

FRANCHISE DISCLOSURE DOCUMENT

M & T Pizza Incorporated
680 East Seventh Street
St. Paul, MN 55106
Telephone: (651) 771-5553
Website: CarbonesPizzeria.com



M & T Pizza Incorporated is offering franchises for the development and operation of restaurants that offer and sell pizza and related foods and beverages on a dine-in and carry-out basis under the "Carbone's Pizza" and "Carbone's PizzeriaSM name.

The initial investment necessary to begin operation of a Carbone Pizza restaurant ranges from \$328,600 to \$908,350. This includes \$25,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Thomas M. Carbone at the address or telephone number above.

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

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

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

Issuance Date: May 7, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own state.

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

TABLE OF CONTENTS

ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	6
ITEM 2. BUSINESS EXPERIENCE.....	7
ITEM 3. LITIGATION	8
ITEM 4. BANKRUPTCY	8
ITEM 5. INITIAL FEES	8
ITEM 6. OTHER FEES.....	8
ITEM 7. ESTIMATED INITIAL INVESTMENT	10
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	12
ITEM 9. FRANCHISEE'S OBLIGATIONS	13
ITEM 10. FINANCING	14
ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	15
ITEM 12. TERRITORY	19
ITEM 13. TRADEMARKS.....	21
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	22
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	23
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	23
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	24
ITEM 18. PUBLIC FIGURES	26
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	26
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	27
ITEM 21. FINANCIAL STATEMENTS.....	30
ITEM 22. CONTRACTS	30
ITEM 23. RECEIPTS.....	30

EXHIBIT A – STATE REGULATORY AGENCIES AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT B – FRANCHISE AGREEMENT

EXHIBIT C – OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT D – FINANCIAL STATEMENTS

EXHIBIT E – LIST OF FRANCHISEES

EXHIBIT F – LIST OF FORMER FRANCHISEES

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

To simplify the language in this disclosure document, “we”, “us”, “our” and “M & T Pizza” means M & T Pizza Incorporated, the corporation which is offering the franchise and is sometimes called the “Franchisor.” “You” or “your” means the person who or entity that buys the franchise and is sometimes called the “Franchisee.” If the Franchisee is a corporation, partnership, limited liability company, or other business entity, “you” includes the franchisee’s owners and each of your owners must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement.

The Franchisor

We are a Minnesota corporation incorporated on November 4, 1977. Our principal business address is 680 East Seventh Street, St. Paul, Minnesota 55106. We do business under our corporate name and as M & T Pizza. We do not do business under any other names. We have been offering franchises since 1977. We have never offered franchises in any other lines of business. Our agents for services of process are listed on Exhibit A.

Parents, Predecessor and Certain Affiliates

We have no parent or predecessor companies required to be disclosed in this disclosure document. The original franchisor of the Carbone’s Pizza concept was Carbone & Sons, Inc. This entity ceased franchising activities in 1977 but there are two franchisees who continue to operate under their licenses with Carbone & Sons, Inc.

We have no affiliates that offer franchises in any line of business. Carbone Pizza, Inc., our affiliate, will occasionally sell products to our franchisees. It is also the owner of the original Carbone’s Pizza location in St. Paul, Minnesota, which opened in 1954. C&T Pizza LLC is an affiliate of ours that offers and sells frozen pizzas to convenience stores and others for re-sale. It also provides frozen pizzas to franchisees who offer them to sports teams and others who are engaged in fundraising. It has never offered franchises in any line of business nor has it ever conducted a Carbone’s Pizza restaurant.

The Franchise

We franchise the right to operate restaurants under the trade names “Carbone’s Pizza” and “Carbone’s PizzeriaSM.” The restaurants feature pizza and offer related foods and beverages. We refer to these restaurants in this disclosure document as “Restaurants”. You must offer pizza and other items we require for consumption on the premises and also on a take-out basis at your Restaurant. Some of Carbone’s Pizza restaurants offer pizza delivery services but it is not required. Most Carbone’s Pizza Restaurants serve alcoholic beverages but it is not required and we must approve the sale of alcoholic beverages before you begin serving them from your Restaurant.

You may operate a full-service Restaurant, a fast-casual Restaurant or an express location. At the time you sign your Franchise Agreement we will agree on the model you will operate. The typical full service Restaurant, which may include a bar, is 2,500 to 4,000 square feet, the fast casual Restaurant is 2,000 to 3,000 square feet (40-60 seats), and our express model is 1,100-

1,300 square feet. If you would like to offer food and beverages from a food truck or provide catering services, we must approve those services before you begin providing them and they will need to comply with our standards and other requirements.

You must sign our Franchise Agreement, the current form of which is attached as Exhibit B. You and your Restaurant must comply with all of our mandatory standards and other requirements as they may change over time including those related to quality, type and weight of ingredients and other products and supplies used in the operation of your Restaurant.

The Market and Regulation

The pizza restaurant business is well-established and very competitive. In most communities there are one or more (and in large communities, many) restaurants selling pizza and related food items. You will compete with other restaurants offering similar items including, including other pizza restaurants (both quick service and other), other Italian quick service restaurants and with traditional restaurants of all types. You will also compete with grocery stores and others selling pizzas intended to be prepared and eaten at home.

Pizza restaurants are subject to the same local zoning laws and other local business regulation and licensing provisions as any other type of restaurants. The zoning laws restrict where restaurants may be located and often require provision of parking and other amenities. The business regulations and licensing provisions govern various items including size, operating conditions, hours of operation, ability to sell alcoholic beverages and other aspects of the operation of restaurants. If your Restaurant will be serving alcoholic beverages, you must comply with all laws regarding service of alcoholic beverages, which include age restrictions of the customers to whom alcoholic beverages can be sold. Background checks are also normally required of all the owners and certain management personnel before a liquor license will be issued.

ITEM 2. BUSINESS EXPERIENCE

President, Secretary and Treasurer: Thomas M. Carbone

Mr. Carbone has acted as our President, Secretary and Treasurer since April, 2017. He has also acted as the Chief Executive Officer, Secretary and Treasurer of our affiliate Carbone & Sons, Inc. since July, 2018.

Chief Operating Officer (Contract): Len Ghilani

Mr. Ghilani has served as our contract Chief Operating Officer since January 2021. Since January 2000 Mr. Ghilani has operated his own consulting business performing consulting services for various businesses.

Chief Marketing Officer (Contract): Tessa Sussner

Ms. Sussner has served as our contract Chief Marketing Officer since April 2010. Ms. Sussner has also been the owner of Sussner Design Company since 1999, a marketing strategy and brand consulting firm located in Minneapolis, Minnesota.

**ITEM 3.
LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

**ITEM 5.
INITIAL FEES**

Our initial franchise fee is \$25,000 (unless you are already an existing Carbone's Pizza franchisee purchasing an additional franchise, in which case we will waive this fee). You must pay the entire initial franchise fee at the time you sign the Franchise Agreement. It is nonrefundable.

**ITEM 6.
OTHER FEES**

(Column 1) Type of Fee¹	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Royalty	4% of Gross Sales on the initial \$1,000,000 in Gross Sales per year, 3% of Gross Sales on the next \$1,000,000 per year and 2% of Gross Sales on any additional Gross Sales over \$2,000,000 per year.	Payable monthly on 10 th day following the month covered	Gross Sales includes all revenues from the operation of the Restaurant including any delivery or off-premises sales. Gross Sales do not include sales tax or use tax, non-food vending machine sales, revenue from alcohol sales, and discounts.
Advertising	1% of total Gross Sales up to \$2,000,000 per year. No additional fee for Gross Sales over \$2,000,000 in that year.	Payable monthly on 10 th day following the month covered	
Late Fee	1.5% per month from date due, not to exceed the highest rate of interest allowed by law.	Upon demand	This fee is imposed by us if you do not pay amounts you owe us in a timely fashion.

(Column 1) Type of Fee¹	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Transfer	\$5,000	Prior to consummation of transfer	Payable when you sell your franchise or your business entity or a majority interest in said entity. No charge if franchise transferred to a corporation which you solely own.
Audit	Cost of audit plus 1.5% interest per month on underpayment from date initially due.	Upon billing	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month.
Renewal	\$1,500		You must sign our then-current form of franchise agreement which may contain different terms and conditions than those in your Franchise Agreement, including different fees and territory.

(1) All fees are paid to us, are non-refundable, and are uniform for all new franchisees. (Franchisees who signed earlier versions of our franchise agreements may be paying lower fees in some categories.) If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you must pay an additional amount equal to the amount of this tax. This does not apply to any federal or Minnesota income taxes we have to pay. For all amounts you owe to us, we have the right to collect these fees by pre-authorized check draft or pre-authorized credit card charge or electronic funds transfer/direct debit and you must sign all documents we require to accomplish this payment method. An example of the Electronic Funds Transfer/Debit Authorization Form you must sign is attached to the Franchise Agreement. By the 5th of each month for the prior month you must provide us with a sales report disclosing to us your sales information for the prior month and any other information we may require. If a date due for payment is not a business day the payment due date will be the immediately following business day.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT⁽¹⁾				
(Column 1) Type of Expenditure	(Column 2) Amount	(Column 3) Method of Payment	(Column 4) When Due	(Column 5) To Whom Payment is to be Made
Initial Franchise Fee	\$25,000 (Note 2)	Lump sum	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training	\$1,000 to \$2,500	As incurred	During training	Hotels and restaurants
Leasehold Improvements	\$130,000 to \$400,000 (Note 3)	As incurred	As incurred	Contractors and suppliers
Rent (3 months)	\$7,500 to \$18,750 (Note 4)	As incurred	As incurred	Landlord
Furniture, Fixtures, Equipment and Smallware's	\$90,000 to \$285,000 (Note 5)	Lump sum	Before opening	Vendors
Point of Sale	\$5,000 to \$10,000	Lump Sum	Before opening	Vendor
Signs	\$ 6,000 to \$18,000	Lump sum	Prior to opening	Sign company
Miscellaneous Opening Costs	\$34,100 to \$39,100 (Note 6)	As incurred	As incurred	Employees, suppliers, utilities, etc.
Opening Inventory	\$10,000 to \$20,000 (Note 7)	Lump sum	Before opening	Vendors
Estimated Additional Funds – 3 months	\$20,000 to \$90,000 (Note 8)	As incurred	As incurred	Employees suppliers, utilities
Total	\$328,600 to \$908,350 (Note 9)			

Notes:

- (1) None of these amounts are refundable. Other than the initial franchise fee these are estimates only. Actual amounts could be more or less than those noted.
- (2) See Item 5 for the conditions under which this fee may be waived.

- (3) You must obtain the land and building for your Restaurant. We recommend leasing property for your Restaurant. Our estimate for improvements assumes you will lease a “vanilla shell” or “as is” space, which, at a minimum, includes the required areas for the Restaurant, demised exterior walls, HVAC, roof, and utilities stubbed to the premises sufficient for the Restaurant. Costs will vary in relation to the physical size and location of the Restaurant. The amount of your leasehold improvements will vary based on existing conditions, size, design, including the availability and prices of labor and materials. You should carefully investigate all of these costs in the area where you wish to establish your Restaurant. In addition, we assumed the general contractor will include permitting fees in the construction costs. The estimates assumes standard tenant improvements within a structure, designed for commercial use, and excludes items such as structural modifications, site work, energy studies, surveys and/or exterior improvements.
- (4) The typical franchise restaurant for full service, which can include a bar, is 2,500 to 4,000 square feet, for fast casual 2,000 to 3,000 square feet (40-60 seats), and for express 1,100-1,300 square feet. Rent is estimated to be between \$30,000 to \$75,000 per year depending on factors such as size, condition and location of the leased premises. The amounts above include your security deposit and the first 3 months of operation after opening.
- (5) These estimates are for furniture, fixtures, equipment and smallware's depend on various factors, including the equipment you select for installation (whether it is used or new), the use of the existing space before you took it over (which will affect necessary infrastructure for power), size of your kitchen operations, number of ovens you choose to install, and size of model you have chosen to operate.
- (6) Security deposits, utility costs, and payment of the first year insurance premiums upon placement. See Item 8.
- (7) This is payable to vendors including vendors distributing M & T Pizza supplies.
- (8) This estimates your initial start-up expenses or “working capital.” These expenses do not include payroll costs as employee compensation and benefits vary greatly depending upon your location. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the prevailing wage rate; competition; and the sales level reached during the initial period. These estimates include a monthly fee of between \$300 to \$500 for the point-of sale. We relied on our 50 plus years' experience in the pizza restaurant business to compile these estimates.
- (9) Your actual investment could be different from our estimates. Neither we nor our affiliates offer financing for any part of the initial investment. (See Item 10). The availability and terms of financing will depend on factors like the availability of financing generally, your creditworthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations. You should have additional funds available to you to fund your operations. Your actual expenses of establishing and operating your Restaurant

could vary significantly from these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.

ITEM 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Because of the unique character of Carbone's pizza, you may only purchase from our approved suppliers various items including all food ingredients in the production of pizzas. The reason for the requirement is that the recipes for these products are unique and original, and it is in your interest and the interest of other franchisees and of M & T Pizza that the taste, texture and other qualities of these products be as consistent as possible. The grant or revocation of approval for a particular supplier will be communicated directly to you. Revocation will generally only occur upon the failure of the supplier to meet our standards. If you would like us to consider approving a supplier or an alternative item that we have not approved, or for which we have not revoked our approval, you must provide us with all information we request regarding the supplier or item. We will then have 30 days from the date you provide us the information to consider the supplier. We do not make our criteria available for approving suppliers or items. We do not charge a fee for our investigation or approval. We will not consider approving a supplier or item for which we only have a single supplier or item.

We have the right to designate a single source or sources from whom you must purchase any required products and services, and we and/or our affiliates may be that single source or one or more of the sources. We and our affiliates may derive revenue from your purchases or leases of goods, services, supplies, fixtures, equipment, inventory, products and other items from our suppliers. We and our affiliates may receive rebates from various suppliers based upon franchisee purchases from the suppliers. These rebates may be based on a flat amount or percentage of franchisee purchases. Currently, these rebates range from \$1 to \$10 per case purchased depending upon the item purchased to 1-7% of the amount paid by the franchisee for the product, depending on the product. Our affiliate also receives a flat amount from one supplier to our franchise system. During our fiscal year ended October 31, 2024, our affiliate received \$159,266 in revenue from rebates paid to it based on franchisee purchases, of which \$30,000 was contributed to our Advertising Fund. This information is taken from our affiliate's internal financial statements.

We have sole suppliers for pizza and spaghetti sauce packets, certain seasonings, frozen doughballs, pizza sausage and all products or other items that are branded with our name or trademarks. Additionally, you may only use our sole approved design firm for creating and publishing advertising for your Restaurant.

All items to be purchased by you in the operation of your Restaurant, including ingredients, food stuffs, other food items, apparel, pizza boxes and other packaging, linens, flatware, supplies, furnishings, fixtures, insurance, point of sale system and other miscellaneous items must meet our standards as we may change them from time to time. Such standards typically relate to the quality and appearance of products so as to promote uniformity in all franchised restaurants. Any changes in the standards will be communicated to you. You may not deviate from the specific ingredients, or the recipes for the items you sell unless we otherwise approve those changes.

You must carry the types and amounts of insurance we specify and you must name us an additional insured (other than the workers compensation policy), and provide us 30 days notice before any change,

cancellation or termination of any policy. You must carry the following policies and minimum amounts of coverages:

Commercial General Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$2,000,000 aggregate
Business Personal Property	<ul style="list-style-type: none">• Replacement cost coverage
Business Motor Vehicle Liability	<ul style="list-style-type: none">• \$1,000,000 combined single limit of liability per occurrence• \$1,000,000 uninsured/underinsured motorist coverage
Workers' Compensation	<ul style="list-style-type: none">• Policy limits pursuant to applicable state law
Umbrella/Excess Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$1,000,000 aggregate
Liquor Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$2,000,000 aggregate

You and other franchisees must participate in soft drink group buying and advertising programs whereby we may enter into agreements relating to the sale of soft drink products sold by you and other franchisees in exchange for advertising support to you and other franchisees. You must participate in any group buying programs developed by us.

