGREEMENT.**

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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement on the dates set forth below each signature.

**FRANCHISOR:**

**Chicago's Original Italian Beef  
Franchising LLC**

An Illinois limited liability company

**DEVELOPER:**

\_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

**Five Flavors Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DESCRIPTION OF DEVELOPMENT AREA**

*[Insert description]*

**FRANCHISOR:**

**Chicago's Original Italian Beef  
Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**Five Flavors Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**DEVELOPER:**

\_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

## **EXHIBIT B TO THE AREA DEVELOPMENT AGREEMENT**

### **DEVELOPMENT SCHEDULE AND DEVELOPMENT FEE**

Developer is obligated under this Agreement to develop, open and operate a minimum of three (3) Franchised Restaurants. On or before the date set forth below, Developer is obligated by this Agreement to have signed Franchise Agreements, signed leases or purchase agreements, and commenced operating Franchised Restaurants:

| <b>Franchise Number and<br/>Type of Franchise</b> | <b>Last date for<br/>execution of<br/>franchise agreement</b> | <b>Last date for<br/>execution of lease<br/>or purchase<br/>agreement for<br/>approved site</b> | <b>Date for opening<br/>of Restaurant</b> |
|---------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------|
|                                                   | Upon the execution of<br>this Agreement                       |                                                                                                 |                                           |
|                                                   |                                                               |                                                                                                 |                                           |
|                                                   |                                                               |                                                                                                 |                                           |
|                                                   |                                                               |                                                                                                 |                                           |
|                                                   |                                                               |                                                                                                 |                                           |
|                                                   |                                                               |                                                                                                 |                                           |

### **DEVELOPMENT FEE**

Number of single brand  
Restaurants to be developed \_\_\_\_\_ x \$16,000 = \$ \_\_\_\_\_

Number of dual brand  
Restaurants to be developed \_\_\_\_\_ x \$24,000 = \$ \_\_\_\_\_

Total Development Fee to be  
Paid upon execution of this Agreement \$ \_\_\_\_\_

ADA ~~2023~~2024  
FRANCHISOR INITIALS \_\_\_\_\_

\_\_\_\_\_  
DEVELOPER INITIALS

**FRANCHISOR:**

**Chicago's Original Italian Beef  
Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**Five Flavors Franchising LLC**

An Illinois limited liability company

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

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

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

Date: \_\_\_\_\_

**DEVELOPER:**

\_\_\_\_\_

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

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

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

Date: \_\_\_\_\_

ADA ~~2023~~2024

FRANCHISOR INITIALS \_\_\_\_\_

\_\_\_\_\_ DEVELOPER INITIALS

## **EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT**

THIS GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS ("Guaranty") is made as of \_\_\_\_\_, 20\_\_, in consideration of, and as an inducement to, the execution of the Franchise Agreement by Chicago's Original Italian Beef Franchising LLC, an Illinois limited liability company ("Franchisor"). In consideration thereof, each of the undersigned hereby jointly and severally, personally and unconditionally agrees as follows:

1. **Guaranty.** Guarantor(s) hereby unconditionally and absolutely warrants and guarantees to Franchisor that \_\_\_\_\_ ("Developer") shall punctually pay and perform in full each and every undertaking, agreement and covenant set forth in the Franchise Agreement;

2. **Obligations of Guarantor Upon Event of Default.** Should a Default (as defined in the Franchise Agreement) occur, Guarantor(s) shall diligently proceed to cure such Default at Guarantor's sole cost and expense;

3. **Nature of Guaranty.** This Guaranty is an original and independent obligation of Guarantor(s), separate and distinct from Developer's obligations to Franchisor under the Area Development Agreement. The obligations of Guarantor to Franchisor under this Guaranty are direct and primary, regardless of the validity or enforceability of the Franchise Agreement. This Guaranty is for the benefit of Franchisor and is not for the benefit of any third party. This Guaranty shall continue until all obligations of Guarantor to Franchisor under this Guaranty have been performed in full.

4. **Guarantor's Authorization to Franchisor.** Guarantor(s) authorizes Franchisor, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (a) to make or approve changes to the Franchise Agreement; (b) to repeatedly compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Franchise Agreement; (c) to take and hold security for the payment of amounts due under the Franchise Agreement or this Guaranty, and exchange, enforce, waive, and release any such security, with or without the substitution of new collateral; (d) to determine how, when, and what application of payments and credits shall be made on amounts due under the Franchise Agreement; and (j) to assign or transfer this Guaranty, in whole or in part.

5. **Guarantor's Representations and Warranties.** Guarantor(s) represents and warrants to Franchisor that: (a) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (b) this Guaranty is executed at Developer's request and Franchisor would not execute the Franchise Agreement were it not for the execution and delivery of this Guaranty; (c) Guarantor has not and will not, without the prior written consent of Franchisor, sell, lease, assign, encumber, hypothecate, transfer or otherwise dispose of all, or substantially all, of Guarantor's assets, or any interest therein if any such event would have a material negative effect on Guarantor's ability to perform its obligations under this Guarantor or the Franchise Agreement; (d) neither the execution nor the delivery of this Guaranty, nor compliance with the terms hereof, will conflict with or result in the breach of any law or statute, will constitute a breach or default under any agreement or instrument to which Guarantor may be a party, or will result in the creation or imposition of any charge or lien upon any property or assets of Guarantor; (e) Franchisor has made no representation to Guarantor as to the creditworthiness of Guarantor; and (f)

Guarantor has established adequate means of obtaining from Developer, on a continuing basis, information regarding Developer's financial condition. Guarantor agrees to keep adequately informed of any facts, events or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information from Guarantor, Franchisor shall have no obligation to disclose to Guarantor any information or documents acquired by Franchisor in the course of its relationship with Developer.

6. **Guarantor's Waivers.** Except as prohibited by applicable law, Guarantor waives any right to require Franchisor: (a) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any amount due to Franchisor under the Franchise Agreement or related to any security agreement; (b) to resort for payment or to proceed direction or at once against any person, including Guarantor or any other guarantor; (c) to proceed directly against or exhaust any collateral held by Franchisor against Developer, any other guarantor or any other person; (d) to give notice of the terms, time and place of any public or private sale of personal property security held by Franchisor from Developer, except as required under applicable provisions of the Uniform Commercial Code; or (e) to pursue any other remedy within Franchisor's power.

Guarantor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Franchisor which, until Developer's indebtedness is paid in full, destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Developer for reimbursement, including, without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging any payments due to Franchisor under the Franchise Agreement; (c) any disability or other defense of Guarantor, or any other guarantor, or of any other person, or by reason of the cessation of Guarantor's liability from any cause whatsoever, other than payment in full in legal tender of any amount due from Developer to Franchisor; (d) any failure or invalidity of, or any defect in, the Franchise Agreement or Area Development Agreement; (e) any right to claim discharge of any amounts due to Franchisor on the basis of unjustified impairment of any collateral for any payments due; or (f) any statute of limitations, if at any time any action or suit brought by Franchisor against Guarantor is commenced there is outstanding payment due to Franchisor by Developer which is not barred by any application statute of limitations.

Until all amounts due and owing to Franchisor by Developer are paid in full, Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment, or similar right, whether such claim, demand, or right, may be asserted by Developer, Guarantor, or both.

7. **Guarantor's Understanding with Respect to Waivers.** Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of the significance and consequences thereof, and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law.

8. **Rights and Remedies.** If Guarantor shall fail to perform promptly as provided in this Guaranty, Franchisor shall have the following rights and remedies:

ADA 20232024

FRANCHISOR INITIALS \_\_\_\_\_

\_\_\_\_\_ DEVELOPER INITIALS

- (a) Perform Work. Franchisor may, at its option, proceed to perform on behalf of Guarantor any and all work related to the Franchise Business (as that term is described in the Franchise Agreement) and to pay any costs incurred in connection with the work. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (b) Cure Defaults. Franchisor may, but without any obligation to do so, cure any defaults, including without limitation, paying any unpaid bills and liens, including without limitation those for construction, labor, and materials. Guarantor, upon Franchisor's demand, shall promptly pay to Franchisor all such sums expended together with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (c) Specific Performance. From time to time and without first requiring performance on the part of Developer and without being required to exhaust any security held by Franchisor, to require Guarantor specifically to perform Guarantor's obligations under this Guaranty, by action at law or in equity or both, and further, to collect in any such action, compensation for all loss, cost, damage, injury and expense sustained or incurred by Franchisor as a direct or indirect consequence of Guarantor's failure to perform, with interest thereon at the lesser of the rate of 1.5% per month or the highest rate of interest allowable under applicable law.
- (d) Other Rights and Remedies. In addition, Franchisor shall have and may exercise any or all of the rights and remedies it may have available at law, in equity, or otherwise.

9. **Subordination of Developer's Debt to Guarantor.** Guarantor agrees that, until full payment of the amounts due to Franchisor from Developer under the Franchise Agreement, these amounts, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Developer, whether or not Developer becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Developer, upon any account whatsoever, to any claim that Franchisor may now or hereafter have against Developer. In the event of insolvency and consequent liquidation of the assets of Developer through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Developer applicable to the payment of the claims of both Franchisor and Guarantor shall be paid to Franchisor and shall be first applied by Franchisor to the amounts due to Franchisor from Developer. Guarantor does hereby assign to Franchisor all claims which they may have or acquire against Developer or against any assignee or trustee in bankruptcy of Developer; provided however, that such assignment shall be effective only for the purpose of assuring to Franchisor full payment of all amounts due under the Franchise Agreement. Guarantor agrees, and Franchisor is hereby authorized, in the name of Guarantor and from time to time, to execute and file financing statements and continuation statements and to execute such other documents and to take such other actions as Franchisor deems reasonably

necessary or appropriate under applicable law to perfect, preserve and enforce its rights under this Guaranty.

10. **Miscellaneous Provisions.** The following miscellaneous provisions are a part of this Guaranty:

- (a) **Amendments.** This Guaranty, together with any related documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of, or amendment to, this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound with the alteration or amendment.
- (b) **Attorneys' Fees; Expenses.** Guarantor agrees to pay, upon demand, all of Franchisor's costs and expenses, including Franchisor's reasonable attorneys' fees and Franchisor's legal expenses, incurred in connection with the enforcement of this Guaranty. Franchisor may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Franchisor's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.
- (c) **Caption Headings.** Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.
- (d) **Governing Law.** This Guaranty will be governed by, construed and enforced in accordance with, federal law and the laws of the State of Illinois. This Guaranty has been accepted by Franchisor in the State of Illinois.
- (e) **Choice of Venue.** If there is a lawsuit, Guarantor agrees, upon Franchisor's request, to submit to the jurisdiction of the courts of the State of Illinois.
- (f) **No Waiver by Franchisor.** Franchisor shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Franchisor. No delay or omission on the part of Franchisor in exercising any right shall operate as a waiver of such right or any other right. A waiver by Franchisor of a provision of this Guaranty shall not prejudice or constitute a waiver of Franchisor's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Franchisor, nor any course of dealing between Franchisor and Guarantor, shall constitute a waiver of any of Franchisor's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Franchisor is required under this Guaranty, the granting of such consent by Franchisor in any instance shall not constitute continuing consent to subsequent instances



where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Franchisor.