You can expect that the items you purchase to meet our specifications will represent over approximately 90% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 70-90% of your total expenses. We do not provide material benefits to any of our franchisees based on their purchase of particular products or services or use of any particular suppliers. We also have not arranged any purchasing or distribution cooperatives among our franchisees. We do, however, attempt to negotiate purchase arrangements with suppliers for the benefit of our franchisees.

None of our officers owns any interest in any of our suppliers, other than us and our affiliates.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Disclosure Document
Site selection and acquisition, lease	Sections 1 and 8	Items 7 and 11
Pre-opening purchases, leases	Section 8	Item 8
Site development and other pre-opening requirements	Sections 1 and 8	Item 11
Initial and ongoing training	Section 7	Item 11
Opening	Section 8	Item 11

Obligation	Section in Franchise Agreement	Item in Disclosure Document
Fees	Sections 5 and 6	Items 5 and 6
Compliance with standards and policies, Operating Manual	Sections 7 and 8	Item 11
Trademarks and proprietary Information	Sections 4, 9 and 10	Items 13 and 14
Restrictions on products, services offered	Sections 8 and 10	Items 8 and 16
Warranty and customer service requirements	None	
Territorial development and sales	None	
Ongoing product, service purchases	Sections 8 and 9	Item 8
Maintenance, appearance and remodeling requirements	Section 8	Item 11
Insurance	Sections 8 and 11	Items 7 and 8
Advertising	Sections 6 and 9	Items 6 and 11
Indemnification	Sections 9 and 12	Items 13 and 14
Owner's participation, management, staffing	Section 8	Items 11 and 15
Records, reports	Section 8	Item 6
Inspections, audits	Section 8	Item 6
Transfer	Sections 13 and 14	Item 17
Renewal	Section 2	Item 17
Post-termination obligations	Section 16	Item 17
Noncompetition covenants	Sections 4 and 10	Item 17
Dispute resolution	Section 17	Item 17
Guaranty ¹	Section 8	Item 15

1. Each individual who is an owner of any entity, including a partnership, that is the franchisee, and their spouse, must sign a personal guaranty of all the obligations of the franchisee. This guaranty also includes an agreement to be bound by all provisions of the Franchise Agreement, including the confidentiality and noncompete provisions. The form of Guaranty is attached to the Franchise Agreement.

ITEM 10. FINANCING

We do not offer direct or indirect financing. M & T Pizza may, if requested by you provide you with a list of banks you may contact regarding financing. We do not guarantee your note, lease, or any other obligation you may have to another party.

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

Except as listed below, M & T Pizza is not required to provide you with any assistance.

Before you open your Restaurant, we will:

- (1) Review and either approve or disapprove the site you have selected for your Restaurant. The site must be approved before we will sign the Franchise Agreement and approve the issuance of a franchise.
- (2) Designate your territory (Franchise Agreement, Section 3).
- (3) Provide you with our prototypical design package (Franchise Agreement, Section 8) and approve or disapprove your design package if different from the one we provided to you (Franchise Agreement, Section 8).
- (4) Provide you access to our operations manual that contains mandatory and suggested specifications, standards and procedures (the "Operations Manual") (Franchise Agreement, Section 8). The Operations Manual consists of one or more manuals, technical bulletins or other written materials available electronically and may be modified by us periodically. The Operations Manual currently contains approximately 474 pages. A copy of the Table of Contents of the Operations Manual is attached to this Disclosure Document as Exhibit C.
- (5) Consult with you on the type of equipment and other furnishings for your Restaurant. The extent of such consultation is within our discretion. We will also provide you with a list of our approved suppliers for which you may buy certain items for the development and operation of your Restaurant. (Franchise Agreement, Section 8). However, you are responsible for all deliveries and installation of equipment, signs, fixtures, opening inventory, and supplies.
- (6) Provide at our expense an initial training program as discussed below. (Franchise Agreement, Section 7).
- (7) Provide you with instructions on the making of pizza and related items (Franchise Agreement, Section 10)

Site Selection.

We do not provide any particular assistance in selecting a location for your Restaurant. That is your responsibility. You must have the location approved by us before the Franchise Agreement will be signed. We may consult with you on the proposed location if you have questions, but we do not select the site, nor do we guarantee that any particular site will produce any particular results. In determining whether to approve a site we review whether the site is located in a busy commercial area within a city or community. We also review availability of ingress and egress to the site, available places for signage, parking and size of the actual site. You must secure the site we have approved for your Restaurant within 120 days of signing the Franchise Agreement

Franchise Agreement, Section 1). We do not conform the premises to local ordinances and building codes or obtain any required permits. This is your responsibility. Although we provide you with a prototypical design package we do not construct, remodel or decorate your Restaurant. You are responsible for all of these things.

Opening.

You will have one year from the date you sign your Franchise Agreement to open your Restaurant to the general public. If you fail to open your Restaurant by this date we can terminate your Franchise Agreement and retain all amounts you have paid to us. You may not initially open your Restaurant until you have completed all your pre-opening obligations and have obtained our approval to the opening.

Training.

Our initial training program consists largely of on-site, “hands on” work in a Carbone’s Pizza restaurant in the Twin Cities area but also includes some “classroom training.” The owners of the Restaurant along with each operations manager must attend and successfully complete our initial training program. If you will not be an owner-operator the training is approximately 3 days in length. If you are an owner-operator, and for all operation managers, the training is approximately 12-24 days in length, depending upon which model of Restaurant is being opened.

The parties providing the training have all had at least one year of experience working in Carbone’s Pizza restaurants. All costs of attending the training program for you and your employees (whether in the Twin Cities or at your location) will be your responsibility. Training is held on an as-needed basis as franchisees enter our franchise system. Thomas M. Carbone, our President, is the officer in charge of our initial training program. He has been with our company and has been in the restaurant business for over 25 years. The required attendees at the initial training program must complete it to our satisfaction before the opening date of your Restaurant. We will use the Operations Manual for this training. The following represents a summary of our initial training program as of the issuance date of this Disclosure Document:

TRAINING PROGRAM

Non-operating Owner

Subject	Hours of Classroom Training	Hours of On-The-Job Training	
Orientation – Brand Introduction / Systems	6		
Opening Duties, Practical Kitchen Training, Administration & POS Training		8	
Closing Duties, Practical Kitchen Training, Administration & POS Training		8	
Total	6	16	22 Hrs. (3 days)

Owner-operator and Operations Managers

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Average of Hours & Training Days
Orientation – Brand Introduction / Systems	6		
POS Training & Financial Management		10	
Kitchen Preparation		8	
Product Specification Training / Product Cooking	4	20	
Opening & Closing Manager Responsibilities		30	
Admin Systems: Labor, Ordering, Inventory, Cash Controls, Marketing	5		
Kitchen Supervision		16	MOD (2) 8-Hour Shifts
Delivery Training & Ride-Along		15	
Production Set-up, Training & Operation [All Service Models]		15	
Kitchen & FOH OJT: Kitchen/Counter/Dining Room [Express & Fast Casual Model]		20	
Kitchen & FOH OJT: Host/Counter/Server, Dining Room, Bar [Full Service Model]		35	
Overall Supervision [Fast Casual]		16	MOD (2) 8-Hour Shifts
Overall Supervision [Full Service]		24	MOD (3) 8-Hour Shifts
Total [Express Model Only]	15	99	114 Hrs. (12-15 days)
Total [Fast Casual Model]	15	150	165 Hrs. (18-21 days)
Total [Full-Service Model]	15	173	188 Hrs. (18-24 days)

Time to Opening.

The typical length of time between the signing of the Franchise Agreement and the opening of your Restaurant ranges from two to six months, depending upon the site you select, the improvements which have to be made and the time necessary to get the required local permits. If it takes significant time to get local building and other permits, the length of time between signing of the Franchise Agreement and the opening of the restaurant may be longer.

During the operation of your Restaurant, we will:

- (1) Make available additional training programs or “refresher courses” on an ad hoc basis that we feel are necessary to familiarize you on changes and updates to our franchise system (Franchise Agreement, Section 7). We can require you to attend this training. We do not currently charge for this training but may in the future.
- (2) If new menu offerings are developed or existing offerings modified, we will provide you with guidance on these new items (Franchise Agreement, Section 8). However, you are solely responsible for establishing your own prices.

(3) Be available to consult with you on operating issues during normal business hours at times we may specify (Franchise Agreement, Section 7).

(4) Maintain and administer the Carbone's Pizza Advertising Fund (Franchise Agreement, Section 6).

(5) Be available to consult with you on marketing initiatives you may want to employ (Franchise Agreement, Section 7).

Advertising.

We have no obligation to spend any amounts on advertising your Restaurant.

Carbone's Pizza Advertising Fund.

You must pay an advertising fee of 1% of your monthly Gross Sales up to \$2,000,000. There is no advertising fee on Gross Sales over \$2,000,000 in any given year. Funds are collected and maintained in a separate bank account from our general operating funds. Our company-owned Restaurant also pays the 1% advertising fee to the fund. There is one franchisee who does not pay an advertising fee and one whose threshold to cease payments is less than \$2,000,000.

The purpose of the fund is to develop marketing and advertising programs that benefit the Carbone's Pizza brand. This means we may use monies in the fund for any purpose that promotes the franchise system, and our trademarks, including the creation, production and placement of consumer advertising; purchase of marketing related technology platforms, such as social media management, market research, consumer insights and analytics; costs of preparing and conducting local, regional or national media of our choice, including: television, radio, internet, magazine, direct mail and newspaper, billboard, social media and digital advertising, direct mail campaigns, and other public relations activities; developing and/or hosting an internet web page or similar activities; administering advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; consumer and market research (including surveys and sampling); and other advertising and marketing activities.

We currently use a design firm that produces our advertising materials. However, we may change this firm at any time. Advertising may be placed in local or regional traditional media. We also advertise on billboards and buses. We may also advertise over the Internet including social media channels. We do not guarantee that advertising expenditures from the Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We have no obligation to spend any amount on advertising in your territory. Advertising monies we collect that are not used in one year will be carried over to the next year. Any interest the funds earn will be used for advertising before we use any principal. We may also allocate a portion of the funds to cover the costs of any of our employees who provide services to the fund. We will not spend any portion of any advertising fund for advertising principally designed to solicit the sale of franchises. Although we do not audit the fund, at your request, we will make available to you an annual accounting that shows how the fund proceeds were spent for the previous year.

Although we do not maintain an advertising council composed of franchisees we do solicit the

input of our franchisees related to advertising methods and expenditures. All franchisees are invited to participate, and decisions are made based upon consensus of franchisees. Franchisees are not required to participate in local or regional advertising cooperatives. During 2024 monies in the Fund were spent by us for the following purposes:

Item	Percentage of Total Expenditures
Email and on-line advertising	41.96%
Advertising Creative and Production services	28.26%
Sports advertising	26.58%
Print advertising	3.20%

Local Advertising.

Although we do not require our franchisees to spend any minimum amounts on local advertising we encourage our franchisees to advertise their businesses in the trade area in which their Restaurant is located. We must approve all advertising for your Restaurant before it is published. (Franchise Agreement, Section 6). You must also work with our approved design firm in creating and publishing any advertising. (Franchise Agreement, Section 6). You must also obtain our approval before establishing, or having established, any websites, hashtags, profiles or accounts relating to us, your Restaurant, your business or to the franchise system. (Franchise Agreement, Section 6). We may also impose prohibitions on you posting or blogging comments about your Restaurant, business or the franchise system on social media. "Social media" includes personal blogs, common social networks like Facebook, Instagram, TikTok, X, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like X and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

Computer Hardware and Software.

You must purchase the point-of-sale system that we require. You will use this system to track sales and manage financial information. The cost to acquire the system is between \$5,000 and \$10,000. You must also pay a monthly fee of between \$300 and \$500. Neither we nor any of our affiliates nor any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates to the system. There are no limitations on our right to require you to upgrade, update or acquire new technology during the terms of the Franchise Agreement. We are unaware of any annual costs of any optional or required maintenance, updating, upgrading, or support contracts for the system. We will have independent access to the information in your point-of-sale system. There are no limits on our right to access this information and you must at all times maintain your system and assist us so that we can automatically upload this information.

ITEM 12. TERRITORY

When you sign a Franchise Agreement, you will receive the right to operate one Carbone's Pizza restaurant at the specific location we have approved. If you would like to relocate this location you must obtain our prior approval to do so. We will use our then-current location approval criteria to determine whether to approve the relocation.

Franchisee Territory

At the time you acquire the site we have approved we will grant you a territory. This territory will be an area that is generally 5 miles surrounding your Restaurant (“Franchisee Territory”). However, in heavily populated areas this area will be less than 5 miles. The criteria we use for determining the boundaries of the Franchisee Territory in your Franchise Agreement include density of population, growth trends of population, and natural boundaries. We will negotiate the ultimate size of the radius of the Franchisee Territory with you. An approved territory Map and written description will be included as an exhibit in your Franchise Agreement. Territories we grant to franchisees may overlap, but we will not approve anyone opening a Carbone’s Pizza restaurant, or relocating a restaurant, the physical premises of which will be in your Franchisee Territory.

As long as you are in compliance with your Franchise Agreement with us we will not establish, nor will we grant a third party the right to establish a restaurant operating under the Carbone’s Pizza or Carbone’s Pizzeria name, the physical premises of which is in your Franchisee Territory. Other than these limitations there are no prohibitions on us in your Franchisee Territory. For example, we and our affiliates can operate and allow others to operate similar or identical businesses within the Franchisee Territory if such businesses do not operate under the Carbone’s Pizza or Carbone’s Pizzeria names, and to operate similar or identical business outside of your Franchisee Territory under any trademarks even if the businesses compete with your Restaurant. We and our affiliates can also operate or allow others to operate businesses or other ventures inside the Franchisee Territory under any trademarks, including the Carbone’s Pizza or Carbone’s Pizzeria marks so long as the businesses are not competitive with your Restaurant. We and our affiliates can sell any products we or our affiliates provide to you for use in your Restaurant to any person, whether in or outside your Franchisee Territory. We and our affiliates can sell or grant third parties the right to sell goods and services competitive with those sold by your Restaurant under any trademarks, including Carbone’s Pizza and Carbone’s Pizzeria marks, through other distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, in and outside of your Franchisee Territory. We and our affiliates can also sell frozen pizzas and other frozen items, whether under our trademarks or other trademarks, to customers and resellers who may be located in your Franchisee Territory, which includes supermarkets and convenience stores. We and our affiliates can also acquire businesses in the Franchisee Territory that are similar to your Restaurant or sell our business whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to your Restaurant.

You will not receive an exclusive territory. You may face competition from other Carbone’s Pizza franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If you offer pizza delivery services, you may deliver in your franchise territory and outside of it so long as you are not delivering into the franchisee territory of any other Carbone’s Pizza franchisee. These deliveries are on a non-exclusive basis. If we grant a franchise that includes an area that you were delivering into, you can no longer deliver into that area.

Customers

Except as discussed above, we do not restrict the customers you may serve, and you generally may solicit customers outside your territory, including through channels of distribution such as the Internet, telemarketing or other direct marketing sales. However, you may not offer or sell products and services via the Internet (whether inside or outside your Franchisee Territory). In addition, all of your advertising must be approved by us in writing before you publish or distribute such marketing materials, whether it is traditional advertising or advertising over the Internet, including any social media advertising. We and our affiliates have the right to sell products and services to your customers and to others in and outside your Franchise Territory, using the Carbone's Pizza or Carbone's Pizzeria name, or using any other name, through any channel of distribution, including the Internet, catalog sales, telemarketing, or other direct marketing, and may do so in your Franchisee Territory without any compensation to you.

Options, Rights of First Refusal, or Similar Rights

You will not receive any options, rights of first refusal, or similar rights to additional franchises.

ITEM 13. TRADEMARKS

We will grant you the right to operate a Restaurant under the names "Carbone's Pizza" and "Carbone's Pizzeria". We consider these to be our principal trademarks.

Our trademark "Carbone's Pizzeria" was registered on the United States Patent and Trademark Office Principal Register on January 26, 2021, Registration Number 88779609. We do not have a federal trademark registration for "Carbone's Pizza". As such, we do not have a federal registration for this principal trademark. Therefore, this trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are presently no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding or any pending material federal or state court litigation regarding our use or ownership in a trademark. There are no currently effective agreements that significantly limit our right to use or license the use of our principal trademarks in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks. However, there is one pizza restaurant located in St. Paul, Minnesota that uses the Carbone's name but is not a part of our franchise system.

If it becomes advisable at any time in our sole discretion we can modify or discontinue the use of any name or mark and/or require the use of one or more additional or substitute names or

marks and you must do the same. You will bear all costs and expenses associated with the change or any addition.

We will also take reasonable steps to protect your rights to use our principal trademarks and protect you against claims of infringement or unfair competition in their use. We will indemnify you against liability to third parties resulting from claims by third parties that your use of our principal trademarks infringe upon the rights of third parties but only if such use is in accordance with the terms of the Franchise Agreement (including any requirement imposed by us to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks). As a condition to indemnification, you must provide notice to us of any such claim within 10 days and you must tender the defense of the claim to us. If we accept the tender of the defense, we have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claims.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own rights in, or licenses to, any patents or copyrights that are material to the franchise.

Although we claim common law copyright protection in all of our proprietary information including our recipes and manuals we have not sought copyright protection at the United States Patent and Trademark Office or the United States Copyright Office for any of these items. We also consider these recipes to be "Trade Secrets" within the meaning of the Uniform Trade Secrets Act, and any applicable state trade secret law.

You may not disclose any of our recipes or other confidential and proprietary information to other than your employees and then only as is necessary for the proper operation of your Restaurant. You may not make any copies of such recipes except as necessary to operate your Restaurant and you must maintain the recipes locked in a secure container that only you and your restaurant manager have excess.

You may not change any of our recipes without our consent and you may not divulge, discuss or reveal them to anyone except as permitted by the Franchise Agreement. If you divulge, discuss or reveal any of the recipes to an individual that we have not authorized we can seek an injunction against you and all your affiliates and can ask the court to award actual damages sustained.

We do not know of any patent or copyright infringement that could materially affect your use of any items in which we claim copyright protection. We have no obligation to protect our recipes or proprietary information or to defend your right to use these materials nor do we have any obligation to defend or indemnify you for your use of these items. However, as a condition to considering what action, if any, to take, you must notify us immediately of an infringement claim. If there is litigation we will have the right to control it. We can also require you to modify or discontinue your use of any recipes or other items in which we claim copyright protection. You will be responsible for all costs you incur based on any modifications, substitutions or discontinuations.

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

Although not required we strongly recommend that one of your owners participate personally in the direct operation of the Restaurant. Although we do not prohibit it, we strongly discourage any form of “absentee ownership” of a Carbone’s pizza restaurant.

If one of your owners will not act as the operations manager you must have an operations manager to conduct on-site supervision of your Restaurant operations. This manager must complete our initial training program. This individual is not required to own any equity interest in your Restaurant business.

If you are an entity, including a partnership, or you transfer your Franchise Agreement to an entity, including a partnership, you and any other owners (and your and their spouses) must sign a personal guaranty of all obligations under the Franchise Agreement and agreeing to be bound by all such obligations.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer to your customers for sale all menu items we require. You must update these items as we determine from time to time. There are no limits on our rights to make these changes. You may not offer or sell any items not authorized by us. You may only have on the premises of your Restaurant the vending machines we approve. Your Restaurant must be open to the general public for those minimum hours and days of operation that we may specify.

If you offer pizza delivery services, you may not deliver into the franchisee territory granted to any other Carbone’s Pizza franchisee, although you may otherwise deliver outside of your Franchisee Territory. These deliveries are on a non-exclusive basis and these outside areas are subject to being granted to new Carbone’s Pizza franchisees in the future, at which time you may not then deliver into the Franchisee Territory of a new franchisees.

If you would like to offer catering services or sell food or beverages using a food truck, you must obtain our prior approval and all of these services and sales must be provided in conformance with our mandatory standards and other requirements. If you would like to sell alcoholic beverages at your Restaurant you must obtain our prior approval and all sales of alcoholic beverages must meet our standards and other requirements, including compliance with applicable law. If you would like to sell pull-tabs or other gambling related games or any beverages that contain THC or cannabis you must obtain our prior approval and all activities and sales must be performed and made in accordance with our standards and other requirements, including compliance with applicable law.

ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise term	Section 2	10 years from date of signing the Franchise Agreement
b. Renewal or extension of the term	Section 2 (See Note 2)	One 10 year term
c. Requirements for franchisee to renew or extend	Section 2	Sign new agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay renewal fee, update your Restaurant to meet our then-current requirements for new restaurants
d. Termination by franchisee	None	Not applicable
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	Section 15	We may terminate only if you do one of the things described in Section 15
g. "Cause" defined – curable defaults	Sections 15(e) through 15(f)	You have 30 days to cure nonpayment of fees, sanitation problems, non submission of reports and any other default not listed in Section 15
h. "Cause" defined – non-curable defaults	Sections 15(a) through 15(d)	Non curable defaults include abandonment, trademark misuse and conviction of an offense directly related to the Restaurant business
i. Franchisee's obligations on termination/nonrenewal	Section 16	Obligations include complete de-identification and payment of amounts due. (See also "Noncompetition covenants after the franchise is terminated or expires" below.)
j. Assignment of contract by franchisor		No restriction on our right to assign
k. "Transfer" by franchisee – defined	Sections 13 and 14	Includes transfer of Franchise Agreement or assets or ownership change
l. Franchisor's approval of transfer by franchisee	Section 13	We have the right to approve all transfers but will not unreasonably withhold approval so long as all conditions to transfer have been satisfied
m. Conditions for franchisor approval of transfer	Section 13(b)	New franchisee qualifies, transfer fee paid, training completed, release signed by you and current agreement signed by new franchisee. (The new agreement may provide for different fees or territory than in your agreement, but we will not require the transferee to pay us a

Provision	Section in Franchise Agreement	Summary
		new initial franchise fee). (See also “Noncompetition covenants after the franchise is terminated or expires” below.)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13(a)	We can match any offer for your business
o. Franchisor's option to purchase franchisee's business	Section 16	We have right to purchase your inventory and merchandise bearing the Marks upon termination or expiration without renewal of your franchise.
p. Death or disability of franchisee	Section 14	Your heirs can assume your rights, but if they do, they must meet the transfer requirements.
q. Non-competition covenants during the term of the franchise	Section 4	No involvement in competing business anywhere during the term of the Franchise Agreement or in any business or venture that is granting franchises or licenses for the operation of a competing business. A competing business an eat-in, or take-out, or combination eat-in/take out restaurant of other facility which serves pizza.
r. Non-competition covenants after the franchise is terminated or expires	Section 4	No involvement in any competing business for 2 years in the Franchisee Territory, within a radius of 25 miles from the Franchisee Territory or a radius of 5 miles from any other restaurant or other facility operated under the Marks. Same restrictions apply to any business or venture that is granting franchises or licenses for the operation of a competing business.
s. Modification of the agreement	Section 24	No modifications without consent of all parties but manuals are subject to our unilateral change
t. Integration/merger clause	Section 24	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises or representations (other than representations in this Disclosure Document) may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 17	Except for certain disputes, all disputes must be mediated, and if not settled by mediation, are then subject to arbitration.
v. Choice of forum	Section 17	Mediation and arbitration must be in Hennepin County, Minnesota
w. Choice of Law	Section 18	Minnesota law generally applies
x. Guaranty	Section 8	All owners must sign the Guaranty attached to the Franchise Agreement

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Our primary franchise model is “fast casual”. This fast casual restaurant has 40-60 seats, and provides sit-down, carry out and delivery services. It may also serve alcoholic beverages. You may also choose our “express” model, which contemplates no—or limited—seating on-premises, and does not serve beer and wine. Our last model is a “full service” restaurant model that offers dine-in, take-out, and delivery options and may also involve sales of alcoholic beverages.

Depending on location, your experience, and other factors, the model you open may be: (1) a fast casual style restaurant; (2) an express restaurant; or (3) a full service restaurant.

As of December 31, 2024, there were 32 franchised Restaurants in our franchise system. The information in the chart below provides ranges of annual Gross Sales information for all of these Restaurants as they all operated for the 12-month period ended December 31, 2024.

Restaurant Type/Number Reporting	Annual Gross Sales
Fast casual ^{1/7}	\$300,000-\$1,000,000
Express/8	\$300,000-\$650,000
Full-service ^{1/17}	\$600,000-\$2,500,000

1. All of these Restaurants serve alcohol. But revenues from alcohol sales have not been included in the Gross Sales of these Restaurants for purposes of determining their annual Gross Sales for this chart.

Notes to Item 19

1. Gross sales volume shown in the table above includes all revenues from the operation of the Restaurant for 2024 including any delivery or off-premises sales but excludes revenue from alcohol sales. Gross Sales do not include sales tax or use tax, non-food vending machine sales, and discounts. This is consistent with the definition of Gross Sales in our Franchise Agreement. Sales volumes vary considerably due to a variety of factors, such as demographics of the Restaurant trade area, competition from other restaurants in the trade area, traffic flow, accessibility and visibility, economic conditions in the restaurant trade area, advertising and promotional activities, and the business abilities and efforts of the management of the restaurant.

2. The sales information disclosed in this Item 19 is taken from reports provided to us by these franchisees or from information we were able to obtain via the franchisees' point of sale systems.

3. Written substantiation for the information appearing in this financial performance representation will be made available to you upon reasonable request.

4. Some Carbone's Restaurants have sold these amounts. Your individual results may differ. There is no assurance that you'll sell as much.

Other than the preceding financial information, 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 other financial performance information or projections of your future income, we ask that you report it immediately to the franchisor's management by contacting Thomas Carbone, 680 East Seventh Street, St. Paul, Minnesota 55106, telephone: (651) 771-5553, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. **OUTLETS AND FRANCHISEE INFORMATION**

All numbers in the tables below are as of October 31 of the applicable year.

Table No. 1
Systemwide Outlet Summary
For Fiscal Years 2022 to 2024

Col. 1 Outlet Type	Col. 2 Year	Col. 3 Outlets at the Start of the Year	Col. 4 Outlets at the End of the Year	Col. 5 Net Change
Franchised ¹	2022	35	35	0
	2023	35	34	-1
	2024	34	32	-2
Company Owned	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	37	37	0
	2023	37	36	-1
	2024	36	34	-2

1. We have excluded a joint venture operated at the site of an existing franchisee as this business is not similar to a Restaurant.

Table No. 2
Transfers of Outlets
from Franchisees to New Owners (other than the Franchisor)
For Fiscal Years 2022 to 2024¹

Col. 1 State	Col. 2 Year	Col. 3 Numbers of Transfers
Minnesota	2022	2
	2023	1
	2024	0
Wisconsin	2022	1
	2023	0
	2024	0
Total	2022	3
	2023	1
	2024	0

1. Does not include transfers where beneficial ownership of less than 50% of the franchise did not change, or circumstances where an individual transfers the franchise to an entity the individual owns or transfer to heirs.

Table No. 3
Status of Franchised Outlets For Fiscal Years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Term- inations	Col. 6 Non-renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of Year
Minnesota	2022	28	1	0	0	0	0	29
	2023	29	1	0	0	0	1	29
	2024	29	0	0	0	0	2	27
Wisconsin	2022	6	0	0	0	0	1	5
	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4
Montana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals	2022	35	1	0	0	0	1	35
	2023	35	1	0	0	0	2	34
	2024	34	0	0	0	0	2	32

Table No. 4
Status of Company-Owned Outlets For Fiscal Years 2022 to 2024¹

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Minnesota	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Totals	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

1. These restaurants are operated by our affiliates.

Table No. 5
Projected Openings as of October 31, 2024¹

Column 1 State	Col. 2 Franchise Agreements Signed but Outlets Not Opened as of October 31, 2024	Col. 3 Projected New Franchised Outlet in the Next Fiscal Year	Col. 4 Projected New Company Owned Outlets in the Next Fiscal Year
Minnesota	0	1	0
Wisconsin	0	0	0
Montana	0	0	0
Total	0	1	0

1. We would like to open 1 new franchised Restaurant in 2025. However, since we have not signed any franchise agreements, we cannot say that we will open it this year, or that we will not open more than we have projected.

A list of the names, addresses and telephone numbers of all Carbone's Pizza franchisees, and the locations of their open Restaurants as of October 31, 2024, is attached to this disclosure document as Exhibit E. A list of all franchisees, including their city and state and telephone number, who have been terminated, canceled, not renewed, or otherwise voluntarily ceased to do business under the Franchise Agreement during the 12-month period ended October 31, 2024, or who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document, is attached to this Disclosure Document as Exhibit F. There are 2 franchisees on this list.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Carbone's franchise system. You may wish to speak with current or former franchisees but be aware that not all of those franchisees will be able to communicate with you.

ITEM 21.
FINANCIAL STATEMENTS

Attached as Exhibit D are our audited financial statements for our fiscal years ended October 31, 2024, October 31, 2023, and October 31, 2022. We have also attached at Exhibit D our Balance Sheet and Income Statement, as of, and for the 4-month period ended, February 28, 2025. THE FINANCIAL STATEMENTS AS OF AND FOR THE 4-MONTH PERIOD FEBRUARY 28, 2025 ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENTS AND FORM.

ITEM 22.
CONTRACTS

Attached as Exhibit B is a copy of our Franchise Agreement, including an Electronic Authorization/Debit Form, a Statement of Ownership and a Guaranty to be signed by each of your owners and their spouses.

ITEM 23.
RECEIPTS

The last 2 pages of this disclosure document are detachable documents acknowledging receipt of this disclosure document. Please sign both receipt pages and return one to us.

EXHIBIT A
STATE REGULATORY AGENCIES
AND AGENTS FOR SERVICE OF PROCESS

California

California Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
651 Bannon Street, Suite 300
Sacramento, CA 95811
(866) 275-2677 (toll free)
Ask.DFPI@dfpi.ca.gov (email)

Connecticut

The Banking Commissioner
The Department of Banking, Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8299

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
King Kalakaua Building
335 Merchant Street, Rm. 205
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

(for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Michigan Dept. of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
G. Mennen Williams Building, 1st Floor
525 W. Ottawa St.
Lansing, MI 48909
(517) 373-7117

Minnesota

Minnesota Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
(651) 539-1638

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

(for service of process)
New York Secretary of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

North Dakota

North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capital - Fourteenth Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Department of Consumer and Business Services
Division of Finance and Corporate Securities
State of Oregon
350 Winter St. NE, Rm. 410
Salem, OR 97301-3881
(503) 378-4140

Rhode Island

Director
Rhode Island Department of Business Regulation
Securities Division
1511 Pontiac Avenue - Building 68-2
Cranston, RI 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of Insurance
Securities Regulation
South Dakota Department of Labor
& Regulation
Division of Insurance
124 S Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Virginia

Clerk of the State Corporation
Commission
State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
PO Box 41200
Olympia, WA 98504
(360) 902-8760

(service of process)

Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
(360) 902-8700

Wisconsin

Administrator, Division of Securities
Department of Financial Institutions Division of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705
(608) 266-2139

EXHIBIT B
FRANCHISE AGREEMENT

**FRANCHISE AGREEMENT
BETWEEN
M & T PIZZA INCORPORATED**

and

Street Address

State Σ_p

Telephone Number

Franchise Location:

Document released under the
Access to Information Act

Telephone Number

**M & T PIZZA INCORPORATED
FRANCHISE AGREEMENT**

Table of Contents

Section and Description	Page
1. GRANT OF FRANCHISE.....	1
2. TERM AND RENEWAL.....	2
3. TERRITORY.....	2
4. COVENANT NOT TO COMPETE; COVENANT AS TO TRADE SECRETS.....	3
5. FRANCHISE FEES; ROYALTIES.....	4
6. ADVERTISING; ADVERTISING FEE.....	5
7. TRAINING.....	6
8. OPENING AND OPERATION OF THE FRANCHISE.	6
9. USE OF NAME; CHANGING NAME; INDEMNIFICATION AGAINST INFRINGEMENT SUITS.....	9
10. SECRET RECIPES, FORMULAS, PROCESS AND METHODS.....	10
11. INSURANCE.	11
12. INDEMNIFICATION.....	12
13. TRANSFER OF FRANCHISE.....	12
14. TRANSFER OF DECEASED FRANCHISEE'S INTEREST.....	13
15. TERMINATION.....	13
16. PROCEDURES UPON TERMINATION.....	14
17. DISPUTE RESOLUTION.....	14
18. GOVERNING LAW.	15
19. FAILURE TO ENFORCE.....	16
20. NOTICE.	16
21. ATTORNEYS' FEES.....	16
22. COMPLIANCE WITH STATE LAW.....	16
23. GOODWILL.....	16
24. ENTIRE AGREEMENT; MODIFICATION.....	17
25. VENUE.....	17
26. DEFINITIONS.....	17

RIDER

EXHIBIT A - ELECTRONIC FUNDS TRANSFER/DEBIT AUTHORIZATION FORM

EXHIBIT B - STATEMENT OF OWNERSHIP

EXHIBIT C - GUARANTY

FRANCHISE AGREEMENT

THIS AGREEMENT ("Agreement"), made and entered into this _____ day of _____, 2025, by and between M & T Pizza Incorporated, a Minnesota corporation having its principal place of business at 680 East Seventh Street, St. Paul, Minnesota (hereinafter referred to as the "Franchisor") and _____ (name), a Minnesota sole proprietorship corporation limited liability company limited liability partnership, whose principal place of business is _____ (hereinafter referred to as the "Franchisee" and individually may be referred to as "Party" and jointly may be referred to as "Parties").