- (g) Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified mail, postage prepaid, and addressed as prescribed in the Franchise Agreement and as disclosed in the Statement of Ownership attached thereto.

Any party may change its address for notices under this Guaranty by giving formal written notice in accordance herewith, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Franchisor informed at all times of Guarantor's current address.

- (h) Severability. If a court of competent jurisdiction finds any provision of this Guaranty to be illegal, invalid or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid or unenforceable as to any other circumstances. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Guaranty. Unless otherwise required by law, the illegality, invalidity or unenforceability of any provision of this Guaranty shall not affect the legality validity or enforceability of any other provision of this Guaranty.
- (i) Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interests, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Guarantor, Franchisor, without notice to Guarantor, may deal with Guarantor's successors with reference to this Guaranty and the Loan by way of forbearance or extension without releasing Guarantor from the obligations of this Guaranty or liability for payments due under the Franchise Agreement.

11. Definitions. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code.

- (a) Developer. The word "**Developer**" means \_\_\_\_\_, and all other persons and entities signing the Franchise Agreement in whatever capacity.

- (b) Guarantor. The word “**Guarantor**” means each and every person or entity signing this Guaranty.
- (c) Franchisor. The word “**Franchisor**” means Chicago’s Original Italian Beef Franchising LLC and Five Flavors Franchising LLC and their respective successors and assigns.

[remainder of page intentionally left blank]

THE UNDERSIGNED GUARANTOR(S) ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO FRANCHISOR. NO FORMAL ACCEPTANCE BY FRANCHISOR IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED AS OF \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, an \_\_\_\_\_

Percentage ownership  
in Developer: \_\_\_\_%

Print Name: \_\_\_\_\_  
Title, as applicable: \_\_\_\_\_

Percentage ownership must equal 100

ADA ~~2023~~2024  
FRANCHISOR INITIALS \_\_\_\_\_

\_\_\_\_\_  
DEVELOPER INITIALS

**EXHIBIT D**  
**FINANCIAL STATEMENTS**

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED  
DECEMBER 31, 2023 AND JANUARY 1, 2023**

## **TABLE OF CONTENTS**

|                                                         | <u>Page No.</u> |
|---------------------------------------------------------|-----------------|
| INDEPENDENT AUDITORS' REPORT.....                       | 1               |
| FINANCIAL STATEMENTS:                                   |                 |
| Balance Sheets.....                                     | 3               |
| Statements of Operations.....                           | 4               |
| Statements of Changes in Members' Equity (Deficit)..... | 5               |
| Statements of Cash Flows .....                          | 6               |
| Notes to the Financial Statements.....                  | 7               |



R.J. Augustine and Associates, Ltd., CPAs  
650 E. Algonquin Rd., Suite 300  
Schaumburg, IL 60173-3853

P: 847-330-0400  
F: 847-330-0297

[www.rjacpa.com](http://www.rjacpa.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Members  
Chicago's Original Italian Beef Franchising LLC  
Berwyn, Illinois 60402

### **Opinion**

We have audited the accompanying financial statements of Chicago's Original Italian Beef Franchising LLC (the Company), which comprise the balance sheet as of December 31, 2023 and January 1, 2023, and the related statements of operations, changes in members' equity (deficit), and cash flows for the fiscal years ended December 31, 2023 and January 1, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago's Original Italian Beef Franchising LLC as of December 31, 2023 and January 1, 2023, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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.

## **Adoption of New Accounting Principle**

As more fully described in Note 10 to the financial statements, as of January 2, 2023, the Company adopted a new accounting principle that prescribes the recognition, measurement, presentation, and disclosure requirements related to the allowance for credit losses.



R.J. Augustine & Associates, Ltd.  
CERTIFIED PUBLIC ACCOUNTANTS

April 19, 2024



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**ASSETS**

|                             | <u>2023</u>              | <u>2022</u>              |
|-----------------------------|--------------------------|--------------------------|
| <b>CURRENT ASSETS</b>       |                          |                          |
| Cash                        | \$ 251,155               | \$ 102,820               |
| Prepaid Insurance           | 8,075                    | 7,998                    |
| <b>TOTAL CURRENT ASSETS</b> | <u>259,230</u>           | <u>110,818</u>           |
| <b>TOTAL ASSETS</b>         | <u><u>\$ 259,230</u></u> | <u><u>\$ 110,818</u></u> |

**LIABILITIES AND MEMBERS' EQUITY (DEFICIT)**

|                                                        | <u>2023</u>              | <u>2022</u>              |
|--------------------------------------------------------|--------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>                             |                          |                          |
| Current Portion of Deferred Revenue                    | \$ 11,000                | \$ 3,500                 |
| Accounts Payable                                       | 6,192                    | 2,524                    |
| Accrued Accounts Payable                               | 360                      | -                        |
| Due to Affiliate                                       | 122,000                  | 30,000                   |
| Deposits - Training Fees                               | 30,000                   | 10,000                   |
| <b>TOTAL CURRENT LIABILITIES</b>                       | <u>169,552</u>           | <u>46,024</u>            |
| <b>LONG-TERM LIABILITIES</b>                           |                          |                          |
| Deferred Revenue, less Current Portion                 | 211,917                  | 58,917                   |
| <b>TOTAL LONG-TERM LIABILITIES</b>                     | <u>211,917</u>           | <u>58,917</u>            |
| <b>TOTAL LIABILITIES</b>                               | <u>381,469</u>           | <u>104,941</u>           |
| <b>MEMBERS' EQUITY (DEFICIT)</b>                       |                          |                          |
| Members' Equity (Deficit)                              | (122,239)                | (19,123)                 |
| Members' Contributions                                 | -                        | 25,000                   |
| <b>TOTAL MEMBERS' EQUITY (DEFICIT)</b>                 | <u>(122,239)</u>         | <u>5,877</u>             |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b> | <u><u>\$ 259,230</u></u> | <u><u>\$ 110,818</u></u> |

See independent auditors' report.

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENTS OF OPERATIONS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

|                                 | <u>2023</u>                | <u>2022</u>               |
|---------------------------------|----------------------------|---------------------------|
| <b>REVENUE</b>                  |                            |                           |
| License Fee Income - Initial    | <u>\$ 6,500</u>            | <u>\$ 583</u>             |
| <b>OPERATING EXPENSES</b>       |                            |                           |
| Advertising                     | 15,709                     | -                         |
| Bank Fees                       | 421                        | 13                        |
| Bond Costs                      | -                          | 3,300                     |
| Brand Compliance Services       | 4,600                      | -                         |
| Computer/Register Expense       | 7,839                      | -                         |
| Consulting Services             | 13,500                     | -                         |
| Insurance - E & O               | 10,419                     | 1,799                     |
| Permits                         | 375                        | -                         |
| Professional Fees               | 49,292                     | 12,750                    |
| Software License Fees           | <u>32,461</u>              | <u>1,844</u>              |
| <b>TOTAL OPERATING EXPENSES</b> | <u>134,616</u>             | <u>19,706</u>             |
| <b>NET LOSS</b>                 | <u><u>\$ (128,116)</u></u> | <u><u>\$ (19,123)</u></u> |

See independent auditors' report.  
The accompanying notes are an integral part of the financial statements.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

|                                          | <u>SWEET<br/>PEP LLC</u>   | <u>HOT<br/>PEP LLC</u>   | <u>Total</u>               |
|------------------------------------------|----------------------------|--------------------------|----------------------------|
| <b>BEGINNING BALANCE, MARCH 4, 2021</b>  | \$ -                       | \$ -                     | \$ -                       |
| Members' Contributions                   | 23,750                     | 1,250                    | 25,000                     |
| Net Loss                                 | <u>(18,167)</u>            | <u>(956)</u>             | <u>(19,123)</u>            |
| <b>ENDING BALANCE, JANUARY 1, 2023</b>   | 5,583                      | 294                      | 5,877                      |
| Net Loss                                 | <u>(121,710)</u>           | <u>(6,406)</u>           | <u>(128,116)</u>           |
| <b>ENDING BALANCE, DECEMBER 31, 2023</b> | <u><u>\$ (116,127)</u></u> | <u><u>\$ (6,112)</u></u> | <u><u>\$ (122,239)</u></u> |

See independent auditors' report.

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

|                                                  | <u>2023</u>              | <u>2022</u>              |
|--------------------------------------------------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                          |                          |
| Net Loss                                         | \$ (128,116)             | \$ (19,123)              |
| Adjustments to Reconcile Net Loss to Net Cash    |                          |                          |
| Provided by Operating Activities:                |                          |                          |
| Changes in Assets and Liabilities:               |                          |                          |
| Prepaid Insurance                                | (77)                     | (7,998)                  |
| Accounts Payable                                 | 3,668                    | 2,524                    |
| Accrued Accounts Payable                         | 360                      | -                        |
| Due to Affiliate                                 | 92,000                   | 30,000                   |
| Deferred Revenue                                 | 160,500                  | 62,417                   |
| Deposits - Training Fees                         | 20,000                   | 10,000                   |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> | <u>148,335</u>           | <u>77,820</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      | <u>-</u>                 | <u>-</u>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                          |                          |
| Members' Contributions                           | <u>-</u>                 | <u>25,000</u>            |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b> | <u>-</u>                 | <u>25,000</u>            |
| <b>NET INCREASE IN CASH</b>                      | 148,335                  | 102,820                  |
| <b>CASH AT BEGINNING OF FISCAL YEAR</b>          | <u>102,820</u>           | <u>-</u>                 |
| <b>CASH AT END OF THE FISCAL YEAR</b>            | <u><u>\$ 251,155</u></u> | <u><u>\$ 102,820</u></u> |

See independent auditors' report.

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

NATURE OF OPERATIONS:

Chicago's Original Italian Beef Franchising LLC (the Company), a limited liability company, is a franchisor of restaurants offering a menu featuring Italian beef sandwiches as well as a variety of other sandwiches, pasta, burgers, hot dogs, salads, and desserts. Catering and delivery services are also offered by the restaurants. Major sources of revenue will include franchise sales, development fees, and royalty payments. The entity was organized on March 4, 2021 and will continue on a perpetual basis.

FISCAL YEAR:

The Company maintains a fiscal year ending on the Sunday nearest to December 31 of each year. The 2023 fiscal year ended on December 31, 2023 and consisted of 52 weeks. The 2022 fiscal year began at inception and ended on January 1, 2023.

METHOD OF ACCOUNTING:

The Company maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

CASH AND CASH EQUIVALENTS:

The Company considers all short-term, highly-liquid unrestricted investments with original maturities of three months or less when purchased to be cash equivalents.

ACCOUNTS RECEIVABLE:

Accounts receivable consist primarily of fees due principally from franchisees. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance for bad debts and a credit to accounts receivable. There was no bad debt expense for the fiscal years ended December 31, 2023 or January 1, 2023.

ALLOWANCES FOR CREDIT LOSSES:

The Company closely monitors accounts receivable balances and estimates the allowance for credit losses. These estimates are based on historical collection experience and other factors, including those related to current market conditions and events. The Company's allowance for accounts receivable have not been material.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**REVENUE RECOGNITION:**

Accounting Standards Codification Topic 606 (Topic 606), Revenue from Contracts with Customers, impacted the timing of recognition of franchise fees (individual and area).

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the area development agreements ("ADAs") and franchise agreement are highly interrelated, not distinct with the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement. License revenue is recognized ratably over the term of the contract, as substantially all terms have been met. The effect of the required deferral of fees received in a given year will be mitigated by the recognition of revenue from fees retrospectively deferred from prior years.

Royalties and franchisee contributions to national marketing funds are calculated as a percentage of franchise gross sales subject to fees over the term of the franchise agreement. Under the franchise agreement, marketing contributions paid by franchisees must be spent on advertising, marketing, and promotions. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, as well as marketing fund contributions, represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur. Payments for royalties are fees are generally due within seven days of the prior week end date.

Initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the franchise fee.

**DEFERRED REVENUE:**

Franchise deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deposits on training fees are classified as current on the balance sheet and revenue is recognized during the period of training.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**ADVERTISING:**

Advertising costs are charged to operations when incurred. Advertising costs totaled \$15,709 for the year ended December 31, 2023. There were no advertising costs for the year ended January 1, 2023.

**INCOME TAXES:**

The Company is taxed as a partnership and does not pay income taxes on its taxable income. Instead, the members are liable for income taxes on their proportionate share of the Company's taxable income. Certain deductions and credits flow through the Company to its stockholders. The Company files an Illinois partnership income tax return and pays 1.5% on the net taxable income.

**ACCOUNTING FOR UNCERTAIN TAX POSITIONS:**

The Company adopted the provisions of FASB ASC, 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under FASB ASC 740-10-25, an entity must recognize the tax benefits associated with tax position taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Company's financial statements. Currently, the no tax years are open and subject to examination by the taxing authorities. The Company does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

**ESTIMATES:**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition. Actual results from the resolution of such estimates and assumptions may vary from the estimates and assumptions used in the preparation of the financial statements.

**FAIR VALUE MEASUREMENTS:**

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. The recorded value of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair values based on their short-term nature.

**COMMITMENTS AND CONTINGENCIES:**

The Company may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Company's financial position as of December 31, 2023 and January 1, 2023.

See independent auditors' report.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**RECLASSIFICATIONS:**

Certain reclassifications have been made to prior year's financial statements in order to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or equity.

**NOTE 2 – FRANCHISE AGREEMENTS:**

The Company grants the use of the “Buona Beef” trademarks and various other items and agrees not to compete or license another franchise within the franchisee's designated market area. Initial services provided by the Company include training of the franchisee and assistance to the franchisee with regard to site selection, financing, accounting, and other related business operations.

After initial operations begin, the Company will provide operational assistance and ongoing monthly consultation services. The Company monitors the franchisee's operations and provides quality control checks.

The Company charges a monthly royalty fee of 4%, which is computed as a percentage of the franchisee's monthly gross sales. The initial term of the franchise agreement is ten years, with options to extend, provided the franchisee is in compliance with the terms of the agreement.

The Company receives an up-front fee for another entity to secure the franchise rights to operate their own Buona Beef restaurants. The franchise fees are amortized over the length of the franchise agreement. Franchise fee amortization totaled \$6,500 and \$583 for the year ended December 31, 2023 and January 1, 2023, respectively.

The Company may also receive fees for Area Development Agreements which give the Franchisee rights to open future locations within their designated market area within the specified development schedule laid out in the agreement. Area development fees received are considered deferred revenue until 1) the franchisee executes the franchise agreements for the new locations or 2) the execution date in the ADA passes. In the event that new franchise agreements are signed within the terms of the development schedule, ADA fees are amortized over the course of the new franchise agreement. In the event that the deadline passes, ADA fees are recognized as non-refundable revenue.

**NOTE 3 – BUONA BEEF FRANCHISE OPERATIONS ACQUIRED/SOLD:**

At December 31, 2023, the Company is not obligated to acquire any franchises and no franchises have been opened during the year.

**NOTE 4 – CONTRACT BALANCES:**

Contract assets include accounts receivable. The beginning balance of accounts receivable for the fiscal year ended January 1, 2023 was \$0.

See independent auditors' report.



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2023 AND JANUARY 1, 2023**

**NOTE 4 – CONTRACT BALANCES (CONTINUED):**

Contract liabilities relate to advance consideration received from franchise owners at contract inception for services considered to be part of the contract performance obligations as well as deposits for training fees. These contract liabilities are included in deferred revenue and deposits – training fees on the balance sheets and total \$222,917 and \$72,417 as of December 31, 2023 and January 1, 2023, respectively.

**NOTE 5 – RECENTLY ADOPTED ACCOUNTING GUIDANCE:**

On January 2, 2023, the Company adopted ASU No. 2016-13, Financial Instruments – Credit Losses which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflected expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform financial statement users of credit loss estimates. The adoption of ASU No. 2016-13 did not have a material impact on the financial statements.

**NOTE 6 – SUBSEQUENT EVENTS:**

In accordance with the requirements in *FASB ASC Paragraph 855 Subsequent Events*, the Company has evaluated all subsequent events through April 19, 2024 (the date the Company's financial statements were available to be issued), with regards to the financial statements and notes to those financial statements. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**

**FINANCIAL STATEMENTS**

**FROM INCEPTION TO  
JANUARY 1, 2023**

## **TABLE OF CONTENTS**

|                                              | <u>Page No.</u> |
|----------------------------------------------|-----------------|
| INDEPENDENT AUDITORS' REPORT.....            | 1               |
| FINANCIAL STATEMENTS:                        |                 |
| Balance Sheet.....                           | 3               |
| Statement of Operations .....                | 4               |
| Statement of Changes in Members' Equity..... | 5               |
| Statement of Cash Flows .....                | 6               |
| Notes to the Financial Statements.....       | 7               |



R.J. Augustine and Associates, Ltd., CPAs  
650 E. Algonquin Rd., Suite 300  
Schaumburg, IL 60173-3853

P: 847-330-0400  
F: 847-330-0297

[www.rjacpa.com](http://www.rjacpa.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Members  
Chicago's Original Italian Beef Franchising LLC  
Berwyn, Illinois 60402

### **Opinion**

We have audited the accompanying financial statements of Chicago's Original Italian Beef Franchising LLC (the Company), which comprise the balance sheet as of January 1, 2023, and the related statements of operations, changes in members' equity, and cash flows for the period from inception to January 1, 2023 then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago's Original Italian Beef Franchising LLC as of January 1, 2023, and the results of its operations and its cash flows for the period from inception to January 1, 2023 then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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.



R.J. Augustine & Associates, Ltd.  
CERTIFIED PUBLIC ACCOUNTANTS

April 25, 2023

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**BALANCE SHEET**  
**JANUARY 1, 2023**

**ASSETS**

|                             | <u>2022</u>              |
|-----------------------------|--------------------------|
| <b>CURRENT ASSETS</b>       |                          |
| Cash                        | \$ 102,820               |
| Prepaid Expenses            | <u>7,998</u>             |
| <b>TOTAL CURRENT ASSETS</b> | <u>110,818</u>           |
| <b>TOTAL ASSETS</b>         | <u><u>\$ 110,818</u></u> |

**LIABILITIES AND MEMBERS' EQUITY**

|                                              | <u>2022</u>              |
|----------------------------------------------|--------------------------|
| <b>CURRENT LIABILITIES</b>                   |                          |
| Current Portion of Deferred Revenue          | \$ 3,500                 |
| Accounts Payable                             | 2,524                    |
| Due from Affiliate                           | 30,000                   |
| Deposits - Training Fees                     | <u>10,000</u>            |
| <b>TOTAL CURRENT LIABILITIES</b>             | <u>46,024</u>            |
| <b>LONG-TERM LIABILITIES</b>                 |                          |
| Deferred Revenue, less Current Portion       | <u>58,917</u>            |
| <b>TOTAL LONG-TERM LIABILITIES</b>           | <u>58,917</u>            |
| <b>TOTAL LIABILITIES</b>                     | <u>104,941</u>           |
| <b>MEMBERS' EQUITY</b>                       |                          |
| Members' Equity                              | (19,123)                 |
| Members' Contributions                       | <u>25,000</u>            |
| <b>TOTAL MEMBERS' EQUITY</b>                 | <u>5,877</u>             |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b> | <u><u>\$ 110,818</u></u> |

See independent auditors' report.  
The accompanying notes are an integral part of the financial statements.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENT OF OPERATIONS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

|                                 | <u>2022</u>               |
|---------------------------------|---------------------------|
| <b>REVENUE</b>                  |                           |
| License Fee Income - Initial    | <u>\$ 583</u>             |
| <b>OPERATING EXPENSES</b>       |                           |
| Bank Fees                       | 13                        |
| Bond Costs                      | 3,300                     |
| Insurance                       | 1,799                     |
| Legal Fees                      | 12,750                    |
| Subscriptions                   | <u>1,844</u>              |
| <b>TOTAL OPERATING EXPENSES</b> | <u>19,706</u>             |
| <b>OPERATING LOSS</b>           | <u>(19,123)</u>           |
| <b>NET LOSS</b>                 | <u><u>\$ (19,123)</u></u> |

See independent auditors' report.  
The accompanying notes are an integral part of the financial statements.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENT OF CHANGES IN MEMBERS' DEFICIT**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

|                                         | <u>SWEET<br/>PEP LLC</u> | <u>HOT<br/>PEP LLC</u> | <u>Total</u>           |
|-----------------------------------------|--------------------------|------------------------|------------------------|
| <b>BEGINNING BALANCE, MARCH 4, 2021</b> | \$ -                     | \$ -                   | \$ -                   |
| Members' Contributions                  | 23,750                   | 1,250                  | 25,000                 |
| Net Loss                                | <u>(18,167)</u>          | <u>(956)</u>           | <u>(19,123)</u>        |
| <b>ENDING BALANCE, JANUARY 1, 2023</b>  | <b><u>\$ 5,583</u></b>   | <b><u>\$ 294</u></b>   | <b><u>\$ 5,877</u></b> |

See independent auditors' report.

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



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**STATEMENT OF CASH FLOWS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

|                                                  | <u>2022</u>              |
|--------------------------------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                          |
| Net Loss                                         | \$ (19,123)              |
| Changes in Assets and Liabilities:               |                          |
| Prepaid Expenses                                 | (7,998)                  |
| Accounts Payable                                 | 2,524                    |
| Due to Affiliate                                 | 30,000                   |
| Deferred Revenue                                 | 62,417                   |
| Deposits - Training Fees                         | <u>10,000</u>            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> | <u>77,820</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      | <u>-</u>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                          |
| Members' Contributions                           | <u>25,000</u>            |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b> | <u>25,000</u>            |
| <b>NET INCREASE IN CASH</b>                      | 102,820                  |
| <b>CASH AT INCEPTION</b>                         | <u>-</u>                 |
| <b>CASH AT END OF THE FISCAL YEAR</b>            | <u><u>\$ 102,820</u></u> |

See independent auditors' report.  
The accompanying notes are an integral part of the financial statements.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**NATURE OF OPERATIONS:**

Chicago's Original Italian Beef Franchising LLC (the Company), a limited liability company, is a franchisor of restaurants offering a menu featuring Italian beef sandwiches as well as a variety of other sandwiches, pasta, burgers, hot dogs, salads, and desserts. Catering and delivery services are also offered by the restaurants. Major sources of revenue will include franchise sales, development fees, and royalty payments. The entity was organized on March 4, 2021 and will continue on a perpetual basis.