WITNESSETH:

WHEREAS, Franchisor controls or is the owner of certain commercial trade names, trademarks, service marks, domain names and other commercial symbols including associated logos now or hereafter selected, used or promoted by Franchisor and licensed to Franchisee in connection with the Carbone System (as defined below) (collectively, "Names and Marks"); and

WHEREAS, Franchisor has created and developed certain skill and know-how in the sale and preparation of pizza and various other food and beverage items, including the development of unique and valuable recipes and sales procedures, business plans, standards, specifications, methods, processes, techniques, and sourcing, all of which may be changed from time to time by Franchisor (collectively, the "Carbone System") but specifically excluding any employee policies or procedures that Franchisor may make available to Franchisee for its optional use during the term of this Agreement; and

WHEREAS, Franchisee wishes, upon the terms and conditions set forth in this Agreement, to be assisted and trained by Franchisor to engage in the business of operating a restaurant selling pizza and other items under the Names and Marks (the "Franchise"), all in accordance with the Carbone System, it being understood that Franchisee recognizes the importance to Franchisor and to the public of maintaining the distinctive standards, qualities and attributes of a Carbone's Pizza Restaurant, and Franchisee is willing to maintain such standards, qualities and attributes.

NOW, THEREFORE, in consideration of the foregoing recited facts and the mutual agreements and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each party, the parties agree as follows:

1. **Grant of Franchise.**

- a. Franchisor grants Franchisee a Franchise to use the Carbone System to develop and operate a restaurant selling pizza and other food items under the Names and Marks during the term of this Agreement.
- b. The location of the restaurant to be operated under this Agreement is set forth on the Rider (the "Restaurant") to this Agreement, and such address shall not be changed without the prior written approval of Franchisor.

2. Term and Renewal.

- a.** The initial term of this Agreement shall be for a period of ten (10) years, commencing on the date of this Agreement, unless sooner terminated as provided in this Agreement.
- b.** Franchisee may, at its option, renew the Franchise granted by this Agreement for one period of ten (10) years provided Franchisee: (i) is not in violation of any of the terms of this Agreement; (ii) executes the then-current form of franchise agreement used by Franchisor at that time in connection with the sale of Franchises; (iii) pays a renewal fee of One Thousand Five Hundred Dollars (\$1,500) (the “Renewal Fee”) at the time it provides its notice of renewal as discussed below; (iv) updates its Restaurant to meet all of Franchisor’s then-current requirements; and (v) provides Franchisor with written notice of its intent to renew the Franchise not less than one hundred eighty (180) days and not more than three hundred sixty-five (365) days prior to the expiration of the initial ten (10) year term.
- c.** Franchisee shall not be obligated to pay the franchise fee described in Section 5(a) of this Agreement in the event of any such renewal, but shall pay the Renewal Fee.

3. Territory.

- a.** During the term of this Agreement, and provided that Franchisee is not in default under this Agreement, Franchisor will not grant to anyone else a Franchise to operate, and will not itself operate, a restaurant operating under the Carbone’s Pizza or Carbone’s Pizzeria name, the physical premises of which are located within the area described on the Rider to this Agreement (the “Franchisee Territory”). Franchisee acknowledges that the foregoing restrictions do not prevent Franchisor or its affiliates from any activity not specifically set forth in such restrictions, including:
 - (1) Franchisor and its affiliates may operate and allow others to operate similar or identical businesses within the Franchisee Territory if such businesses do not operate under the Carbone’s Pizza or Carbone’s Pizzeria names;
 - (2) Franchisor and its affiliates may operate similar or identical business outside of the Franchisee Territory under any trademarks even if the businesses compete with the Restaurant;
 - (3) Franchisor and its affiliates may operate or allow others to operate businesses inside the Franchisee Territory under any trademarks, including the Names and Marks, so long as the businesses are not competitive with the Restaurant;
 - (4) Franchisor and its affiliates may sell any products it or its affiliates provide to Franchisee for use in its Restaurant to any party, whether in or outside the Franchisee Territory;
 - (5) Franchisor and its affiliates may sell, or grant third parties the right to sell, goods and services that are the same as or competitive with those sold by the Restaurant under any trademarks, including the Names and Marks, through other

distribution channels including the Internet, catalog sales, telemarketing or other direct marketing, in and outside of the Franchisee Territory;

- (6) Franchisor and its affiliates may sell frozen pizzas and other frozen items, whether under the Names and Marks or otherwise, to customers and resellers who may be located in the Franchisee Territory, including supermarkets and convenience stores; and
- (7) Franchisor and its affiliates may acquire businesses in the Franchisee Territory that are similar to the Restaurant or sell their businesses whether through a sale of assets or stock to anyone, regardless whether they operate or franchise the operation of businesses similar to the Restaurant.

b. Franchisee may not deliver into the franchisee territory of another Carbone's Pizza franchisee, whether directly or indirectly, or via any third party. However, Franchisee may deliver outside of its Franchisee Territory into areas that are not in a franchisee territory of another Carbone's Pizza franchisee, but if Franchisor grants a franchise territory which includes any such area, Franchisee shall immediately cease delivery activities in such area. e

4. Covenant Not to Compete; Covenant as to Trade Secrets.

- a.** Franchisee acknowledges Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance and trade secrets in direct competition with Franchisor or its franchisees. Franchisee therefore agrees that it shall not:
 - (1) During the term of this Agreement, either directly or indirectly: (a) operate, own, manage, or be employed by or consult with, any Competing Business other than one operated under a valid franchise agreement with Franchisor, or any business or venture that is granting franchises or licenses for the operation of a Competing Business; or (b) divert or attempt to divert any customer or potential customer to any competitor of the Carbone System.
 - (2) For two (2) years following the termination or assignment of this Agreement, either directly or indirectly, operate, own, manage, be employed by, lease space to, lend money to, or consult with, any Competing Business, other than one operated under a valid franchise agreement with Franchisor, or any business or venture that is granting franchises or licenses for the operation of a Competing Business, that is located or doing business in the Restricted Area.
- b.** In the event of the violation of Section 4.a.(2) by Franchisee, the period of time Franchisee shall be required to abide by the breached obligation shall be extended to a period of two (2) years after Franchisee is no longer in breach of such obligation.
- c.** Franchisee further agrees that at no time shall it or any of its owners or employees, use any Confidential Information (as defined below) directly or indirectly, except as necessary for the proper operation of the Franchise pursuant to this Agreement. For the

purposes of this Section, “use” means to use directly or indirectly, either as an individual or as a member of, consultant to, or investor in a joint venture, partnership, limited partnership, association or other entity, or to use as an officer, director, employee, consultant, or shareholder of any corporation or other entity.

- d.** Franchisee acknowledges and agrees that Franchisor’s remedy at law is inadequate and that in the event of any breach or threatened breach of the provisions of this Section Franchisor shall be entitled to temporary and final injunctive relief in addition to any other relief allowed by law.

5. Franchise Fees; Royalties.

- a.** Franchisee shall pay to Franchisor an initial fee of Twenty-five Thousand Dollars (\$25,000.00) (the “Franchise Fee”), payable in full upon the execution of this Agreement. It is expressly understood and agreed by the parties that the Franchise Fee is and shall be fully earned by Franchisor upon the signing of this Agreement and no part of the Franchise Fee shall be refunded to Franchisee for any reason whatsoever.
- b.** In addition to the Franchise Fee, Franchisee shall pay to the Franchisor during the term of this Agreement, a “Royalty” as follows: (a) 4% of total Gross Sales on the initial \$1,000,000 in Gross Sales per calendar year, at which point the Royalty is reduced to (b) 3% of Gross Sales on the next \$1,000,000 per calendar year, at which point the Royalty is reduced to (c) 2% of Gross Sales over \$2,000,000 in such calendar year.
- c.** The Royalty shall be payable monthly on the 10th day following the end of each month. Franchisor shall aggregate its calculation of Gross Sales to include all of Franchisee’s Carbone’s Pizzeria restaurants during each month. Notwithstanding the foregoing, sales of alcohol by Franchisee at a facility which is a “fully licensed liquor establishment” licensed to sell alcohol shall not be included in the calculation of Gross Sales. Remittance of the Royalty shall be accompanied by reports of Gross Sales and other data upon forms provided by Franchisor from time-to-time. Any due date for payment on a non-business day shall be due the immediately following business day.
- d.** Franchisor may collect all amounts due under this Agreement via electronic funds transfer/debit. Franchisee shall execute the Electronic Funds Transfer/Debit Authorization attached to this Agreement as Exhibit A. Franchisor reserves the right, without notice to Franchisee, to independently access the Restaurant’s accounting and financial systems and data or any accounting or financial systems used or required by Franchisor for the Carbone System to determine Gross Sales and fees due to Franchisor under this Agreement, and Franchisee shall grant Franchisor access to all such accounting and financial systems and data. If Franchisee fails to timely report Gross Sales for any period, withholds Franchisor’s access to accounting and financial systems or data, or otherwise fails to pay amounts due to Franchisor, Franchisor may debit Franchisee’s account for: (i) one hundred ten percent (110%) of the Royalty fees and Advertising Contributions last paid by Franchisee.

- e. Any Royalty payment not remitted on time shall bear interest at the rate of one and a half percent (1.5%) per month, until such time as it is received by Franchisor; *provided, however,* that if any applicable state law limits the maximum legal interest rate to a lower amount, then in that event the lower interest rate will be applicable.

6. Advertising; Advertising Fee.

- a. Franchisor must approve all advertising of the Restaurant by or on behalf of Franchisee before it is published. Franchisee shall work with Franchisor's approved design firm in creating and publishing any advertising
- b. Franchisee may not offer, promote or sell any products or services or make use of any of the Names and Marks, via any social media presence, including any websites, hashtags, profiles or accounts relating to the Franchise, without Franchisor's prior written approval. Franchisee acknowledges that Franchisor may also impose prohibitions on Franchisee posting or blogging of comments about Franchisor, the Restaurant, or the Carbone System. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, X, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like X and Snapchat; virtual worlds, metaverses, file, audio and video-sharing sites, and other similar social networking or media sites or tools.
- c. Franchisor will maintain and administer the Carbone's Pizza Advertising Fund. Franchisee will pay Franchisor monthly, at the same time as it makes its Royalty payment, an "Advertising Fee" of one percent (1%) of monthly Gross Sales. The Advertising Fee shall not be due on Gross Sales exceeding \$2,000,000 in any calendar year.
- d. Franchisor may use monies in the Carbone's Pizza Advertising Fund for any purpose that promotes the Carbone System, and its Names and Marks, including the creation, production and placement of consumer advertising; purchase of marketing related technology platforms, such as social media management, market research, consumer insights and analytics; costs of preparing and conducting local, regional or national media of Franchisor's choice, including: television, radio, internet, magazine, direct mail and newspaper, billboard, social media and digital advertising, direct mail campaigns, and other public relations activities; developing and/or hosting an internet web page or similar activities; administering advertising programs, direct mail and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; consumer and market research (including surveys and sampling); and other advertising and marketing activities.
- e. Advertising Fees not paid by Franchisee as required herein shall bear interest at the rate of one and a half percent (1.5%) per month, *provided, however,* that in no event shall the rate of interest payable by Franchisee on any unpaid balance under this Agreement exceed the maximum legal rate under applicable law.

f. Franchisee shall participate in soft drink group buying and advertising programs whereby Franchisor may enter into agreements relating to the sale of soft drink products to be sold by Franchisee and other franchisees. Franchisee shall also participate in any other group buying programs required by Franchisor.

7. Training.

- a. Each owner of Franchisee along with all operations managers of Franchisee or others who have management responsibility for the operation of the Restaurant must successfully complete Franchisor's initial training program. The initial training program shall be at no additional cost to Franchisee. However, Franchisee is responsible for all costs and expenses of its owners and employees to attend such training. The initial training program must be completed prior to the opening of the Restaurant to the general public. The initial training program shall be held at a location or locations designated by Franchisor.
- b. Franchisor will also, during normal business hours, at times agreed to by Franchisor, advise and consult with Franchisee in connection with the operation and marketing of the Restaurant.
- c. Franchisor may, at its sole option, make available, and require, Franchisee's attendance at, additional training programs to instruct Franchisee and its staff at Franchisee's Restaurant on changes to the Carbone System. Franchisor may charge for this training. The cost for the training must be paid prior to attendance at the training. Franchisee shall be responsible for all costs and expenses of Franchisee's owners and employees to attend this training. Said training will be conducted at such location or locations as Franchisor shall designate. Franchisee or the representatives of Franchisee will receive no compensation or reimbursement from Franchisor for any services performed or expenses incurred by Franchisee or its representatives during any training period or seminar.

8. Opening and Operation of the Franchise.

- a. Franchisee shall operate the Restaurant from the location approved by Franchisor. Franchisee must secure the approved location within 120 days of signing this Agreement. Franchisee shall operate the Restaurant on a full-time basis and if Franchisee does not have an owner involved in the operation of the Restaurant on a full-time basis, Franchisee shall appoint an operations manager who shall be involved in the operation of the Restaurant on a full-time basis.
- b. Franchisee shall open the Restaurant to the general public within one (1) year from the date of this Agreement. However, Franchisee may not commence operation of the Restaurant until Franchisee has satisfied all conditions set forth in this Agreement required to be satisfied by Franchisee prior to opening. If Franchisee fails to timely open the Restaurant, Franchisor may terminate this Agreement and retain all amounts Franchisee has paid to Franchisor or its affiliates.
- c. At the time this Agreement is executed by Franchisee, Franchisee shall complete the Statement of Ownership and Management attached hereto as Exhibit B, and, if Franchisee is a corporation, partnership, or limited liability company, each owner as of

the date hereof along with their spouse, as well as any future owners and their spouses, must sign Franchisor's then-current Guaranty at the time such individual becomes an owner of Franchisee, the current form of which is attached hereto as Exhibit C. Franchisee shall immediately notify Franchisor of any change in any of the information in the Statement of Ownership and Management last submitted to Franchisor. Further, upon request of Franchisor, Franchisee shall provide Franchisor with an updated Statement of Ownership and Management.

- d.** Prior to opening Franchisor will provide Franchisee with its:

 - (1) Prototypical design package and approve or disapprove Franchisee's design package if different than the one provided; and
 - (2) The Manual.
- e.** Franchisee shall operate the Restaurant in accordance with the Carbone System and maintain sufficient supplies of products and employ sufficient staff so as to operate the Restaurant at its maximum capacity and with maximum efficiency. The Restaurant shall be open to the general public for those days and hours as required by Franchisor, subject to applicable law and any limitations in Franchisee's lease for the Restaurant premises. Franchisee acknowledges and agrees that Franchisor has the right to add or delete items from the standard menu. Franchisee will not offer or sell any items not authorized by Franchisor, which authorization will not be unreasonably withheld.
- f.** Franchisee shall ensure that all employees of Franchisee shall, while engaged in the operation of the Restaurant, wear uniforms conforming to such specifications as Franchisor shall from time to time designate for use by Franchisee, and said employees shall at all times during said employment present a neat and clean appearance and render competent, sober and courteous service to patrons of the Restaurant, and only such containers, cartons, sacks, napkins, flavorings and garnishments shall be used in the dispensing and sale of products from the Restaurant and such items shall comply with the specifications of Franchisor.
- g.** Franchisee shall comply with all applicable laws affecting the operation of the Restaurant directly or indirectly. Franchisee shall pay on a timely basis all taxes required by law.
- h.** Franchisee shall display the name Names and Marks specified by Franchisor on the Restaurant and on any stationery used in connection therewith and shall not display thereon the name of any other product or the name of any other person unless authorized in writing by Franchisor.
- i.** Franchisee shall not obtain, use or purchase advertising of any kind without the specific consent of Franchisor. Franchisee shall adhere to the advertising and promotional requirements of Franchisor.
- j.** All invoices for food, supplies, ingredients or other materials purchased from Franchisor shall be payable upon demand of Franchisor made to Franchisee, and when not paid on

demand all sums due on said invoices shall bear interest at the rate of one and a half percent (1.5%) per month; *provided, however,* that if any applicable state law limits the maximum legal interest rate to a lower amount, then in that event the lower interest rate will be applicable.