**FISCAL YEAR:**

The Company maintains a fiscal year ending on the Sunday nearest to December 31 of each year. The 2022 fiscal year began at inception and ended on January 1, 2023.

**METHOD OF ACCOUNTING:**

The Company maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

**ESTIMATES:**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition. Actual results from the resolution of such estimates and assumptions may vary from the estimates and assumptions used in the preparation of the financial statements.

**CASH AND CASH EQUIVALENTS:**

The Company considers all short-term, highly-liquid unrestricted investments with original maturities of three months or less when purchased to be cash equivalents.

**ACCOUNTS RECEIVABLE:**

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance for bad debts and a credit to accounts receivable. There was no bad debt expense for the fiscal year ended January 1, 2023.

See independent auditors' report.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

COMMITMENTS AND CONTINGENCIES:

The Company may be party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Company's financial position as of January 1, 2023.

REVENUE RECOGNITION:

Accounting Standards Codification Topic 606 (Topic 606), Revenue from Contracts with Customers, impacted the timing of recognition of franchise fees (individual and area).

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the area development agreements ("ADAs") and franchise agreement are highly interrelated, not distinct with the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement. License revenue is recognized ratably over the term of the contract, as substantially all terms have been met. The effect of the required deferral of fees received in a given year will be mitigated by the recognition of revenue from fees retrospectively deferred from prior years.

Royalties and franchisee contributions to national marketing funds are calculated as a percentage of franchise gross sales subject to fees over the term of the franchise agreement. Under the franchise agreement, marketing contributions paid by franchisees must be spent on advertising, marketing, and promotions. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, as well as marketing fund contributions, represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as franchise sales occur.

Initial and successor franchise fees, as well as transfer fees, are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. ADAs generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the franchise fee.

DEFERRED REVENUE:

Franchise deferred revenue results from initial and successor franchise fees and ADA fees paid by franchisees, as well as transfer fees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement. Deposits on training fees are classified as current on the balance sheet and revenue is recognized during the period of training.

See independent auditors' report.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**INCOME TAXES:**

The Company is taxed as a partnership and does not pay income taxes on its taxable income. Instead, the members are liable for income taxes on their proportionate share of the Company's taxable income. Certain deductions and credits flow through the Company to its stockholders. The Company files an Illinois partnership income tax return and pays 1.5% on the net taxable income.

**ACCOUNTING FOR UNCERTAIN TAX POSITIONS:**

The Company adopted the provisions of FASB ASC, 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under FASB ASC 740-10-25, an entity must recognize the tax benefits associated with tax position taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Company's financial statements. Currently, the no tax years are open and subject to examination by the taxing authorities. The Company does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

**NOTE 2 – FRANCHISE AGREEMENTS:**

The Company grants the use of the "Buona Beef" trademarks and various other items and agrees not to compete or license another franchise within the franchisee's designated market area. Initial services provided by the Company include training of the franchisee and assistance to the franchisee with regard to site selection, financing, accounting, and other related business operations.

After initial operations begin, the Company will provide operational assistance and ongoing monthly consultation services. The Company monitors the franchisee's operations and provides quality control checks.

The Company charges a monthly royalty fee of 4%, which is computed as a percentage of the franchisee's monthly gross sales. The initial term of the franchise agreement is ten years, with options to extend, provided the franchisee is in compliance with the terms of the agreement.

The Company receives an up-front fee for another entity to secure the franchise rights to operate their own Buona Beef restaurants. The franchise fees are amortized over the length of the franchise agreement. Franchise fee amortization totaled \$583 for the year ended January 1, 2023.

**NOTE 3 – BUONA BEEF FRANCHISE OPERATIONS ACQUIRED/SOLD:**

At January 1, 2023, the Company is not obligated to acquire any franchises and no franchises have been opened during the year.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FROM INCEPTION TO**  
**JANUARY 1, 2023**

**NOTE 4 – CONTRACT LIABILITIES:**

Contract liabilities relate to advance consideration received from franchise owners at contract inception for services considered to be part of the contract performance obligations as well as deposits for training fees. These contract liabilities are included in deferred revenue and deposits – training fees on the balance sheet and total \$72,417 as of January 1, 2023.

**NOTE 5 – SUBSEQUENT EVENTS:**

In accordance with the requirements in *FASB ASC Paragraph 855 Subsequent Events*, the Company has evaluated all subsequent events through April 25, 2023 (the date the Company's financial statements were available to be issued), with regards to the financial statements and notes to those financial statements. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**EXHIBIT E**  
**FRANCHISE ACKNOWLEDGEMENT QUESTIONNAIRE**

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN THE STATE OF CALIFORNIA: DO NOT COMPLETE THIS QUESTIONNAIRE OR RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.**

**FRANCHISE ACKNOWLEDGEMENT QUESTIONNAIRE**

As you know Chicago's Original Italian Beef Franchising, LLC (we" or "us"), and you are preparing to enter into a Franchise Agreement for the operation of a Buona Franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the next page.

1.      Yes\_\_\_    No\_\_\_    Have you received the completed Franchise Agreement and each exhibit attached to it?
2.      Yes\_\_\_    No\_\_\_    Have you received the Franchise Disclosure Document we provided?
3.      Yes\_\_\_    No\_\_\_    If you are purchasing a Buona/Rainbow Cone Dual Brand franchise, did you also receive the Five Flavors Franchising, LLC Franchise Disclosure Document?
4.      Yes\_\_\_    No\_\_\_    Did you sign a receipt for the Franchise Disclosure Document (or both of them) indicating the date you received it?
5.      Yes\_\_\_    No\_\_\_    Did the receipt for the Franchise Disclosure Document identify the franchise sellers with which you have had discussions about the franchise opportunity?
6.      Yes\_\_\_    No\_\_\_    If you are entering into an Area Development Agreement, have you received the completed Area Development Agreement and each exhibit?
7.      Yes\_\_\_    No\_\_\_    Have you spoken with existing Buona franchisees about the Buona Business?
8.      Yes\_\_\_    No\_\_\_    Have you conducted an independent investigation of a Buona Business?
9.      Yes\_\_\_    No\_\_\_    Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Illinois, if not resolved informally or by mediation?
10.     Yes\_\_\_    No\_\_\_    Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer?

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

Date \_\_\_\_\_

EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

| Questionnaire Number | Explanation of Negative Response |
|----------------------|----------------------------------|
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |
|                      |                                  |



**EXHIBIT F**  
**TABLE OF CONTENTS FOR OPERATIONS MANUAL**

# Buona Franchise Operations Manual

## Table of Contents

### SECTION A: INTRODUCTION

#### WELCOME LETTER FROM THE BUONAVOLANTO

|                                              |    |
|----------------------------------------------|----|
| FAMILY .....                                 | 1  |
| HISTORY OF BUONA .....                       | 3  |
| MISSION .....                                | 4  |
| VISION .....                                 | 5  |
| VALUE STATEMENT .....                        | 6  |
| SERVICES PROVIDED TO BUONA FRANCHISEES ..... | 7  |
| Advertising Materials and Sales Aids ◀ ..... | 7  |
| Approved Suppliers ◀ .....                   | 7  |
| Construction Assistance ◀ .....              | 8  |
| Corporate Website ◀ .....                    | 8  |
| Design Assistance ◀ .....                    | 8  |
| Franchisee Advisory Councils ◀ .....         | 8  |
| Initial On-Site Assistance ◀ .....           | 9  |
| Initial Training ◀ .....                     | 9  |
| Management and Operations Advice ◀ .....     | 9  |
| Ongoing Research and Development ◀ .....     | 9  |
| Ongoing Training and Support ◀ .....         | 10 |
| Protected Territory ◀ .....                  | 10 |
| Site Selection ◀ .....                       | 10 |
| Use of Trademarks ◀ .....                    | 10 |

#### RESPONSIBILITIES OF BUONA FRANCHISEE AND

|                                               |    |
|-----------------------------------------------|----|
| STAFF .....                                   | 11 |
| Responsibilities to Guests ◀ .....            | 11 |
| Responsibilities to Your Employees ◀ .....    | 11 |
| Responsibilities to the Franchisor ◀ .....    | 12 |
| Responsibilities to Other Franchisees ◀ ..... | 12 |

#### VISITS FROM THE CORPORATE OFFICE .....

|                                                |    |
|------------------------------------------------|----|
| PAYING OTHER FEES .....                        | 14 |
| Additional Initial Training ◀ .....            | 14 |
| Additional On-Site / Remedial Training ◀ ..... | 14 |
| Additional Training Assistance ◀ .....         | 14 |
| Audit ◀ .....                                  | 14 |
| Brand Marketing Fund Contribution ◀ .....      | 15 |
| Conference Registration Fee ◀ .....            | 15 |
| Costs and Attorneys' Fees ◀ .....              | 15 |
| Guest Satisfaction Reimbursement ◀ .....       | 15 |
| Indemnification ◀ .....                        | 15 |
| Insurance Fees ◀ .....                         | 15 |

|                                                |    |
|------------------------------------------------|----|
| Interest ◀ .....                               | 16 |
| Liquidated Damages ◀ .....                     | 16 |
| Management Fee ◀ .....                         | 16 |
| Mystery Shopper Fee ◀ .....                    | 16 |
| National Account Services Fee ◀ .....          | 16 |
| Non-Compliance Fee ◀ .....                     | 17 |
| On-Site Training Fee ◀ .....                   | 17 |
| Quality Assurance Audit Fee ◀ .....            | 17 |
| Relocation Fee ◀ .....                         | 17 |
| Renewal Fee ◀ .....                            | 17 |
| Right to Operate Upon Default ◀ .....          | 17 |
| Royalty ◀ .....                                | 18 |
| Service Charges and Insufficient Funds ◀ ..... | 18 |
| Supplemental Training ◀ .....                  | 18 |
| Supplier/Product Testing ◀ .....               | 18 |
| Taxes ◀ .....                                  | 18 |
| Technology Fee ◀ .....                         | 18 |
| Technology Maintenance and Upgrades ◀ .....    | 19 |
| Transfer Fee ◀ .....                           | 19 |

### SECTION B: PRE-OPENING PROCEDURES

|                                              |    |
|----------------------------------------------|----|
| PRE-OPENING CHECKLIST .....                  | 1  |
| Development Cost Summary Sheet ◀ .....       | 8  |
| ESTABLISHMENT OF BUSINESS FORM .....         | 9  |
| SITE SELECTION PROCESS .....                 | 10 |
| Site Selection Criteria ◀ .....              | 10 |
| Market Analysis ◀ .....                      | 11 |
| Gaining Site Selection Acceptance ◀ .....    | 13 |
| Lease Considerations ◀ .....                 | 13 |
| Negotiating a Lease ◀ .....                  | 13 |
| Gaining Lease Acceptance ◀ .....             | 15 |
| Working with an Architect ◀ .....            | 16 |
| Selecting a Contractor ◀ .....               | 16 |
| Building Out the Restaurant Facility ◀ ..... | 17 |
| Pre-Opening Inspection ◀ .....               | 20 |
| INITIAL INVENTORY .....                      | 22 |
| TECHNOLOGY REQUIREMENTS .....                | 23 |
| LOGO AND SIGNAGE SPECIFICATIONS .....        | 24 |
| Business Cards and Letterhead ◀ .....        | 24 |
| Signage Requirements ◀ .....                 | 25 |

# Buona Franchise Operations Manual

## Table of Contents

|                                                               |           |                                                     |           |
|---------------------------------------------------------------|-----------|-----------------------------------------------------|-----------|
| <b>CONTRACTING WITH REQUIRED UTILITIES AND SERVICES .....</b> | <b>26</b> | <b>AMERICANS WITH DISABILITIES ACT (ADA).....</b>   | <b>16</b> |
| <b>OBTAINING REQUIRED LICENSES AND PERMITS.....</b>           | <b>28</b> | Who is Protected? ◀ .....                           | 16        |
| Health Department Regulations ◀ .....                         | 30        | Ensuring Compliance ◀ .....                         | 17        |
| <b>SETTING UP BANK ACCOUNTS .....</b>                         | <b>31</b> | ADA Survey and Enhancements ◀ .....                 | 17        |
| Accounts to Open ◀ .....                                      | 31        | ADA Resources ◀ .....                               | 17        |
| <b>PROCURING REQUIRED INSURANCE POLICIES.....</b>             | <b>32</b> | <b>PROFILE OF THE IDEAL BUONA TEAM MEMBER .....</b> | <b>18</b> |
| <b>MEETING YOUR TAX OBLIGATIONS.....</b>                      | <b>34</b> | <b>RECRUITING TEAM MEMBERS .....</b>                | <b>24</b> |
| Employer Identification Number ◀ .....                        | 34        | Determining Hiring Needs ◀ .....                    | 24        |
| Federal Taxes ◀ .....                                         | 34        | Getting the Word Out ◀ .....                        | 25        |
| State Taxes ◀ .....                                           | 35        | Pre-Screening ◀ .....                               | 27        |
| <b>CONDUCTING A GRAND OPENING .....</b>                       | <b>36</b> | <b>JOB DESCRIPTIONS.....</b>                        | <b>29</b> |
| Planning ◀ .....                                              | 38        | Restaurant General Manager ◀ .....                  | 29        |
| <b>SECTION C: HUMAN RESOURCES</b>                             |           | Restaurant Assistant General Manager ◀ .....        | 30        |
| <b>HELPFUL LINKS/RESOURCES.....</b>                           | <b>1</b>  | Restaurant Manager ◀ .....                          | 31        |
| <b>EEOC GUIDELINES FOR HIRING EMPLOYEES .....</b>             | <b>3</b>  | Restaurant Shift Manager ◀ .....                    | 33        |
| Employers Covered by EEOC-Enforced Laws ◀ .....               | 3         | Guest Service Associate ◀ .....                     | 34        |
| How Employees Are Counted ◀ .....                             | 4         | Guest Service Trainer ◀ .....                       | 35        |
| Record Keeping Requirements ◀ .....                           | 4         | Culinarian ◀ .....                                  | 37        |
| Reporting Requirements ◀ .....                                | 5         | Kitchen Trainer ◀ .....                             | 38        |
| Charge Processing Procedures ◀ .....                          | 5         | Dining Room Attendant ◀ .....                       | 40        |
| Mediation ◀ .....                                             | 6         | Catering Delivery Driver ◀ .....                    | 41        |
| Remedies ◀ .....                                              | 6         | Catering Delivery Driver – IND ◀ .....              | 42        |
| Regulatory Enforcement Fairness Act ◀ .....                   | 6         | <b>THE INTERVIEW PROCESS .....</b>                  | <b>44</b> |
| Technical Assistance ◀ .....                                  | 7         | Conducting Interviews ◀ .....                       | 49        |
| Informal Guidance ◀ .....                                     | 7         | Sample of Different Types of Interview              |           |
| Publications ◀ .....                                          | 7         | Questions ◀ .....                                   | 51        |
| <b>LAWS REGARDING HARASSMENT .....</b>                        | <b>8</b>  | Completing the Interview Evaluation Form ◀ .....    | 55        |
| Sexual Harassment ◀ .....                                     | 8         | Reference Check ◀ .....                             | 56        |
| Racial and Ethnic Harassment ◀ .....                          | 8         | Background Checks ◀ .....                           | 56        |
| Pregnancy Discrimination ◀ .....                              | 9         | Making a Job Offer ◀ .....                          | 57        |
| Religious Accommodation ◀ .....                               | 9         | <b>HIRING ON A TRIAL BASIS .....</b>                | <b>59</b> |
| <b>WAGE AND LABOR LAWS.....</b>                               | <b>10</b> | <b>TRAINING TEAM MEMBERS.....</b>                   | <b>60</b> |
| Fair Labor Standards Act ◀ .....                              | 10        | Training Philosophies ◀ .....                       | 60        |
| What the FLSA Requires ◀ .....                                | 11        | Training Tips ◀ .....                               | 62        |
| What the FLSA Does Not Require ◀ .....                        | 13        | Orienting New Team Members ◀ .....                  | 63        |
| FLSA Minimum Wage Poster ◀ .....                              | 13        | Initial Training ◀ .....                            | 66        |
| Other Mandatory Labor Law Posters ◀ .....                     | 14        | Ongoing Training Process ◀ .....                    | 69        |
| <b>IMMIGRATION REFORM/CONTROL ACT .....</b>                   | <b>15</b> | <b>CREATING A CAREER PATH FOR MANAGERS .....</b>    | <b>71</b> |
|                                                               |           | Career Path Binder ◀ .....                          | 71        |
|                                                               |           | KPIs ◀ .....                                        | 71        |

# Buona Franchise Operations Manual

## Table of Contents

|                                          |    |
|------------------------------------------|----|
| Leadership Contributions ◀ .....         | 72 |
| Recommended Promotion Process ◀ .....    | 72 |
| RETAINING TALENTED PEOPLE .....          | 73 |
| PERSONNEL POLICIES .....                 | 75 |
| TIME TRACKING PROCEDURES .....           | 85 |
| UNIFORM AND DRESS CODE .....             | 86 |
| CONDUCTING PERFORMANCE EVALUATIONS ..... | 88 |
| Preparation ◀ .....                      | 89 |
| Procedure ◀ .....                        | 90 |
| Review Meeting ◀ .....                   | 91 |
| PROGRESSIVE DISCIPLINE .....             | 92 |
| TERMINATION/SEPARATION .....             | 94 |
| Termination ◀ .....                      | 94 |
| Resignation ◀ .....                      | 97 |

## SECTION D: MANAGING A BUONA RESTAURANT

|                                                         |    |
|---------------------------------------------------------|----|
| THE BUONA MANAGEMENT PHILOSOPHY .....                   | 1  |
| Qualities of a Good Manager ◀ .....                     | 1  |
| DAILY RESPONSIBILITIES OF A MANAGER .....               | 3  |
| Management Zone Focus ◀ .....                           | 3  |
| MANAGER TOOLS .....                                     | 12 |
| Use of the Manager's Communication Log ◀ .....          | 12 |
| Use of the Daily Lineup Sheet ◀ .....                   | 13 |
| Use of Opening, Closing and Cleaning Checklists ◀ ..... | 13 |
| Use of the Line Checklist ◀ .....                       | 14 |
| Use of the Drive-Thru Checklist and Playbook ◀ ...      | 14 |
| MANAGING PERSONNEL .....                                | 15 |
| Scheduling Team Members ◀ .....                         | 15 |
| Communicating with Team Members ◀ .....                 | 18 |
| Management Meetings ◀ .....                             | 22 |
| Hosting Team Member Meetings ◀ .....                    | 23 |
| Motivating Team Members ◀ .....                         | 24 |
| MANAGING THE GUEST EXPERIENCE .....                     | 28 |
| Communicating with Guests ◀ .....                       | 28 |
| Evaluating the Guest Experience ◀ .....                 | 29 |
| Maintaining a Positive Environment ◀ .....              | 30 |
| INVENTORY MANAGEMENT .....                              | 33 |

|                                                          |    |
|----------------------------------------------------------|----|
| Product Ordering Procedures ◀ .....                      | 33 |
| Establishing Par Levels ◀ .....                          | 36 |
| Ordering from Approved Suppliers ◀ .....                 | 36 |
| Changing Approved Suppliers ◀ .....                      | 36 |
| Product Receiving Procedures ◀ .....                     | 37 |
| Labeling and Rotating Inventory ◀ .....                  | 40 |
| Storage ◀ .....                                          | 41 |
| Tracking Inventory ◀ .....                               | 44 |
| Steps for Taking Inventory ◀ .....                       | 46 |
| COST CONTROLS .....                                      | 48 |
| Prime Cost Concept ◀ .....                               | 48 |
| Food Cost and Controls ◀ .....                           | 49 |
| Tips for Investigating High Food Cost Categories ◀ ..... | 51 |
| Portion Controls ◀ .....                                 | 52 |
| Effective Scheduling and Labor Cost ◀ .....              | 52 |
| Calculating Labor Cost ◀ .....                           | 53 |
| Ways to Control Labor Cost ◀ .....                       | 55 |
| HEALTH INSPECTION PROCESS .....                          | 57 |
| HACCP Based Inspections ◀ .....                          | 58 |
| OPERATIONAL & FINANCIAL REPORTING .....                  | 59 |
| Features of Brink and CTUIT ◀ .....                      | 59 |
| Generating and Analyzing Necessary Reports ◀ ...         | 59 |
| PCI Compliance ◀ .....                                   | 60 |
| LOSS PREVENTION TECHNIQUES .....                         | 61 |
| Asset Control ◀ .....                                    | 61 |
| Threats to Cash Management ◀ .....                       | 63 |
| Inventory Control System ◀ .....                         | 66 |
| FRANCHISE REPORTING REQUIREMENTS .....                   | 67 |
| Royalty Payment ◀ .....                                  | 67 |
| Advertising Contributions ◀ .....                        | 67 |
| Electronic Funds Transfer ◀ .....                        | 68 |
| Financial Statements ◀ .....                             | 68 |

## SECTION E: DAILY OPERATING PROCEDURES

|                                    |   |
|------------------------------------|---|
| SUGGESTED HOURS OF OPERATION ..... | 1 |
| DAILY ROUTINES .....               | 2 |
| FOH Daily Expectations ◀ .....     | 3 |
| BOH Daily Expectations ◀ .....     | 3 |