- k.** Franchisee will keep current all mortgage, contract or lease and rental payments and equipment installment payments related to the operation of the Restaurant and shall advise Franchisor of any disputes or arguments that arise with respect to any of the foregoing.
- l.** The accounts, books and records of Franchisee shall be open to inspection, examination and audit by Franchisor and its authorized representatives at all reasonable times. Any such inspection, examination and audit shall be at Franchisor's cost and expense unless the same is either necessitated by Franchisee's failure to prepare and deliver its financial statements, or to keep and preserve records as required by this Agreement, or unless such inspection discloses that any such statements made and delivered by Franchisee are in error by two percent (2%) or more of Gross Sales for any month, in either of which event such costs and expenses shall be borne and paid by Franchisee upon demand.
- m.** Franchisee shall, at its sole expense, acquire and use the point-of-sale system required by Franchisor from time to time (the "POS System"). Franchisee shall, and shall ensure that, all sales of food, beverages and any other items of any kind by Franchisee shall be recorded through the POS System. Sales records produced by the POS System shall be maintained by Franchisee and open to inspection, examination and audit by Franchisor and its authorized representatives at all reasonable times.
- n.** Only such vending machines as have been approved in writing by Franchisor may be installed on the premises of the Restaurant by Franchisee.
- o.** The POS System shall maintain daily records indicating the Gross Sales for each day. Franchisee shall record all voided sales in the POS System. The POS System sales data, or any previous continuous cash register tapes, shall be maintained for each week and shall be preserved for at least five (5) years by Franchisee in a condition sufficient for Franchisor or its representative to be able to easily identify the week and year to which such data relates during any examination of Franchisee's records pursuant to this Agreement. Franchisee shall furnish Franchisor by the 5th of each month a full and complete sales report for the previous month. The report shall be in such form and shall require such information from Franchisee as Franchisor may require from time-to-time. In addition, Franchisee shall furnish Franchisor with a financial statement for each quarter and annually in such form as Franchisor shall require and shall further provide such other and additional financial statements as Franchisor may determine from time to time. All operating records shall be maintained and provided in accordance with Franchisor's requirements. Franchisor shall have independent direct access to all data in the POS System. Franchisor may access this data at any time and Franchisee will assist to facilitate this access.

- p. Franchisor may inspect the premises upon which the Restaurant is located at all reasonable times to determine whether the Restaurant and its operations are meeting Franchisor's standards.
- q. Franchisee will not sell or loan supplies to any party except another Carbone's Pizza establishment and then only with the prior written consent of Franchisor.
- r. Franchisee shall only use recipes supplied to Franchisee by Franchisor in making pizza, sandwiches and all other items. Franchisee understands that any deviation whatsoever from the recipes provided by Franchisor shall be a breach of this Agreement.
- s. Unless Franchisor otherwise approves, items to be purchased by Franchisee for use in the operation of its Restaurant, including ingredients, food stuffs, other food items, apparel, pizza boxes and other packaging, linens, flatware, supplies, furnishings, fixtures, insurance, advertising, point of sale system and other miscellaneous items must meet Franchisor's standards as they may change them from time to time. Further, Franchisee may only purchase from suppliers approved by Franchisor various items, including various food ingredients. Franchisor may require Franchisee to purchase certain items used in the operation of its Restaurant only from Franchisor or an approved supplier of Franchisor. Franchisor or a third party may be the sole source of supply for various items. Franchisor will make available to Franchisee a list of approved suppliers and any sole suppliers along with the items that are required to be purchased from the supplier. With respect to items for which Franchisor has not designated a single or sole supplier, Franchisee may seek Franchisor's approval of an unapproved supplier by providing Franchisor with all information requested by Franchisor related to the supplier and the items the supplier proposes to provide. Franchisor will have thirty (30) days from the date Franchisee provides all information requested by Franchisor to approve the supplier. If the supplier is not approved by Franchisor in such time period the supplier will be deemed to be not approved and may not provide any items to Franchisee.
- t. Franchisee shall obtain Franchisor's prior written consent before offering or selling pull-tabs or any other gambling related games at its Restaurant, selling any items from a food truck or other vehicle, or providing any catering services. Franchisee must also obtain Franchisor's prior written approval before offering or selling alcoholic beverages or any beverages that contain THC or cannabis. Approval by Franchisor of any of the foregoing shall be in its sole and absolute discretion, and may be conditioned upon the satisfaction by Franchisee of various requirements, including completing additional training and obtaining additional insurance as required by Franchisor. If Franchisor approves of Franchisee selling any of the foregoing items or engaging in any of the foregoing activities, Franchisee shall do so at all times in compliance with Franchisor's standards, as it may determine from time-to-time, and in all events in compliance with applicable law.

9. Use of Name; Changing Name; Indemnification Against Infringement Suits.

- a. Franchisee, in the conduct of Franchisee's business, agrees to use only the name "Carbone's Pizzeria". Franchisee shall identify Franchisee's Restaurant as a member

of the Carbone's franchise system. Franchisee agrees that Franchisee will not include any of the Names and Marks in its corporate name nor make any use, direct or indirect, of the names "Carbone's Pizzeria", "Carbone's Pizza" or any other Name and Mark in connection with any other business, that Franchisee will not authorize or attempt to authorize the use of any of the foregoing in any other area and that Franchisee will not permit any other party to use any of the foregoing.

- b.** Franchisee shall not use or cause to be used any trademark or logo other than the Names and Marks in any advertising or promotion without the prior written approval of Franchisor.
- c.** If it becomes advisable at any time in the sole discretion of Franchisor to modify or discontinue the use of any of the Names and Marks and/or use one or more additional or substitute names or marks, Franchisee is obligated to do so and Franchisee shall bear all expenses of complying with this obligation.
- d.** Franchisor shall indemnify Franchisee against liability to third parties resulting from claims by third parties that such Franchisee's use of the Names and Marks infringes trademark rights of the third party. Franchisor will not indemnify against the consequences of Franchisee's use of Franchisor's trademark except those uses made in accordance with the requirements of provisions of this Agreement (including any requirement imposed by Franchisor to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks). As a condition to such indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days of its receipt of a claim and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

10. Secret Recipes, Formulas, Process and Methods.

- a.** Franchisor owns or controls secret recipes for the various items which give Carbone's pizzas their uniquely appealing quality, appearance and taste (collectively, the "Secret Recipes"). Franchisor may, under certain circumstances and in Franchisor's sole discretion, agree to provide Franchisee with the Secret Recipes. Franchisee further acknowledges and agrees that the Secret Recipes constitute "trade secrets" within the meaning of the Uniform Trade Secrets Act, as adopted by the State of Minnesota (Minn. Stat. Ch. 325C) and within the meaning of any trade secrets act of any state reasonably similar in scope and application to the Uniform Trade Secrets Act. Franchisee will not reveal the Secret Recipes to anyone other than the employees of Franchisee who need to know to perform their job functions, and then only as is necessary for the proper operation of the Restaurant. Franchisee agrees that no copies of the Secret Recipes shall be made except for the absolute minimum number necessary for the efficient operation of the Restaurant and that when not in use all copies of the Secret Recipes will be locked in a secure container to which only Restaurant managers or owners of Franchisee have access. Prior to revealing any part of the Secret Recipes to any employee or owner Franchisee will obtain from that employee or owner a signed agreement, in form

acceptable to Franchisor, whereby that employee or owner shall agree to maintain the secrecy of the Secret Recipes.

- b.** Franchisee shall not attempt to change the Secret Recipes in any fashion, and Franchisee agrees to keep all Confidential Information disclosed by Franchisor to Franchisee hereunder secret and shall not divulge, discuss or reveal information to any person except as is necessary to disclose such information to employees in the course of their employment.
- c.** Franchisee acknowledges and agrees that any breach of this Section 10 will damage Franchisor in a manner which will not be readily susceptible to calculation; accordingly, Franchisee agrees that the unauthorized disclosure of the Secret Recipes will cause Franchisor irreparable harm and that accordingly injunctive relief (directed against Franchisee and any of Franchisee's owners, officers, directors, shareholders, partners, joint venturers, affiliates, agents, employees, or former agents or employees) may be sought by Franchisor to prevent such irreparable damages.

11. Insurance.

Franchisee shall, during the term of this Agreement, secure and keep in force at Franchisee's sole expense, the minimum insurance coverages in the minimum amounts as required by Franchisor from time-to-time. As of the date hereof, the minimum insurance coverages and the minimum amounts meeting Franchisor's requirements are set forth below:

Commercial General Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$2,000,000 aggregate
Business Personal Property	<ul style="list-style-type: none">• Replacement cost coverage
Business Motor Vehicle Liability	<ul style="list-style-type: none">• \$1,000,000 combined single limit of liability per occurrence• \$1,000,000 uninsured/underinsured motorist coverage
Workers' Compensation	<ul style="list-style-type: none">• Policy limits pursuant to applicable state law
Umbrella/Excess Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$1,000,000 aggregate
Liquor Liability	<ul style="list-style-type: none">• \$1,000,000 limit per occurrence• \$2,000,000 aggregate

Each such policy shall name Franchisor as an additional insured (other than the workers compensation policy), and shall contain an endorsement that no such policy shall be cancelled, amended, terminated, or modified at any time without thirty (30) days' prior written notice to Franchisor. In addition, Franchisee agrees to furnish Franchisor with a copy of all insurance policies and with proof that such insurance is in full force and effect, upon all such requests of Franchisor. All such insurance policies may be obtained from any insurer Franchisee determines, so long as such insurer is qualified and licensed to do business in the state of Franchisee's Restaurant.

12. Indemnification.

Franchisee shall indemnify Franchisor against, and reimburse Franchisor for, all obligations and damages for which Franchisor is liable and for all costs reasonably incurred by Franchisor in the defense of any such claim brought against it, or in any such action in which it is named as a party, arising out of any act or omission of Franchisee, its personnel or contractors, or as a result of any activities occurring at, by, or through Franchisee's business, including the Restaurant, its operation, design, or construction, or otherwise, the sale of the Restaurant, the provision of any products or services, the hiring of any employees, and any advertising conducted by Franchisee. Such indemnification shall include reasonable attorneys' fees, costs of investigation or proof of facts, court costs, other litigation expenses, and travel and living expenses.

13. Transfer of Franchise.

- a.** Throughout the term of this Agreement and any extension thereof, Franchisee shall not at any time, directly or indirectly, sell, assign, mortgage, pledge, grant a security interest in, encumber, make a gift of, or otherwise transfer or dispose of Franchisee's interest in this Agreement, the Franchise, the Restaurant or its business or any entity that directly or indirectly owns an interest in any of the foregoing (collectively, a "Transfer") except in accordance with the provisions of this Agreement. Should Franchisee desire to engage in a Transfer, Franchisee must first give written notice to Franchisor of the intention to make such a Transfer, setting out the precise terms and conditions of such proposed Transfer. Franchisor shall have an option for sixty (60) days after the date of receipt of such written notice to purchase the interest then owned by Franchisee upon the same terms and conditions as those set forth in the required notice.

If Franchisor does not exercise the option granted to it, then Franchisee may thereafter engage in the Transfer described in the required notice during the thirty (30) days immediately following the expiration of the sixty (60) day period hereinabove described; *provided* that such Transfer is made on precisely the same terms and conditions as those specified in the notice required hereunder; and *provided, further*, that Franchisee obtains the prior written consent of Franchisor for the Transfer. Such Transfer shall not be made on terms and conditions other than those set forth in the notice required hereunder, no matter how slight such variance might be. If the Transfer does not occur within such additional thirty (30) day period, such interest shall thereafter again be subject to all of the restrictions of this Agreement with respect to any Transfer.

- b.** Franchisor, if it does not exercise its right of first refusal, will not unreasonably withhold consent to the Transfer of Franchisee's interest, but if any of the following conditions are not satisfied (without particular limitation to the following list) Franchisor shall be deemed to have reasonable grounds for withholding such consent:
 - (1) Franchisor must be satisfied that the prospective purchaser has sufficient business qualifications and will comply with Franchisor's then current training requirements;

- (2) The prospective purchaser must execute such agreements as are being required of Franchisor's new franchisees at the time of the Transfer and the Franchisee must execute a general release in the form required by Franchisor;
- (3) Franchisee shall not be in default in the payment of any amounts owed Franchisor;
- (4) Franchisee shall have paid a transfer fee to Franchisor of Five Thousand Dollars (\$5,000) (the "Transfer Fee") at the time it seeks Franchisor's consent to the Transfer; and
- (5) The transferee and its employee(s), as required by Franchisor, shall have completed Franchisor's initial training program prior to the closing of the Transfer.

c. For the purposes of this Agreement, if Franchisee is a corporation, limited liability company or a partnership, any event which results in a cumulative change in ownership of the interests in the equity securities of Franchisee or the partnership interests of Franchisee of more than fifty percent (50%) of such ownership (counting all such changes from the date the Franchise was granted to Franchisee) shall be deemed a Transfer giving rise to all of the rights which Franchisor has or may have upon any such Transfer. Franchisee will not be charged a Transfer Fee if the Franchise is transferred to a corporation or limited liability company that is solely owned by Franchisee.

14. Transfer of Deceased Franchisee's Interest.

If Franchisees is/are a natural person, upon his or her (or their) deaths, the rights of Franchisees may pass to the legatees or next-of-kin, or beneficiaries of Franchisee who (1) meet the present qualifications and financial standards required of the franchisees of the Franchisor and (2) such legatees or next-of-kin or beneficiaries agree in writing to assume the obligations of Franchisee under this Agreement and to execute and abide by the then current form of franchise agreement and sign any personal guarantees required by the Franchisor in its sole discretion.

15. Termination.

Franchisor may terminate this Agreement on the happening of any one of the following events:

- a. Franchisee voluntary abandons the Franchise relationship, the Restaurant or its business;
- b. Conviction of Franchisee (or of a principal officer, director, principal shareholder, or partner of Franchisee) or entry by any of the same of a plea of guilty or of no contest in a court of competent jurisdiction, of an offense;
- c. Any action of Franchisee which substantially impairs the good will associated with Franchisor's Names and Marks if Franchisee has not terminated such action within twenty-four (24) hours after receipt of written notice demanding that Franchisee terminate such action and cure the default caused thereby;

- d. Bankruptcy or insolvency of Franchisee or an assignment for the benefit of Franchisee's creditors;
- e. Material breach of the terms and conditions of this Agreement other than a failure to make payments; or
- f. Failure of Franchisee to make payment to Franchisor of any Royalty, Advertising Fees or other amounts (including interest) due to Franchisor pursuant to the terms of this Agreement.

Termination for the events described in items (a) through (d) shall occur immediately upon receipt of written notice. Termination for the events described in item I shall occur if Franchisee fails to correct the breach within thirty (30) days after notice from Franchisor. Termination for the events described in item (f) shall occur if Franchisee fails to cure such payment default within ten (10) days of notice from Franchisor.