# Buona Franchise Operations Manual

## Table of Contents

|                                                   |    |                                                |    |
|---------------------------------------------------|----|------------------------------------------------|----|
| Equipment Start-Up Guide ◀.....                   | 4  | Buona Menu Item Recipes ◀ .....                | 51 |
| Station Breakdown Procedures and Times ◀.....     | 6  | Preparing Menu Items ◀ .....                   | 51 |
| <b>GUEST SERVICE PROCEDURES</b> .....             | 8  | Plate Presentation ◀.....                      | 52 |
| Buona Guest Service Philosophy ◀ .....            | 8  | <b>PREP PROCEDURES</b> .....                   | 53 |
| Providing Excellent Guest Service ◀.....          | 10 | Planning Prep Work ◀ .....                     | 53 |
| Value of a Guest ◀ .....                          | 14 | Prep Guides ◀ .....                            | 53 |
| Signs of Guest Dissatisfaction ◀ .....            | 15 | Prepping Procedures ◀ .....                    | 62 |
| Obtaining Guest Feedback ◀ .....                  | 15 | Fresh Chicken Cooling and Storage ◀.....       | 63 |
| Handling Guest Complaints ◀ .....                 | 16 | Controlling Waste and Spoilage ◀ .....         | 64 |
| Replacing the Experience ◀ .....                  | 19 | Cash Handling Procedures ◀.....                | 65 |
| <b>MENU KNOWLEDGE</b> .....                       | 21 | Accepting Credit Cards ◀ .....                 | 66 |
| Allergens ◀.....                                  | 22 | Gift Cards ◀.....                              | 67 |
| Frequently Asked Questions ◀ .....                | 22 | Reconciling Sales and Payments ◀.....          | 67 |
| Shipping ◀ .....                                  | 23 | Making Your Bank Deposit ◀ .....               | 68 |
| <b>SERVING THE GUESTS</b> .....                   | 24 | <b>REQUIRED CLEANING</b> .....                 | 69 |
| Answering the Phone ◀ .....                       | 24 | Daily Cleaning ◀.....                          | 69 |
| Guest Interaction ◀ .....                         | 26 | Weekly Cleaning and Maintenance ◀ .....        | 72 |
| The 5 Guest Service Standards ◀.....              | 27 | Period End Cleaning ◀ .....                    | 76 |
| Handling Advanced Orders ◀.....                   | 27 | Quick Downtime Jobs ◀ .....                    | 76 |
| Serving Guests – Front Counter ◀ .....            | 28 | Major Equipment and Breakdown ◀ .....          | 77 |
| Serving Guests – Drive Thru ◀ .....               | 30 | Fryer Oil: Daily Filtering and Rotation ◀..... | 77 |
| Suggestive Selling ◀ .....                        | 33 | Counters, Tables, Product Preparation          |    |
| Using Brink to Enter Orders ◀ .....               | 34 | Surfaces ◀.....                                | 78 |
| Call Outs ◀ .....                                 | 35 | Floors ◀.....                                  | 78 |
| Transacting Sales ◀.....                          | 35 | Walls and Ceilings ◀ .....                     | 79 |
| Communication of Orders ◀.....                    | 35 | Windows ◀ .....                                | 79 |
| Delivering Food to the Guest's Table ◀.....       | 36 | Lighting and Air Vents ◀.....                  | 79 |
| Bagging Guidelines ◀.....                         | 38 | Bric-a-Brac and Pictures ◀ .....               | 79 |
| The Farewell ◀.....                               | 38 | Waste Receptacles ◀ .....                      | 80 |
| <b>ALCOHOL MANAGEMENT (OPTIONAL)</b> .....        | 39 | Restrooms ◀ .....                              | 80 |
| <b>BUSSING PROCEDURES</b> .....                   | 43 | Sidewalks ◀ .....                              | 81 |
| <b>CATERING PROCEDURES</b> .....                  | 44 | Dumpster Area ◀.....                           | 81 |
| Catering Cooler Setup ◀ .....                     | 44 | Care of Cleaning Equipment ◀.....              | 81 |
| Obtaining Feedback for Catering Orders ◀ .....    | 45 | Fire Extinguishers ◀ .....                     | 82 |
| <b>PROCESSING ONLINE AND THIRD-PARTY DELIVERY</b> |    | <b>COOKING PROCEDURES</b> .....                | 83 |
| ORDERS.....                                       | 46 | Meeting Time-Temperature Requirements ◀ .....  | 83 |
| Online ◀.....                                     | 46 | Food Thermometers ◀ .....                      | 83 |
| Delivery ◀ .....                                  | 46 | Prepping Procedures ◀ .....                    | 85 |
| Third-Party Delivery Resolutions ◀.....           | 47 | Cooking Procedures ◀ .....                     | 85 |
| <b>MENU ITEM PREPARATION PROCEDURES</b> .....     | 50 | Cooling Procedures ◀ .....                     | 85 |

# Buona Franchise Operations Manual

## Table of Contents

|                                               |            |
|-----------------------------------------------|------------|
| Holding Procedures ◀                          | 86         |
| Reheating Procedures ◀                        | 87         |
| Serving Procedures ◀                          | 87         |
| <b>FOOD SAFETY AND SANITATION</b>             | <b>88</b>  |
| Using Food Thermometers ◀                     | 88         |
| Preventing Contamination ◀                    | 89         |
| Personal Hygiene ◀                            | 91         |
| Use of Gloves ◀                               | 93         |
| Types of Contamination ◀                      | 94         |
| Cross-Contamination ◀                         | 94         |
| Biological Hazards ◀                          | 94         |
| Staphylococcus ◀                              | 95         |
| Salmonellosis ◀                               | 96         |
| Clostridium Perfringens (E. Coli) ◀           | 97         |
| Botulism ◀                                    | 97         |
| Hepatitis Virus A ◀                           | 98         |
| Biohazard / Bodily Clean Up Procedures ◀      | 99         |
| Cooking Food ◀                                | 100        |
| Reheating Food ◀                              | 100        |
| Cooling Food ◀                                | 101        |
| <b>FOODBORNE ILLNESS</b>                      | <b>102</b> |
| Contributing Factors to a Foodborne Illness ◀ | 103        |
| Top 5 Food Safety and Sanitation Issues ◀     | 104        |
| Recommended Manager Script ◀                  | 105        |
| <b>MAINTENANCE AND REPAIRS</b>                | <b>107</b> |
| Preventive Maintenance ◀                      | 108        |
| Maintenance Schedules ◀                       | 110        |
| <b>SAFETY AND SECURITY</b>                    | <b>111</b> |
| Employee Safety Training and Awareness ◀      | 112        |
| Safety Guidelines ◀                           | 112        |
| Responsibility ◀                              | 112        |
| Crisis Management ◀                           | 112        |
| Orientation ◀                                 | 114        |
| Workers' Compensation Issues ◀                | 120        |
| OSHA Requirements ◀                           | 120        |
| Chemical Safety ◀                             | 122        |
| SDS (Safety Data Sheets) ◀                    | 123        |
| Fire Safety ◀                                 | 126        |
| How to Respond to an Active Shooter ◀         | 129        |
| Emergency Preparedness ◀                      | 130        |

|                               |     |
|-------------------------------|-----|
| Burglary ◀                    | 132 |
| Preventing Electric Shock ◀   | 133 |
| Preventing Falls ◀            | 133 |
| Proper Lifting Techniques ◀   | 134 |
| Preventing Cuts ◀             | 135 |
| Knife Handling ◀              | 135 |
| Preventing Burns ◀            | 136 |
| Loitering/Disorderly Guests ◀ | 136 |

## SECTION F: MARKETING AND PROMOTION

|                                                |           |
|------------------------------------------------|-----------|
| <b>MARKETING PLAN</b>                          | <b>1</b>  |
| Marketing Calendar ◀                           | 2         |
| Developing your Marketing Plan ◀               | 2         |
| Corporate Marketing Rollout ◀                  | 2         |
| MyBuona Rewards ◀                              | 3         |
| <b>USE OF SOCIAL MEDIA</b>                     | <b>5</b>  |
| <b>PROMOTING BUONA IN YOUR AREA</b>            | <b>6</b>  |
| Use of Media ◀                                 | 6         |
| Direct Mail/EDDM ◀                             | 8         |
| Marketing TVs ◀                                | 8         |
| In-store Marketing ◀                           | 9         |
| Drive-Thru Marketing ◀                         | 9         |
| Kiosks ◀                                       | 9         |
| Billboards ◀                                   | 13        |
| Email Blasts ◀                                 | 13        |
| Vehicle Advertising ◀                          | 14        |
| Table Tents ◀                                  | 14        |
| Welcome Wagon (Residential Marketing Packet) ◀ | 14        |
| Guerilla Marketing (Flyers) ◀                  | 15        |
| Social Media Influencers ◀                     | 15        |
| School Advertising ◀                           | 15        |
| In-Store Promotions/Specials ◀                 | 16        |
| Guidelines for Using Buona Marks ◀             | 16        |
| Word of Mouth ◀                                | 17        |
| <b>REQUIRED ADVERTISING EXPENDITURES</b>       | <b>18</b> |
| Brand Development Fund ◀                       | 18        |
| Local Advertising Requirement ◀                | 18        |
| Cooperative Advertising ◀                      | 18        |

# Buona Franchise Operations Manual

## Table of Contents

|                                                     |           |
|-----------------------------------------------------|-----------|
| <b>Grand Opening Advertising ◀ .....</b>            | <b>19</b> |
| <b>PUBLIC RELATIONS/COMMUNITY INVOLVEMENT .....</b> | <b>20</b> |
| <b>Community Involvement ◀.....</b>                 | <b>21</b> |
| <b>OBTAINING ADVERTISING APPROVAL.....</b>          | <b>24</b> |

### **APPENDICES:**

**ALLERGEN INFORMATION**

**BRAND GUIDELINES**

**CATERING**

**CLEANING CHECKLIST**

**EQUIPMENT AND SMALLWARES**

**EQUIPMENT MAINTENANCE AND CLEANING MANUAL**

**FORMS AND SAMPLES**

**GIFT CARD REDEMPTION GUIDE**

**INITIAL/OPENING INVENTORY**

**LOGO SPECIFICATIONS**

**MEASUREUP CHECKLIST**

**NEW BUONA STORE ORGANIZATION**

**QUICK REFERENCE GUIDE**

**RECIPE AND PREP**

**SDS**

**TRAINING**

**EXHIBIT G  
LIST OF FRANCHISEES**

**LIST OF CURRENT FRANCHISEES**

**As of ~~January 1~~December 31, 2023**

The following two individuals signed an Area Development Agreement and one Franchisees who have signed a Dual Brand Franchise Agreement with us and our affiliate but have not yet opened:

Jesse Alvarez, \_\_\_\_\_ and Anthony Vendarmim \_\_\_\_\_  
9704 Clovercroft Rd. \_\_\_\_\_ 1097 N. ~~400 E.,~~  
\_\_\_\_\_, Nolensville, TN 34211, \_\_\_\_\_ Chesterton, IN 46304  
(708)612-0347 \_\_\_\_\_ and Anthony Vendarmin, 1097 N. ~~400 E.,~~ Chesterston, IN 46304,  
(219)405-5267  
Franchise Agreement signed for location in TN; also signed an Area Development Agreement \_\_\_\_\_

Michael Schwartz  
LaGrande Holdings  
1801 Tower Drive, Unit E350  
Glenview, IL 60026  
(708)828-3030  
Franchise Agreement signed for location in FL; also signed an Area Development Agreement \_\_\_\_\_

Zeenat Ladiwalla  
Mid-Continent Hospitality  
405 TX-121, Suite C-140  
Lewisville, TX 75067  
(469)208-1872  
Also signed an Area Development Agreement \_\_\_\_\_

**LIST OF FORMER FRANCHISEES**

**As of ~~January 1~~December 31, 2023**

None



## **EXHIBIT H**

### **STATE ADDENDA**

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

Any Addendum to the Franchise Agreement will apply to both the single brand Franchise Agreement and the Dual Brand Franchise Agreement unless otherwise noted. Any Addendum to the Area Development Agreement will apply to both the single brand Area Development Agreement and the Dual Brand Area Development Agreement.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE STATE OF CALIFORNIA**

The Chicago's Original Italian Beef Franchising LLC Franchise Disclosure Document for use in the State of California is modified in accordance with the following:

1. ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA, SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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

4. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

5. Item 3 of the Franchise Disclosure Document on "Litigation" is amended by the addition of the following:

Neither Franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

6. Item ~~65~~ of the Franchise Disclosure Document on ~~"Other Fees"~~ Initial Franchise Fee is amended by the addition of the following:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

7. Item 6 of the Franchise Disclosure Document on "Other Fees" is amended by the addition of the following:

The maximum annual interest rate in California is 10%.

78. Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision

that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.”

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Illinois with the costs being borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.05, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law.

The Franchise Agreement states that franchisee must sign a general release if franchisee transfers its franchise or renews or signs a successor Franchise Agreement. California Corporations Code § 31512 voids a waiver of franchisee’s rights under the Franchise Investment Law (California Corporations Code §§ 31000 – 31516). Business and Professional Code § 20010 voids a waiver of franchisee’s rights under the Franchise Relations Act (Business and Professionals Code §§ 20000 – 20043).

89. Item 19 of the Franchise Disclosure Document on "Financial Performance Representations" is amended by the addition of the following:

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

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF CALIFORNIA**

This addendum to the Franchise Agreement is agreed to this between Chicago's Original Italian Beef Franchising LLC. (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal Options and Conditions and Section XVI of the Franchise Agreement on Default and Termination are amended by the addition of the following language to the original language that appears therein:

"California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control."

- ~~22.~~ Section 3.1 of the Franchise Agreement on Initial Franchise Fee is amended by the addition of the following language to the original language that appears therein:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

- ~~3.~~ Section 14.3. of the Franchise Agreement on Post-Termination Covenants is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law."

- ~~34.~~ Section 16.1 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)."

- ~~4.~~ Section 24.5 of the Franchise Agreement on Governing Law/Consent to Venue and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

~~"The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law."~~

5. Section 24.5 of the Franchise Agreement on Governing Law/Consent to Venue and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires application of the laws of the State of Illinois. This provision may not be enforceable under California law."

- ~~6.~~ Section 24.5 of the Franchise Agreement on Governing Law/Consent to Venue and Jurisdiction is amended by the addition of the following language to the original language that appears therein:

"The Franchise Agreement requires that litigation occur in the State of Illinois with the costs being borne by the

losing party. This provision may not be enforceable under California law."

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

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The Franchise Disclosure Document of Chicago's Original Italian Beef Franchising LLC 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.

The Illinois Attorney General's office imposed a surety bond requirement based on our financial condition. The surety bond is on file with the Illinois Attorney General.

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF ILLINOIS**

This Addendum is to a Franchise Agreement between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ (Franchisee) executed simultaneously with this Addendum to amend said Agreement as follows:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. 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.
3. Franchisee's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. The Illinois Attorney General's office imposed a surety bond requirement based on Franchisor's financial condition. The surety bond is on file with the Illinois Attorney General.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
FOR THE STATE OF ILLINOIS**

This Addendum is to an Area Development between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ (Developer) executed simultaneously with this Addendum to amend said Agreement as follows:

1. Illinois law shall apply to and govern the Area Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in an area development agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, an area development agreement may provide for arbitration to take place outside of Illinois.
3. Developer's rights upon Termination and Non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. The Illinois Attorney General's office imposed a surety bond requirement based on Franchisor's financial condition. The surety bond is on file with the Illinois Attorney General.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN  
BEEF FRANCHISING LLC**  
An Illinois limited liability company

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**DEVELOPER:**  
\_\_\_\_\_  
a \_\_\_\_\_  
  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF INDIANA**

This addendum to the Franchise Agreement is agreed to Chicago's Original Italian Beef Franchising LLC (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

The Indiana Franchises Law, Title 23, Chapter 2.5, Sections 1 through 51 of the Indiana Code, supersedes any provisions of the Franchise Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

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

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

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

The Chicago's Original Italian Beef Franchising LLC Franchise Disclosure Document ("FDD") for use in the State of Maryland is modified in accordance with the following:

Item 5 of the Franchise Disclosure Document is amended by the addition of the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17 of the Franchise Disclosure Document on "Renewal, Termination, Transfer and Dispute Resolution" is amended by the addition of the following:

The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11. U.S.C. Section 101 et. seq.).

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF MARYLAND**

This Addendum is to a Franchise Agreement between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal and Section 15.3 of the Franchise Agreement on Conditions to Transfer by Franchisee are each amended by the addition of the following language to the original language that appears therein:

"Any provision allowing Franchisee to execute a general release of any and all claims against Franchisor shall not apply to any liability under Maryland Franchise Registration and Disclosure Law."

2. Paragraph 11.1 of the Franchise Agreement on Marketing is amended by the addition of the following language to the original language that appears therein:

"Franchisor will provide Franchisee with an annual accounting of the advertising fees collected."

3. Section 16.1 of the Franchise Agreement on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"Termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)."

4. Paragraph 24.5 of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Paragraph 24.8 of the Franchise Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Franchisee for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

6. Section 25.11 of the Franchise Agreement on Acknowledgements by Franchisee shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

7. Section 3.1 of the Franchise Agreement on Initial Franchise Fee shall be amended by the addition of the following language to the original language that appears therein:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum is to the Area Development Agreement between Chicago's Original Italian Beef Franchising LLC and (Developer) to amend said Agreement as follows:

1. Paragraph 12.6 of the Area Development Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"Developer may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

2. Paragraph 12.9. of the Area Development Agreement on Limitation of Claims shall be amended by the addition of the following language to the original language that appears therein:

"; provided, however, that the limitation of such claims shall not act to reduce the three (3) year statute of limitations afforded Developer for bringing a claim under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

3. Paragraph 16. of the Area Development Agreement on Acknowledgements by Developer shall be amended by the addition of the following language to the original language that appears therein:

"The representations of this section are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

4. Section 2 of the Area Development Agreement on Fees shall be amended by the addition of the following language to the original language that appears therein:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN  
BEEF FRANCHISING LLC**

An Illinois limited liability company

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

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

Date: \_\_\_\_\_

**DEVELOPER:**

\_\_\_\_\_

a \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISEE ACKNOWLEDGEMENT QUESTIONNAIRE**  
**FOR THE STATE OF MARYLAND**

This Addendum is to an Acknowledgement and Disclosure Statement between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ (Franchisee) to amend said Statement as follows:

"Nothing contained in this Statement is intended to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

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

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

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

The Chicago's Original Italian Beef Franchising LLC Franchise Disclosure Document for use in the State of Minnesota is modified in accordance with the following:

1. Item 6 of the Franchise Disclosure Document is amended by the following:

In no event will the then-current non-sufficient funds fee charged by Franchisor exceed the maximum fee allowed by Minnesota Statute Section 604.113, which is currently \$30.

2. Item 13 of the Franchise Disclosure Document on "Trademarks" is amended by the addition of the following language:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

3. Item 17 of the Franchise Disclosure Document is amended by the addition of the following language:

"With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. 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."

4. Item 17.c. and 17.m. of the Franchise Disclosure Document are amended by the addition of the following language:

"The execution of a general release upon renewal or transfer shall be inapplicable to claims arising under the Minnesota Franchises law."

5. Item 17.u. and 17.v. of the Franchise Disclosure Document are amended by the addition of the following language:

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

as provided for in Minnesota Statutes, Chapter 80C or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

6. This Addendum does not act as a release or waiver by the franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

7. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

8. Pursuant to Minnesota Stat. Sec. 80C.21, no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This addendum to the Franchise Agreement is agreed to between Chicago's Original Italian Beef Franchising LLC (Franchisor) and \_\_\_\_\_ (Franchisee) to amend said Agreement as follows:

1. Section 2.2 of the Franchise Agreement on Renewal and Section 16 of the Franchise Agreement on Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 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. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section 2.2 of the Franchise Agreement on Renewal and Section 15.3 of the Franchise Agreement on Conditions to Transfer by Franchisee are each amended by the addition of the following language to the original language that appears therein:

"The execution of a general release upon renewal or transfer shall be inapplicable to claims arising under the Minnesota Franchises law."

3. Section 5 of the Franchise Agreement on Proprietary Marks and System is amended by the addition of the following language to the original language that appears therein:

"In the event Franchisee's right to the use of any name, mark or commercial symbol licensed hereunder is the subject of any claim, suit or demand (a "threat"), Franchisor shall either defend Franchisee against the threat or indemnify Franchisee from any loss, costs or expenses arising therefrom, provided and on condition, Franchisee:

- A. delivers to Franchisor prompt written notice of the threat;
- B. grants Franchisor written authorization to take unrestricted control over the defense and settlement of the threat with counsel of its choice;
- C. did not cause or give rise to the threat due to a material failure to comply with Franchisor's previously communicated trademark usage requirements;
- D. cooperates promptly and fully with Franchisor in the defense, mitigation, and/or settlement of the threat; and
- E. does not jeopardize or compromise any right, defense, obligation or liability of Franchisor, by making any statement to, or entering into any agreement with, the threatening party which does not have the advance written consent of Franchisor, unless required by applicable law."

4. Section 14.3 of the Franchise Agreement on Post-Termination Covenant Not to Compete is amended by the addition of the following language to the original language that appears therein:

"These provisions may not be enforceable under Minnesota law."

5. Sections 24.5 of the Franchise Agreement on Governing Law/Consent to Jurisdiction and Section 24.9 of the Franchise Agreement on Damages are each amended by the addition of the following language to the original language that appears therein:

"Minnesota Statutes, Section 80C.21 and Minn. Rule Part 2860.4400(J) prohibit the franchisor from

requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction."

6. Section 24.8 of the Franchise Agreement on Limitation of Claims is amended by the addition of the following language to the original language that appears therein:

"Notwithstanding the foregoing, any claim brought under the Minnesota Franchises Law shall not be barred unless an arbitration or legal proceeding is commenced within three (3) years after the cause of action accrues."