16. Procedures Upon Termination.

Upon termination of this Agreement for any reason whatsoever, all rights and privileges granted by Franchisor hereunder shall immediately terminate, and in such event, Franchisee shall immediately pay to Franchisor all moneys owed to Franchisor, regardless of when due, without offset or reduction of any kind whatsoever. Furthermore, Franchisee shall immediately cease to use, by advertising or otherwise, the names "Carbone's Pizzeria" or "Carbone's Pizza" and any and all other of the Names and Marks. Franchisee shall immediately return to Franchisor all forms, advertising matter, bulletins, procedures, recipes, the Manual and any other manuals provided to Franchisee, and not retain any copies thereof. Franchisee shall in every manner otherwise refrain from performing any act or thing that would indicate that Franchisee is a franchisee of Franchisor. Upon termination for whatever reason, Franchisor shall be free, without any obligations whatsoever to Franchisee, to resell the franchise herein upon such terms and conditions as Franchisor shall desire, and Franchisor shall receive all proceeds of such a sale. Franchisor shall have the right, at the option of Franchisor, to purchase all inventory and usable merchandise identified with the Names and Marks, all of which may be repurchased by Franchisor at the fair wholesale market value thereof. Franchisee agrees that Franchisor may be irreparably harmed in a manner not readily compensated by money damages by any violation by Franchisee of the provisions of this Section, and accordingly Franchisor shall be entitled to injunctive relief from a court of competent jurisdiction to enforce the obligations of Franchisee hereunder, in addition to any other rights Franchisor may have at law or in equity under this Agreement.

17. Dispute Resolution.

Either party may apply for injunctive or other equitable relief to: (i) enforce its right to terminate this Agreement; and (ii) prevent or remedy a breach of this Agreement if such breach could materially impair the goodwill of such party's business, including to enforce the obligations of a party to be performed following the termination of this Agreement and enforcement of the non-competition and confidentiality provisions of this Agreement. Each party shall be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing its aforementioned rights. Except for matters for which a party is permitted to seek equitable or injunctive relief under this Agreement, the parties agree that the following procedure shall be used to resolve any dispute between them:

- a. The President of Franchisor and/or one other designated representative of Franchisor, shall meet with the Franchisee, if the Franchisee is an individual, or if the Franchisee is a business entity, the President of the Franchisee, within ten (10) days of a written request by either party for such a meeting. The party requesting the meeting shall set forth in detail the nature of the dispute.
- b. If the dispute is not resolved through the foregoing meeting, the parties agree to submit their dispute to mediation in Hennepin County, Minnesota, with a mutually agreed upon mediator. The party requesting resolution of an issue will submit the names of three qualified mediators to the other party who shall have the right to select one mediator to mediate. The procedure developed by the mediator shall control the mediation proceeding. It is acknowledged that the parties intend to expedite the resolution of any such dispute through the mediation process. Each party shall pay one-half of the costs of the mediation and their own attorney fees and costs.
- c. If the parties are unable to resolve their dispute through mediation, the matter shall be submitted to arbitration in Hennepin County, Minnesota, under the Rules of the American Arbitration Association with a three (3) panel arbitrator to be established, none of which shall be the previous mediator, with each party choosing one (1) member of the panel and the remaining third party chosen by the two (2) arbitrators previously selected. Each party shall pay one-half of the cost of the arbitration and their own attorney fees and costs, if any. Any arbitrator appointed to arbitrate a dispute under this Agreement shall have at least ten (10) years' experience in franchise matters and shall have the right to award, or include in any award, the specific performance of this Agreement. The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner, the terms and provisions of this Agreement and may not excuse performance of a material term of this Agreement. However, if an arbitrator determines that any contractual limitations period provided for in this Agreement is not applicable or enforceable, then the parties agree to be bound by the provision of any statute of limitations which would otherwise be applicable to the controversy, dispute or claim which is the subject of any arbitration proceeding initiated hereunder. The arbitrator is expressly prohibited from determining whether class, mass, collective or consolidated relief is permitted hereunder or from awarding the same. All findings, judgments, decisions and awards of the arbitrator shall be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator shall issue a reasoned award. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award shall be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section.

18. Governing Law.

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), or the United States Arbitration Act (9 U.S.C. § 1 et seq.), this Agreement shall be governed by the laws of the State of Minnesota. The parties agree, however, that if the Franchisee is not a resident of Minnesota, or if the Restaurant is not located in Minnesota, then they hereby waive the provisions of

the Minnesota Franchise Act and the regulations promulgated thereunder. If the Minnesota Franchise Act does not apply to the Franchise relationship created hereby, but there is a statute in the state in which the Restaurant is situated that specifically governs relationships between franchisees and franchisors and that law would otherwise apply, then that particular law shall apply in lieu of the foregoing.

19. Failure to Enforce.

Failure of either party to enforce any of the terms and conditions of this Agreement shall not constitute a waiver of the rights of such failing party to enforce such provisions at any time subsequent to such failure.

20. Notice.

All notices permitted or required to be delivered pursuant to this Agreement shall be deemed so delivered:

- a. when delivered by hand;
- b. three (3) days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid, or one (1) business day after placed in the hands of an overnight courier, for next day delivery, and in either case addressed to the party to be notified at its most current principal business address of which the notifying party has been notified (which, in the case of Franchisee, includes the address of the Franchised Business); or
- c. one (1) business day after being sent via email to the party to be notified as follows: if to Franchisor, to tommy@carbones.com and if to Franchisee, the last Franchisee provided email address to Franchisor.

21. Attorneys' Fees.

If Franchisor shall prevail in any action against Franchisee for breach of this Agreement, or in any part of such an action, Franchisor shall be entitled to an award of its attorneys' fees as a part of the damages awarded to Franchisor against Franchisee.

22. Compliance with State Law.

All foregoing provisions of this Agreement (and of any amendment hereto) to the contrary notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice which are less than those required by applicable law from time to time in effect, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Franchisor shall comply with the minimum notice or other minimum requirements prescribed by applicable law from time to time in effect in connection with each of these matters.

23. Goodwill.

Franchisee expressly agrees that any goodwill established as a result of Franchisee's operation of the Restaurant hereunder shall inure solely to the benefit of Franchisor.

24. Entire Agreement; Modification.

The recitals and Rider hereto are a part of this Agreement, which constitutes the entire agreement of the parties, and at the time of this Agreement, there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement other than the agreements and other documents referenced herein; provided, however, nothing in this or in any related agreement is intended to disclaim any representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. No modification of this Agreement shall be valid unless such modification is in writing and signed by Franchisee and Franchisor; provided, however, Franchisor may unilaterally modify or otherwise change the Manual(s).

25. Venue.

Franchisor and Franchisee (and Franchisee's owners and guarantors) each agree that if litigation is commenced, the sole forum for resolving disputes under this Agreement or any aspect of the relationship between the parties shall be the state and federal courts of Minnesota. Such actions shall be exclusively venued in the state or federal courts located in Ramsey County, Minnesota, and the parties waive any objections they may have to either the jurisdiction or the venue in such courts and hereby consent to personal jurisdiction and venue in such courts. The only exception to the foregoing shall be: (1) if the courts of Minnesota would have no jurisdiction over a named party in the litigation, and such party's involvement in the litigation is integral to the underlying claims and not principally for the purpose of circumventing the intent of the parties to name Minnesota as the exclusive venue for any actions, then the action may be venued in any court having jurisdiction over all the parties and a significant nexus to the parties; and (2) to the extent that either party believes it is necessary to seek injunctive relief against the other, the party seeking relief may initiate that action in the county in which the other party has its principal office (which in the case of an action against Franchisee, shall be the county in which Franchisee is domiciled, or the county in which the Restaurant is located).

26. Definitions.

The following definitions shall apply to this Agreement:

- a. Competing Business.** The term "Competing Business" means an eat-in, or take-out, or combination eat-in/take out restaurant of any other facility that serves pizza.
- b. Confidential Information.** The term "Confidential Information" means all business plans and methods developed by Franchisor and its affiliates to be used in connection with the operation of a restaurant or other facility operated under the Names and Marks, including the Secret Recipes, any other recipes, standards, specifications, methods, procedures, techniques, sourcing, technology, and management systems, all of which may be changed, improved, and further developed from time to time by Franchisor, and all information contained in Franchisor's Operations Manual as it may be amended from time to time by Franchisor (the "Manual").
- c. Gross Sales.** The term "Gross Sales" shall mean the total amount of revenues, income, receipts and other amounts received from all business activities taking place by or through the Restaurant, and all other services and products, if any, sold under the Names and Marks, or otherwise, including amounts received for catering or for food and beverages

sold from a food truck or other vehicle. There shall be excluded from "Gross Sales" amounts collected and remitted by Franchisee to any governmental taxing authority in satisfaction of sales or occupation taxes, non-food vending machine sales discounts and amounts received from alcohol sales.

d. Restricted Area. The term "Restricted Area" means the Franchisee Territory, a radius of 25 miles from the Franchisee Territory and a radius of 5 miles from any other restaurant or other facility operated under the Names and Marks.

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

Franchisor:

M & T PIZZA INCORPORATED

Franchisee:

By: _____

Name: Thomas M. Carbone

By: _____

Its: President, Secretary and Treasurer

Name: _____

Its: _____

RIDER

Address of Restaurant: _____

Franchisee Territory: _____

Unique Terms: _____

EXHIBIT A

ELECTRONIC FUNDS TRANSFER/DEBIT AUTHORIZATION FORM

The undersigned ("Franchisee") acknowledges that on or about _____, 202_____, Franchisee and M & T Pizza Incorporated ("Franchisor") entered into a Franchise Agreement ("Agreement") for the operation of a Carbone's Pizzeria franchise.

To enable the Franchisor to receive automatic payments pursuant to the Agreement, Franchisee authorizes ("Authorization") Franchisor to withdraw funds from and otherwise initiate debit entries to Franchisee's bank account indicated below, and the depository named below ("Depository"), to debit the same to such account.

Depository Name: _____

Branch: _____

City State and Zip: _____

Transit/ABA#: _____

Bank Account Name: _____

Bank Account Number: _____

Tax ID for Account: _____

This Authorization is to remain in full force and effect until the underlying obligations of the Agreement have been satisfied in full or expressly released in writing by Franchisor. Franchisee expressly agrees that this Authorization will apply to any and all depositories and bank accounts that Franchisee opens during the term of the Agreement and any renewal terms. Without limiting the above, Franchisee acknowledges and agrees that if Franchisee closes any bank account, Franchisee will:

- 1) immediately notify Franchisor in writing;
- 2) open or otherwise establish another bank account;
- 3) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means.

Franchisee expressly acknowledges and agrees that this Authorization will be the only written authorization needed from Franchisee in order to initiate debit entries/ACH debit originations to Franchisee's bank account(s) established with any depository in the future.

Name of Franchisee(s): _____

Signature: Sample - Not for Execution

Print Name: _____

Title: _____

Date: _____

EXHIBIT B

STATEMENT OF OWNERSHIP AND MANAGEMENT

The undersigned Franchisee ("Franchisee") represents and warrants to M & T Pizza Incorporated ("Franchisor") that as of _____, 20____ all of the information below is true and complete:

Franchisee: _____

Form of Franchisee: _____
(SELECT ONE)
 Corporation formed in the state of _____
 Limited liability company formed in the state of _____
 Partnership formed in the state of _____
 Individual residing in the state of _____

Name of General Manager: _____

Ownership (EACH OWNER AND THEIR SPOUSE MUST SIGN A GUARANTY)		
NAME OF OWNER	NO. OF SHARES/UNITS OWNED	OWNERSHIP PERCENTAGE
		%
		%
		%
		%

Management (LIST EACH INDIVIDUAL HOLDING A POSITION AS BOARD-MEMBER OR OFFICER)	
NAME OF INDIVIDUAL	ROLE/TITLE

Franchisee acknowledges that this Statement of Ownership and Management applies to the M & T Pizza Incorporated Franchise Agreement. Franchisee shall immediately notify Franchisor upon any change in the information contained in this Statement of Ownership and Management, and upon request of Franchisor, complete an updated or new Statement of Ownership and Management and Guaranty executed by all owners of Franchisee.

FRANCHISOR:
M & T Pizza Incorporated

By: _____
Name: _____
Title: _____

IF CORPORATION, LLC, OR PARTNERSHIP:
FRANCHISEE: _____

By: _____
Name: _____
Title: _____

IF INDIVIDUAL:
FRANCHISEE: _____

Name: _____

EXHIBIT C

GUARANTY

IN CONSIDERATION of the [INSERT ONE/DELETE REMAINING ONE] [grant by M & T Pizza Incorporated (“Franchisor”) of a Carbone’s Pizza franchise to the party named as Franchisee in the Franchise Agreement (the “Franchisee”) to which this Guaranty is attached (the “Franchise Agreement”)] **OR** [consent by M & T Pizza Incorporated (“Franchisor”) to the assignment of the Franchise Agreement to which this Guaranty is attached (the “Franchise Agreement”) to the assignee and party named as the Franchisee in the Franchise Agreement (“Franchisee”)], and for other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby guarantee (jointly and severally with one another and all other guarantors of Franchisee, whether such guaranties are entered into prior to or after the date hereof) to Franchisor and to Franchisor’s successors and assigns: (a) the payment of all costs and fees required to be paid to Franchisor or its affiliates by Franchisee, whether such costs and fees are provided for in the Franchise Agreement or under any other agreement between Franchisee and Franchisor or an affiliate of Franchisor, and (b) the performance by Franchisee of all its obligations under all such agreements and under all manuals and operating procedures of Franchisor’s business system. The undersigned further specifically agree to remain individually bound by all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement and such other agreements to the same extent as if each of the undersigned had individually been named as Franchisee in the Franchise Agreement and such other agreements, and the undersigned had individually executed the Franchise Agreement and such other agreements.

The undersigned understand and agree that any modification of the Franchise Agreement or any other agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement or any other agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected, or diminished. Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof being hereby waived.

The undersigned further understand and agree that no bankruptcy or reorganization of Franchisee shall release or otherwise affect the obligations of the undersigned to pay all costs and fees provided for in all agreements between Franchisee and Franchisor or its affiliates, or otherwise owing to Franchisor or its affiliates, and to perform all the provisions of such agreements, as well as all manuals and operating procedures of Franchisor’s business system, nor does the same release the undersigned from being individually bound to perform all covenants, obligations, and commitments of Franchisee contained in the Franchise Agreement or any other agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement and such other agreements.

This Guaranty shall be enforceable upon ten (10) days’ written notice by Franchisor to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto. The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment

of the Franchise Agreement and any other agreement, in whole or in part, that Franchisor or its assignees may make. This Guaranty shall be a continuing Guaranty and may not be revoked without the prior written consent of Franchisor. This Guaranty shall apply to all agreements referenced in this Guaranty, to the renewal of all such agreements, and to any successor agreements thereto.