7. Section 24.7 of the Franchise Agreement on Specific Performance; Injunctive Relief is amended in part to provide that the court will determine if a bond will be posted.

8. Section 3.6 of the Franchise Agreement is amended in part by the addition of the following:

"In no event will the then-current non-sufficient funds fee charged by Franchisor exceed the maximum fee allowed by Minnesota Statute Section 604.113."

9. Section 16.9 on of the Franchise Agreement on Monetary Fees for Non-Compliance and Section 24.11 on Liquidated Damages are each amended by the addition of the following language:

"These provisions are not enforceable under Minnesota law."

10. This Addendum does not act as a release or waiver by the franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

11. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

12. Pursuant to Minnesota Stat. Sec. 80C.21, no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

13. Section 1.5(d) of the Franchise Agreement on Franchisor's right to implement and maintain multi-area marketing program, including internet and regional or national accounts, is hereby deleted.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

**FRANCHISEE:**

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

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT**  
**FOR THE STATE OF MINNESOTA**

This addendum to the Area Development Agreement is agreed to between Chicago's Original Italian Beef Franchising LLC (Franchisor) and \_\_\_\_\_ (Developer) to amend said Agreement as follows:

1. Section 7 of the Area Development Agreement on Default and Termination is amended by the addition of the following language to the original language that appears therein:

"Minnesota law provides franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 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. These provisions of Minnesota law are hereby incorporated by reference in this Agreement."

2. Section 9 of the Area Development Agreement on Post-Termination Covenants is amended by the addition of the following language to the original language that appears therein:

"These provisions may not be enforceable under Minnesota law."

3. Sections 12.6 of the Area Development Agreement on Governing Law/Consent to Jurisdiction and Section 12.4 of the Area Development Agreement on Scope of Arbitration are each amended by the addition of the following language to the original language that appears therein:

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

4. Section 12.9 of the Area Development Agreement on Limitation of Actions is amended by the addition of the following language to the original language that appears therein:

"Notwithstanding the foregoing, any claim brought under the Minnesota Franchises Law shall not be barred unless an arbitration or legal proceeding is commenced within three (3) years after the cause of action accrues."

5. Section 12.2 of the Area Development Agreement on Specific Performance; Injunctive Relief is amended in part to provide that the court will determine if a bond will be posted.

6. This Addendum does not act as a release or waiver by the franchisee of an otherwise applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

7. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

8. Pursuant to Minnesota Stat. Sec. 80C.21, no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**

An Illinois limited liability Franchisor

**DEVELOPER:**  
**[ENTITY NAME]**

A \_\_\_\_\_

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

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

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

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

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

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

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

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

The Chicago's Original Italian Beef Franchising LLC Offering Prospectus for use in the State of New York is modified in accordance with the following:

1. All references made here to a Franchise Disclosure Document shall be amended to Offering Prospectus.
2. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise,

securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

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

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

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

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

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

10. The Franchisor represents that this offering prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.



**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**FOR THE STATE OF NEW YORK**

This Addendum is to a Franchise Agreement between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ ("Franchisee") amend said Agreement as follows:

1. Paragraph 2.2 of the Franchise Agreement on Renewal and Paragraph 15.3. of the Franchise Agreement on Conditions to Transfer shall be amended by the addition of the following language to the original language that appears therein:

"All rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied."

2. Paragraph 15.1 of the Franchise Agreement on Transfer by Franchisor shall be amended by the addition of the following language to the original language that appears herein:

"However, Franchisor shall not assign its rights and obligations to a transferee unless in its reasonable judgment, the transferee is able to fulfill the Franchisor's obligations under its Franchise Agreements."

3. Paragraph 24.5 of the Franchise Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

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

Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC  
ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT  
FOR THE STATE OF NEW YORK**

This Addendum is to an Area Development Agreement between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_(Developer) to amend said Agreement as follows:

1. Paragraph 12.6 of the Area Development Agreement on Governing Law/Consent to Jurisdiction shall be amended by the addition of the following language to the original language that appears therein:

"The foregoing choice of law shall not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the General Business Law of the State of New York."

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability Franchisor

**DEVELOPER:**  
**[ENTITY NAME]**

A \_\_\_\_\_

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

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

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

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

**CHICAGO'S ORIGINAL ITALIAN BEEF FRANCHISING LLC**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FOR THE COMMONWEALTH OF VIRGINIA**

The Chicago's Original Italian Beef Franchising LLC Franchise Disclosure Document for use in the Commonwealth of Virginia is modified by the addition of the following Risk Factor:

**Estimated Initial Investments.** The franchisee will be required to make an estimated initial investment ranging from \$2,700,800 to \$5,077,500 for a single brand free standing Buona Business, from \$3,044,250 to \$5,752,350 for a dual brand free standing Buona Business, and from \$1,280,350 to \$1,809,830 for a single brand inline Buona Business. This amount exceeds the franchisor's member's equity as of December 31, 2023.

-

---

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR USE IN STATE OF WISCONSIN**

THIS ADDENDUM to the Franchise Agreement is agreed to between Chicago's Original Italian Beef Franchising LLC and \_\_\_\_\_ (Franchisee) to amend said Franchise Agreement to include the following language:

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provisions of the Franchise Contract or Agreement if such provisions are in conflict with that law.

In witness whereof, each of the undersigned hereby acknowledges having read this Addendum and understands and agrees to be bound by all of its terms as of the dates below.

**FRANCHISOR:**  
**CHICAGO'S ORIGINAL ITALIAN BEEF**  
**FRANCHISING LLC**  
An Illinois limited liability company

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

Date: \_\_\_\_\_

OR if Franchisee is an entity:

\_\_\_\_\_  
A \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**EXHIBIT I**  
**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:

| <b>State</b> | <b>Effective Date</b>     |
|--------------|---------------------------|
| California   |                           |
| Hawaii       | Not registered            |
| Illinois     | <del>April 28, 2023</del> |
| Indiana      | <del>April 28, 2023</del> |
| Maryland     |                           |
| Michigan     | September 29, 2023        |
| Minnesota    | <del>May 15, 2023</del>   |
| New York     |                           |
| North Dakota | Not registered            |
| Rhode Island | Not registered            |
| South Dakota | Not registered            |
| Virginia     |                           |
| Washington   | Not registered            |
| Wisconsin    | <del>April 28, 2023</del> |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J  
RECEIPTS  
(Franchisee Copy)**

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

If Chicago's Original Italian Beef Franchising LLC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor, or an affiliate, in connection with the proposed franchise sale or grant.

Michigan requires us to give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Chicago's Original Italian Beef Franchising LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law 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 on Exhibit A.

Chicago's Original Italian Beef Franchising, LLC authorizes the parties identified on Exhibit A to receive service of process for Chicago's Original Italian Beef Franchising LLC in the particular state.

The name, principal business address and telephone number of each franchise seller offering the franchise is Joseph Buonavolanto, Jr., Joseph Buonavolanto III, and John Buonavolanto at 6801 Roosevelt, Berwyn, IL 60402, (708)948-0557; and check the box(es) and/or identify any additional franchise seller who offered you a franchise in the space provided below.

~~The name, principal business address and telephone number of each franchise seller offering the franchise is: **(Check as applicable)**~~

☐ ~~Joseph Carlo~~ Buonavolanto, Jr.  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Carlo Don~~ Buonavolanto  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Joseph Mike~~ Buonavolanto III  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Don Buonavolanto~~ Name of Franchise Seller: \_\_\_\_\_  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557 Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

☐ Name of Franchise Seller: \_\_\_\_\_  
\_\_\_\_\_  
Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

☐ Name of Franchise Seller: \_\_\_\_\_  
Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

~~Identify any additional individual franchise seller who offered you a franchise in the space provided above.~~

Issuance Date: April ~~28, 2023~~22, 2024

I received a Franchise Disclosure Document dated April ~~28, 2023~~22, 2024 that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement
- B-1. Dual Brand Franchise Agreement
- C. Area Development Agreement
- C-1. Dual Brand Area Development Agreement
- D. Financial Statements
- E. Franchisee Acknowledgement Questionnaire
- F. Table of Contents for Operations Manual
- G. List of Franchisees
- H. State Addenda
- I. State Effective Dates
- J. Receipts

|      |           |              |              |
|------|-----------|--------------|--------------|
| Date | Signature | Printed Name | On behalf of |
|------|-----------|--------------|--------------|

|      |           |              |              |
|------|-----------|--------------|--------------|
| Date | Signature | Printed Name | On behalf of |
|------|-----------|--------------|--------------|

Please retain this copy of the receipt for your records.

**RECEIPT**  
**(Our Copy)**

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

If Chicago's Original Italian Beef Franchising LLC offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor, or an affiliate, in connection with the proposed franchise sale or grant.

Michigan requires us to give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Chicago's Original Italian Beef Franchising LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law 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 on Exhibit A.

Chicago's Original Italian Beef Franchising, LLC authorizes the parties identified on Exhibit A to receive service of process for Chicago's Original Italian Beef Franchising LLC in the particular state.

The name, principal business address and telephone number of each franchise seller offering the franchise is Joseph Buonavolanto, Jr., Joseph Buonavolanto III, and John Buonavolanto at 6801 Roosevelt, Berwyn, IL 60402, (708)948-0557; and check the box(es) and/or identify any additional franchise seller who offered you a franchise in the space provided below.

**The name, principal business address and telephone number of each franchise seller offering the franchise is: *(Check as applicable)***

☐ ~~Joseph Carlo~~ Buonavolanto, Jr.  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Carlo Don~~ Buonavolanto  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Joseph Mike~~ Buonavolanto III  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557

☐ ~~Don Buonavolanto~~ Name of Franchise Seller: \_\_\_\_\_  
6801 Roosevelt  
Berwyn, IL 60402  
(708) 948-0557 Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

☐ Name of Franchise Seller: \_\_\_\_\_  
\_\_\_\_\_  
Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

☐ Name of Franchise Seller: \_\_\_\_\_  
Principal Business Address: \_\_\_\_\_  
\_\_\_\_\_  
Telephone Number: \_\_\_\_\_

~~Identify any additional individual franchise seller who offered you a franchise in the space provided above.~~

Issuance Date: April 28, 2023 22, 2024



I received a Franchise Disclosure Document dated April ~~28, 2023~~22, 2024 that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement
- B-1 Dual Brand Franchise Agreement
- C. Area Development Agreement
- C-1 Dual Brand Area Development Agreement
- D. Financial Statements
- E. Franchisee Acknowledgement Questionnaire
- F. Table of Contents for Operations Manual
- G. List of Franchisees
- H. State Addenda
- I. State Effective Dates
- J. Receipts

|      |           |              |              |
|------|-----------|--------------|--------------|
| Date | Signature | Printed Name | On behalf of |
|------|-----------|--------------|--------------|

|      |           |              |              |
|------|-----------|--------------|--------------|
| Date | Signature | Printed Name | On behalf of |
|------|-----------|--------------|--------------|

Important: Please sign and then return this page by mail to Joe Buonavolanto III at 6801 Roosevelt Road, Berwyn, IL 60402, (708)749-BEEF.