Date: _____

Name: _____

Date: _____

Name: _____

Date: _____

Name: _____

4889-8187-8755, v. 5

EXHIBIT C
OPERATIONS MANUAL TABLE OF CONTENTS

TABLE OF CONTENTS

<u>Introduction to the Carbone's Pizzeria Brand</u>	3
<u>The Carbone's Pizzeria Product</u>	4
<u>Menu Page 1</u>	4
<u>Menu Page 2</u>	5
<u>Product Specifications</u>	6
<u>Starters</u>	6
<u>Sandwiches</u>	6
<u>Salads</u>	6
<u>Pasta</u>	6
<u>Famous Hot Hoagies</u>	6
<u>Specialty Pizzas</u>	7
<u>Bulk Recipes</u>	7
<u>Training Guides</u>	8
<u>SAUCING PROCESS</u>	8
<u>DOUGH FORMING PROCESS</u>	8
<u>CORE PIZZA TRAINING GUIDES</u>	8
<u>SPECIALTY PIZZA POSTERS</u>	8
<u>MENU ITEM PROCESS GUIDES</u>	8
<u>SERVER GUIDELINES</u>	8
<u>PIZZA COOKING VISUAL GUIDES</u>	8
<u>Human Resources Toolbox</u>	9
<u>EMPLOYEE HANDBOOK</u>	9
<u>JOB DESCRIPTIONS</u>	9
<u>ONBOARDING CHECKLIST</u>	9
<u>VALUE STATEMENTS</u>	9
<u>INTERVIEWING, SELECTION & HIRING</u>	9
<u>DISCIPLINARY ACTION PROCESS</u>	9
<u>The Carbone's Pizzeria Store</u>	10
<u>Furniture, Fixtures & Equipment</u>	10
<u>MODEL 1: TAKEOUT & DELIVERY</u>	10
<u>MODEL 2: FAST-CASUAL</u>	10
<u>MODEL 3: FULL-SERVICE WITH BAR</u>	10
<u>Smallwares</u>	10
<u>Equipment Cut Sheets</u>	10
<u>Designated & Approved Vendors</u>	10
<u>Company Contact List</u>	11

EXHIBIT D
FINANCIAL STATEMENTS

**M & T PIZZA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**

AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2024

TABLE OF CONTENTS

	Pages
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Balance Sheet	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Stockholder's Equity	5
Consolidated Statement of Cash flows	6
Notes to Consolidated Financial Statements	7 – 12

DNJ & ASSOCIATES

Certified Public Accountants

601 Las Tunas Drive, #108,

Arcadia, CA 91007

310-989-8507

www.dnjassociates.com

Independent Auditor's Report

To the Stockholder
M & T PIZZA INCORPORATED AND SUBSIDIARIES
St. Paul, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of M &T Pizza Incorporated and Subsidiaries (the "Company") (a Minnesota Corporation), which comprise the consolidated balance sheet as of October 31, 2024, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of October 31, 2024, and the consolidated results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

DNJ & ASSOCIATES

Arcadia, California
April 4, 2025

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheet
October 31, 2024

Assets

Current assets	
Cash and cash equivalents	\$ 303,235
Accounts receivable, net of allowance for doubtful accounts of \$175,595	202,203
Due from stockholder	519,028
Accounts receivable, related party	228,970
Inventory	3,650
Prepaid expenses	<u>14,468</u>
Total current assets	1,271,554
Deferred tax assets	44,000
Property and equipment, net	<u>138,718</u>
Total assets	<u><u>\$ 1,454,272</u></u>

Liabilities and Stockholder's Equity

Current liabilities:	
Loan payable, current portion	\$ 13,587
Accounts payable and accrued expenses	44,808
Income taxes payable	<u>76,000</u>
Total liabilities	<u>134,395</u>
Commitments and contingencies (Note 3 and 4)	
Stockholder's equity	
Common stock, \$1.00 par value, 25,000 shares authorized, 2,500 shares issued and outstanding	2,500
Additional paid-in-capital	266,117
Retained earnings	1,085,816
Treasury stocks, at cost	<u>(34,556)</u>
Total stockholder's equity	<u>1,319,877</u>
Total liabilities and stockholder's equity	<u><u>\$ 1,454,272</u></u>

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Operations
For the Year Ended October 31, 2024

Revenues	
Royalties	\$ 980,131
Company restaurant sales	726,642
Advertising fund revenues	289,604
Rebate revenue	<u>159,266</u>
Total revenues	2,155,643
Cost of company restaurant sales	
Food and beverage	226,979
Labor	624,395
Direct expenses	<u>191,618</u>
Total cost of company restaurant sales	<u>1,042,992</u>
Operating expenses	
Marketing and advertising	237,855
General and administrative	<u>735,475</u>
Total operating expenses	<u>973,330</u>
Income from operations	<u>139,321</u>
Other income (expense)	
Interest income	35,160
Interest expense	(4,108)
Other income	(39,824)
Loss on disposition of property and equipment	<u>(123)</u>
Total other income (expense)	<u>(8,895)</u>
Income before provision for income taxes	130,426
Income tax benefit	<u>(68,000)</u>
Net income	<u>\$ 198,426</u>

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

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholder's Equity
For the Year Ended October 31, 2024

	Common Stock		Additional paid in capital	Retained Earnings	Treasury stock	Total Equity
	Shares	Amount				
Balance, October 31, 2023	2,500	\$ 2,500	\$ 266,117	\$ 887,390	\$ (34,556)	\$ 1,121,451
Net income	-	-	-	198,426	-	198,426
Balance, October 31, 2024	<u>2,500</u>	<u>\$ 2,500</u>	<u>\$ 266,117</u>	<u>\$ 1,085,816</u>	<u>\$ (34,556)</u>	<u>\$ 1,319,877</u>

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

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the Year Ended October 31, 2024

Cash flows from operating activities	
Net income	\$ 198,426
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization expense	34,385
Deferred income taxes	(144,000)
Loss on disposition of property and equipment	123
(Increase) decrease in operating assets	
Accounts receivable	85,725
Accounts receivable, related parties	(121,481)
Prepaid expenses	4,537
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	13,064
Income taxes payable	<u>76,000</u>
Net cash provided by operating activities	<u>146,779</u>
Cash flows from investing activities	
Acquisition of property and equipment	<u>(9,014)</u>
Net cash used in investing activities	<u>(9,014)</u>
Cash flows from financing activities	
Note receivable	60,500
Repayment of loan payable	(29,859)
Due from stockholder	<u>(26,423)</u>
Net cash used in financing activities	<u>4,218</u>
Net increase in cash	141,983
Cash and cash equivalents, beginning of year	<u>161,252</u>
Cash and cash equivalents, end of year	<u>\$ 303,235</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	\$ 4,108
Income taxes	<u>\$ -</u>

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

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

1. Nature of Business

M & T Pizza Incorporated and Subsidiaries (collectively “the Company”) is engaged in the business of selling restaurant franchises. The Company generates revenue primarily from restaurant royalties and franchise fees from franchised Carbone’s Pizzeria locations in Minnesota, Wisconsin, and Montana and the operation of a Company owned franchise in Minnesota.

The following table summarizes the open franchise locations for the Company during the year ended October 31, 2024:

Beginning of the period	36
Change during the period	(2)
End of the period	<u>34</u>

Additionally, the Company owned and operated one corporate location, Carbone’s Pizzeria, during the year ended October 31, 2024.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company’s fiscal year is October 31.

Basis of Accounting and Consolidated Financial Statement Presentation

The Consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Principles of Consolidation

The consolidated financial statements include M & T Pizza Incorporated (M&T), a Minnesota corporation, and its wholly-owned subsidiaries, Carbone & Sons, Inc. (C&S), a Minnesota corporation, and Carbone Pizza, Inc. (CPI), a Minnesota corporation. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements as well as related disclosures. On an ongoing basis, the Company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Concentrations

The Company holds cash and cash equivalents at times may exceed federal insurance limits; however, the Company does not anticipate any losses related to this balance.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. There were no cash equivalents at October 31, 2024.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable for royalty fees from franchisees are due on or before the first day of each week for the sales during the preceding week and accounts receivable for advertising fee royalties from franchisees are due on or before Tuesday of each week for the sales during the preceding week. All receivables not received on time receive additional scrutiny from management and may be charged interest at rates up to 12% annually.

The Financial Accounting Standards Board (“FASB”) issued guidance FASB Accounting Standards Codification (“ASC”) 326 which changed how entities measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

The Company’s allowance for expected credit losses, is Management’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company reviews its allowance for expected credit losses periodically. Management determines an allowance based on historical experience and then analyzes individual past due balances for collectability based on current conditions and reasonable and supportable forecasts.

In addition, if Management believes it is probable a receivable will not be recovered, it is charged off against the allowance. For the year ended October 31, 2024, the allowance for credit losses for accounts receivable amounted to \$175,595.

Inventories

Inventories consist primarily of items held at the restaurant and are valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and are depreciated or amortized using the straight-line method. Property and equipment is comprised of furniture and equipment, and vehicles which will be depreciated over five to seven years and leasehold improvements over the shorter of the lease term or the life of the asset.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

2. Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets, including property and equipment, and intangible assets, relying on a number of factors including operating results, business plans and economic projections, and anticipated future cash flows. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

Revenue Recognition

The Company assesses the products or services promised in contracts with customers at contract inception to determine the appropriate amount at which to record revenue which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the products or services.

Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

Franchise fees are recognized as deferred revenue at the time a franchise agreement is executed or when a location commences operations. The deferred revenue is then recognized as revenue pro-rata over the term of the agreement. For area development agreements, the development fees are recognized as deferred revenue at the time an area development agreement is executed. The deferred revenue is recognized pro-rata over the term of the agreement or when the required number of franchises in the area development agreement are satisfied, whichever occurs earlier.

Deferred commissions for sales of franchises are recorded at the time of sale and recognized as commission expense over the term of the franchise agreement.

Royalties

The Company receives a service fee based on a percentage of sales each week from the franchised locations as royalties. Revenue from royalties is recognized each week based on a percentage of reported franchisee sales.

Initial and Renewal Franchise Fees

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. The Company's initial and renewal franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

2. Summary of Significant Accounting Policies (Continued)

Initial and Renewal Franchise Fees (Continued)

The contract term for the initial franchise agreements is 10 years commencing on the earlier of the date when the restaurant opens or twelve months following the date the franchise agreement was signed. During that time, the franchisee is allowed to use the Carbone's Pizzeria name and menu. When the franchise agreement expires, the franchise may pay an additional franchise fee to renew the agreement. The contract term for franchise renewal agreements is 10 years. There were no initial and renewal franchise fees in the year ended October 31, 2024.

Company Restaurant Sales

The Company earns revenue from sales at the Company owned restaurant and is recognized at the time of sale.

Advertising

In accordance with signed franchise agreements, franchisees contribute royalties to an advertising fund. The fund is to be used to maximize public recognition of Carbone's Pizzeria. The Company expenses advertising costs as incurred. Advertising expenses are included in sales and marketing expenses for the years ended October 31, 2024 amounted to \$237,855.

Income Taxes

The Company accounts for income taxes under asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributed to temporary differences between the financial reporting basis and the respective tax basis of these assets and liabilities

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recorded for carryforwards and other deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. Based on its facts, the Company considered all available evidence, both positive and negative, including historical levels of taxable income, expectations, and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

As of October 31, 2024, the Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

3. Related Party Transactions

Due from stockholder

The Company has note receivables from its sole stockholder in the amount of \$519,028 as of October 31, 2024. This balance has no set repayment terms, is due on demand, unsecured and noninterest bearing.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

3. Related Party Transactions (Continued)

Operating Lease

The Company leases a facility from a limited liability company which is owned by the stockholder of the Company (See Note 4).

4. Commitments and Contingencies

Legal

From time to time, the Company is party to legal actions arising out of the ordinary course of business. The Company does not believe that these legal actions will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Operating Lease

The Company has a month-to-month operating lease with a related party. Rental payments are approximately \$8,000 a month. The lease also provides that the Company pay property taxes, maintenance, insurance and other occupancy expenses applicable to the leased premise. Total rent expense for this facility for the year ended October 31, 2024 is approximately \$67,000.

5. Income Taxes

For the year ended October 31, 2024, provision for income taxes consisted of the following:

Current income taxes	
Federal	\$ 50,000
State	26,000
Reversal of provision	(113,000)
Change in deferred	(31,000)
	<hr/>
	\$ (68,000)

The effective tax rate of 29% is different than the statutory federal rate of 21% as a result of non-deductible depreciation expense as well as changes in accruals.

The tax effects of temporary differences between financial statements and tax reporting give rise to deferred tax assets and deferred tax liabilities are presented below:

Deferred tax assets:	
Allowance for doubtful accounts	\$ 54,000
Change in accruals	9,000
Total deferred tax assets	<hr/> 63,000
Deferred tax liability:	
Property and equipment	(19,000)
Total deferred tax liability	<hr/> (19,000)
Net deferred tax asset	\$ 44,000

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2024

5. Income Taxes (Continued)

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

6. Subsequent Events

The Company has evaluated events through April 4, 2025, to assess the need for additional recognition or disclosure in these financial statements. Based upon this evaluation, it was determined that no events occurred that require recognition or additional disclosure in these financial statements.

**M & T PIZZA INCORPORATED AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**

AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2023

TABLE OF CONTENTS

	Pages
Independent Auditor's Report	1 - 2
Consolidated Financial Statements	
Consolidated Balance Sheet	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Stockholder's Equity	5
Consolidated Statement of Cash flows	6
Notes to Consolidated Financial Statements	7 – 12

DNJ & ASSOCIATES

Certified Public Accountants

601 Las Tunas Drive, #108,

Arcadia, CA 91007

310-989-8507

www.dnjassociates.com

Independent Auditor's Report

To the Stockholder
M & T PIZZA INCORPORATED AND SUBSIDIARIES
St. Paul, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of M &T Pizza Incorporated and Subsidiaries (the "Company") (a Minnesota Corporation), which comprise the consolidated balance sheet as of October 31, 2023, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of October 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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.

Responsibility of Management for the Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

DNJ & ASSOCIATES

Arcadia, California
May 31, 2024

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheet
October 31, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 161,252
Accounts receivable, net of allowance for doubtful accounts of \$109,133	287,928
Due from stockholder	492,605
Accounts receivable, related party	107,489
Inventory	3,650
Prepaid expenses	<u>19,005</u>
Total current assets	1,071,929
 Note receivable	60,500
Deferred tax assets	13,000
Property and equipment, net	<u>164,212</u>
Total assets	<u><u>\$ 1,309,641</u></u>

Liabilities and Stockholder's Equity

Current liabilities:	
Loan payable, current portion	\$ 29,854
Accounts payable and accrued expenses	31,744
Income taxes payable	<u>113,000</u>
Total current liabilities	174,598
 Loan payable, net of current portion	<u>13,592</u>
Total liabilities	<u>188,190</u>
 Commitments and contingencies (Note 5)	
Stockholder's equity	
Common stock, \$1.00 par value, 25,000 shares authorized, 2,500 shares issued and outstanding	2,500
Additional paid-in-capital	266,117
Retained earnings	887,390
Treasury stocks, at cost	<u>(34,556)</u>
Total stockholder's equity	<u>1,121,451</u>
Total liabilities and stockholder's equity	<u><u>\$ 1,309,641</u></u>

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Operations
For the Year Ended October 31, 2023

Revenues	
Royalties	\$ 906,513
Company restaurant sales	765,521
Advertising fund revenues	268,596
Rebate revenue	<u>140,146</u>
Total revenues	2,080,776
Cost of company restaurant sales	
Food and beverage	288,977
Labor	602,817
Direct expenses	<u>174,042</u>
Total cost of company restaurant sales	<u>1,065,836</u>
Operating expenses	
Marketing and advertising	278,545
General and administrative	<u>571,564</u>
Total operating expenses	<u>850,109</u>
Income from operations	164,831
Other income	<u>115,070</u>
Income before provision for income taxes	279,901
Provision for income taxes	<u>100,000</u>
Net income	<u><u>\$ 179,901</u></u>

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

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholder's Equity
For the Year Ended October 31, 2023

	Common Stock		Additional paid in capital	Retained Earnings	Treasury stock	Total Equity
	Shares	Amount				
Balance, October 31, 2022	2,500	\$ 2,500	\$ 266,117	\$ 707,489	\$ (34,556)	\$ 941,550
Net income	-	-	-	179,901	-	179,901
Balance, October 31, 2023	<u>2,500</u>	<u>\$ 2,500</u>	<u>\$ 266,117</u>	<u>\$ 887,390</u>	<u>\$ (34,556)</u>	<u>\$ 1,121,451</u>

M&T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the Year Ended October 31, 2023

Cash flows from operating activities	
Net income	\$ 179,901
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization expense	35,738
Deferred income taxes	(13,000)
(Acrease) decrease in operating assets	
Accounts receivable	(55,096)
Accounts receivable, related parties	(62,349)
Prepaid expenses	5,485
Prepaid income taxes	4,516
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	13,178
Income taxes payable	<u>32,491</u>
Net cash provided by operating activities	<u>140,864</u>
Cash flows from investing activities	
Acquisition of property and equipment	<u>(108,174)</u>
Net cash used in investing activities	<u>(108,174)</u>
Cash flows from financing activities	
Proceeds from loan payable	43,446
Due from stockholder	<u>(17,800)</u>
Net cash provided by financing activities	<u>25,646</u>
Net increase in cash	58,336
Cash and cash equivalents, beginning of year	<u>102,916</u>
Cash and cash equivalents, end of year	<u>\$ 161,252</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 5,173
Income taxes	<u>-</u>

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

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2023

1. Nature of Business

M & T Pizza Incorporated and Subsidiaries (collectively the Company) is engaged in the business of selling restaurant franchises. The Company generates revenue primarily from restaurant royalties and franchise fees from franchised Carbone's Pizzeria locations in Minnesota, Wisconsin, and Montana and the operation of a Company owned franchise in Minnesota.

The following table summarizes the open franchise locations for the Company during the year ended October 31, 2023:

Beginning of the period	37
Change during the period	(1)
End of the period	<u>36</u>

Additionally, the Company owned and operated one corporate location, Carbone's Pizzeria, during the year ended October 31, 2023.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year is October 31.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation

The consolidated financial statements include M & T Pizza Incorporated (M&T), a Minnesota corporation, and its wholly-owned subsidiaries, Carbone & Sons, Inc. (C&S), a Minnesota corporation, and Carbone Pizza, Inc. (CPI), a Minnesota corporation. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements as well as related disclosures. On an ongoing basis, the Company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Concentrations

The Company holds cash and cash equivalents at times may exceed federal insurance limits; however, the Company does not anticipate any losses related to this balance.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Company holds cash and cash equivalents at times may exceed federal insurance limits; however, the Company does not anticipate any losses related to this balance.

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable for royalty fees from franchisees are due on or before the first day of each week for the sales during the preceding week and accounts receivable for advertising fee royalties from franchisees are due on or before Tuesday of each week for the sales during the preceding week. All receivables not received on time receive additional scrutiny from management and may be charged interest at rates up to 12% annually.

As of January 1, 2023, accounts receivable was \$232,832.

In June 2016, the FASB issued guidance (FASB ASC 326) which changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

The Company's allowance for expected credit losses, is Management's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company reviews its allowance for expected credit losses periodically. Management determines an allowance based on historical experience and then analyzes individual past due balances for collectability based on current conditions and reasonable and supportable forecasts.

In addition, if Management believes it is probable a receivable will not be recovered, it is charged off against the allowance. For the year ended October 31, 2023, the allowance for credit losses for accounts receivable amounted to \$109,133.

Inventories

Inventories consist primarily of items held at the restaurant and are valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and are depreciated or amortized using the straight-line method. Property and equipment is comprised of furniture and equipment, and vehicles which will be depreciated over five to seven years and leasehold improvements over the shorter of the lease term or the life of the asset.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets, including property and equipment, and intangible assets, relying on a number of factors including operating results, business plans and economic projections, and anticipated future cash flows. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

Revenue Recognition

Accounting Standards Update (“ASU”) 2014-09 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate amount at which to record revenue which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the products or services.

Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

In accordance with ASU 2014-09, franchise fees are recognized as deferred revenue at the time a franchise agreement is executed or when a location commences operations. The deferred revenue is then recognized as revenue pro-rata over the term of the agreement. For area development agreements, the development fees are recognized as deferred revenue at the time an area development agreement is executed. The deferred revenue is recognized pro-rata over the term of the agreement or when the required number of franchises in the area development agreement are satisfied, whichever occurs earlier.

Deferred commissions for sales of franchises are recorded at the time of sale and recognized as commission expense over the term of the franchise agreement.

Royalties

The Company receives a service fee based on a percentage of sales each week from the franchised locations as royalties. Revenue from royalties is recognized each week based on a percentage of reported franchisee sales.

Initial and Renewal Franchise Fees

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. The Company’s initial and renewal franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement. The contract term for the initial franchise agreements is 10 years commencing on the earlier of the date when the restaurant opens or twelve months following the date the franchise agreement was signed.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2023

2. Summary of Significant Accounting Policies (Continued)

Initial and Renewal Franchise Fees (Continued)

During that time, the franchisee is allowed to use the Carbone's Pizzeria name and menu. When the franchise agreement expires, the franchise may pay an additional franchise fee to renew the agreement. The contract term for franchise renewal agreements is 10 years. There were no initial and renewal franchise fees in the year ended October 31, 2023.

Company Restaurant Sales

The Company earns revenue from sales at the Company owned restaurant and is recognized at the time of sale.

Advertising

In accordance with signed franchise agreements, franchisees contribute royalties to an advertising fund. The fund is to be used to maximize public recognition of Carbone's Pizzeria. The Company expenses advertising costs as incurred. Advertising expenses are included in sales and marketing expenses for the years ended October 31, 2023 amounted to \$278,545.

Income Taxes

The Company accounts for income taxes under asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributed to temporary differences between the financial reporting basis and the respective tax basis of these assets and liabilities

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recorded for carryforwards and other deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. Based on its facts, the Company considered all available evidence, both positive and negative, including historical levels of taxable income, expectations, and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

As of October 31, 2023, the Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

3. Related Party Transactions

Due from stockholder

The Company has note receivables from its sole stockholder in the amount of \$492,605 as of October 31, 2023. This balance has no set repayment terms, is due on demand, unsecured and noninterest bearing.

Operating Lease

The Company leases a facility from a limited liability company which is owned by the stockholder of the Company (See Note 5).

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended October 31, 2023

4. Note Receivable

The Company has a note receivable from a franchisee totaling \$60,500 as of October 31, 2023. The note receivable bears interest at 4.5%. Monthly principal and interest payments of approximately \$1,000 are scheduled to begin in March 2024.

5. Commitments and Contingencies

Legal

From time to time, the Company is party to legal actions arising out of the ordinary course of business. The Company does not believe that these legal actions will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Operating Lease

The Company has a month-to-month operating lease with a related party. Rental payments are \$8,000 a month. The lease also provides that the Company pay property taxes, maintenance, insurance and other occupancy expenses applicable to the leased premise. Total rent expense for this facility for the year ended October 31, 2023 is approximately \$82,000.

6. Income Taxes

For the year ended October 31, 2023, provision for income taxes consisted of the following:

Current income taxes	
Federal	\$ 75,000
State	38,000
Change in deferred	(13,000)
	<hr/>
	\$ 100,000

The effective tax rate of 36% is different than the statutory federal rate of 21% as a result of non-deductible depreciation expense as well as changes in accruals.

The tax effects of temporary differences between financial statements and tax reporting give rise to deferred tax assets and deferred tax liabilities are presented below:

Deferred tax assets:	
Allowance for doubtful accounts	\$ 34,000
Change in accruals	5,000
Total deferred tax assets	<hr/> 39,000
Deferred tax liability:	
Property and equipment	(26,000)
Total deferred tax liability	(26,000)
Net deferred tax asset	\$ 13,000

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

M & T PIZZA INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Year Ended October 31, 2023

7. Subsequent Events

The Company has evaluated events through May 31, 2024, to assess the need for additional recognition or disclosure in these financial statements. Based upon this evaluation, it was determined that no events occurred that require recognition or additional disclosure in these financial statements.

**M & T INCORPORATED
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1-2
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Stockholder's Equity	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-13

INDEPENDENT AUDITOR'S REPORT

To the Stockholder
M & T Pizza Incorporated and Subsidiaries
St. Paul, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of M&T Pizza Incorporated and Subsidiaries ("the Company"), a Minnesota corporation, which comprises the consolidated balance sheet as of October 31, 2022, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the year then ended and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2022, and the results of its operations and its cash flows for the year 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 Statement section of our report. We are required to be independent of M&T Pizza Incorporated and Subsidiaries 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.

Emphasis of Matter

As discussed in Note (G) to these financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about M&T Pizza Incorporated and Subsidiaries 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.

GTL, LLP

Sherman Oaks, California
March 20, 2023

M & T Pizza Incorporated and Subsidiaries
Consolidated Balance Sheet
October 31, 2022

ASSETS

Current assets	
Cash and equivalents	\$ 102,916
Accounts receivable, net	232,832
Due from stockholder	474,805
Accounts receivable-related party	45,140
Inventory	3,650
Prepaid expenses	24,490
Prepaid income taxes	<u>4,516</u>
	<u>888,349</u>
Total current assets	<u>888,349</u>
Property and equipment, net	
Furniture and equipment	285,008
Land and building improvements	<u>102,667</u>
	<u>387,675</u>
Less accumulated depreciation and amortization	<u>(295,899)</u>
	<u>91,776</u>
Note receivable	<u>60,500</u>
Total assets	<u>\$ 1,040,625</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accrued expenses	\$ 18,566
Accrued income taxes	<u>80,509</u>
	<u>99,075</u>
Total current liabilities	<u>99,075</u>
Stockholder's equity	
Common stock - \$1.00 par value; authorized, 25,000 shares; 2,500 shares issued and outstanding	2,500
Additional paid-in capital	266,117
Retained earnings	707,489
Treasury stock, at cost	<u>(34,556)</u>
Total stockholder's equity	<u>941,550</u>
Total liabilities and stockholder's equity	<u>\$ 1,040,625</u>

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

M & T Pizza Incorporated and Subsidiaries
Consolidated Statement of Income
For the Year ended October 31, 2022

Revenue	
Royalties	\$ 827,392
Company restaurant sales	615,202
Advertising fund revenues	252,382
Rebate revenue	159,151
Gross revenue	<u>1,854,127</u>
Cost of company restaurant sales	
Food and beverage	223,206
Labor	432,133
Direct expenses	151,375
General and administrative	83,610
Total operating expenses	<u>890,324</u>
Operating expenses	
Marketing and advertising	505,675
General and administrative	506,834
Total operating expenses	<u>1,012,509</u>
Loss from operations	(48,706)
Other income	<u>269,196</u>
Income before income taxes	220,490
Income tax expense	<u>56,702</u>
Net income	<u>\$ 163,788</u>

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

M & T Pizza Incorporated and Subsidiaries
Consolidated Statement of Changes in Stockholder's Equity
For the Year ended October 31, 2022

Controlling interest in equity						
	Common Stock		Additional paid in capital	Retained earnings	Treasury Stock	Total
	Shares	Amount				
Balance, October 31, 2021	2,500	\$ 2,500	\$ 266,117	\$ 543,701	\$ (34,556)	\$ 777,762
Net income	-	-	-	163,788	-	163,788
Balance, October 31, 2022	<u>2,500</u>	<u>\$ 2,500</u>	<u>\$ 266,117</u>	<u>\$ 707,489</u>	<u>\$ (34,556)</u>	<u>\$ 941,550</u>

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

M & T Incorporated and Subsidiaries
Consolidated Statement of Cash Flows
For the Year ended October 31, 2022

Cash flows from operating activities		
Net income		\$ 163,788
Adjustments to reconcile net income		
to net cash (used-in) operating activities		13,190
Depreciation and amortization		(36,337)
Changes in current assets and liabilities		(442,937)
Accounts receivable		(45,140)
Due from stockholder		(9,231)
Accounts receivable-related party		12,960
Prepaid expenses		(12,853)
Prepaid income taxes		1,576
Accounts payable		71,420
Accrued expenses and other		(283,564)
Accrued income taxes		
Net cash (used-in) operating activities		
Cash flows from investing activities		
Additions to property, plant and equipment		(25,168)
Net cash (used-in) investing activities		(25,168)
Change in cash and cash equivalents		(308,732)
Cash, and cash equivalents at beginning of year		411,648
Cash, and cash equivalents at end of year		\$ 102,916

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and for the Year ended October 31, 2022

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

M & T Pizza Incorporated and Subsidiaries (collectively the Company) is engaged in the business of selling restaurant franchises. The Company generates revenue primarily from restaurant royalties and franchise fees from franchised Carbone's Pizzeria locations in Minnesota, Wisconsin, and Montana and the operation of a Company owned franchise in Minnesota.

The following table summarizes the open franchise locations for the Company during the year ended October 31, 2022:

	<u>2022</u>
Beginning of the period	36
Change during the period	1
End of the period	<u>37</u>

Additionally, the Company owned and operated one corporate location, Carbone's Pizzeria, during the year ended October 31, 2022.

Summary of Significant Accounting Policies

A summary of the significant policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

The consolidated financial statements include M & T Pizza Incorporated (M&T), a Minnesota corporation, and its wholly-owned subsidiaries, Carbone & Sons, Inc. (C&S), a Minnesota corporation, and Carbone Pizza, Inc. (CPI), a Minnesota corporation (see Note B). All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company maintains cash balances primarily in one financial institution located in Minnesota. At times, the cash in bank balances may be in excess of the federally insured limits.

The Company considers money market funds and other highly liquid investments with original maturities of three months or less to be cash equivalents.

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

**A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recently Adopted Accounting Standards

Effective November 1, 2019, the Company adopted Accounting Standards Update (“ASU”) 2014-09 (Topic 606): Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Topic 605 Revenue Recognition (Topic 605). The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the entity satisfies a performance obligation. Topic 606 applies to all contracts with customers, except those that are within the scope of other topics within the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”). The ASU requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates.

The Company adopted the standard utilizing the modified retrospective method of transition and elected the practical expedient to apply the revenue standard only to contracts that were not completed as of the adoption date. The results for periods prior to November 1, 2019 were not adjusted for the new standard, and there was no cumulative effect for the change in accounting at the date of adoption.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. Periodically, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on historical experience with bad debts and collections, as well as current credit conditions. Accounts receivable have been adjusted for all known uncollectible accounts.

Accounts receivable for continuing franchise fee royalties from franchisees are due on or before the first day of each week for the sales during the preceding week and accounts receivable for advertising fee royalties from franchisees are due on or before Tuesday of each week for the sales during the preceding week. All receivables not received on time receive additional scrutiny from management and may be charged interest at rates up to 12% annually. Accounts receivable are occasionally written-off on a case by case basis.

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

**A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Inventories

Inventories consist primarily of items held at the restaurant and are valued at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

Long-Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets, including property and equipment, and intangible assets, relying on a number of factors including operating results, business plans and economic projections, and anticipated future cash flows. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

Depreciation and amortization

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are primarily amortized over the shorter of the service lives of the improvements or the lease term. The straight-line method of depreciation is followed for financial reporting purposes, but accelerated methods are used for income tax purposes. The estimated service lives used for consolidated financial reporting purposes are as follows:

	<u>Years</u>
Furniture and equipment	5-7
Vehicle	5
Leasehold improvements	15-39

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

**A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition

Revenue is recognized when control of the promised products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with customers;
- Identification of the performance obligation(s) in the contract;
- determination of the contract price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

The following policies apply to the Company's major categories of revenue transactions:

Royalties

The Company receives a service fee based on a percentage of sales each week from the franchised locations as royalties. Revenue from royalties is recognized each week based on a percentage of reported franchisee sales.

Initial and Renewal Franchise Fees

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. The Company's initial and renewal franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement. The contract term for the initial franchise agreements is 10 years commencing on the earlier of the date when the restaurant opens or twelve months following the date the franchise agreement was signed. During that time the franchisee is allowed to use the Carbone's Pizzeria name and menu. When the franchise agreement expires, the franchise may pay an additional franchise fee to renew the agreement. The contract term for franchise renewal agreements is 10 years. There were no initial and renewal franchise fees in the year ended October 31, 2022.

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

**A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED**

Revenue recognition (Continued)

Company Restaurant Sales

The Company earns revenue from sales at the Company owned restaurant and is recognized at the time of sale.

Advertising

In accordance with signed franchise agreements, franchisees contribute royalties to an advertising fund. The fund is to be used to maximize public recognition of Carbone's Pizzeria.

Advertising costs are expensed as incurred. Advertising and promotion expense is approximately \$506,000 for the year ended October 31, 2022.

Income Taxes

M&T, C&S and CPI are corporations and provide for income taxes based on income reported for financial reporting purposes. Certain revenue and charges to earnings differ as to timing from those deducted for tax purposes; these relate primarily to allowances for doubtful receivables, accrued liabilities, depreciation, and net operating loss carryforwards. The tax effects of these differences are recorded as deferred income taxes.

The Company's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the IRC and Regulations, Revenue Rulings, court decisions, and other evidence. The federal and state income tax returns of the Company are subject to examination by the income taxing authorities, generally for three years after they were filed. Interest and penalties, if any, assessed by income taxing authorities, will be recorded in operating expenses.

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company are made by the Company the allowance for doubtful accounts and the tax valuation allowance. Actual results could differ from those estimates.

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

B. CONCENTRATION OF RISK

The Company maintains cash balances primarily in one financial institution located in Minnesota. At times, the cash in bank balances may be in excess of the federally insured limits.

M&T had sales to and receivables outstanding from significant customers. Two customers have 16% and 10% of total accounts receivable at October 31, 2022. No customers had sales in excess of 10 % of total sales.

C. NOTE RECEIVABLE

The Company has a note receivable from a franchisee totaling \$60,500 as of October 31, 2022. The note receivable bears interest at 4.5%. Monthly principal and interest payments of approximately \$1,000 are scheduled to begin in March 2024.

D. RELATED PARTIES

The sole stockholder owes the Company approximately \$475,000 as of October 31, 2022. This balance has no set repayment terms, is due on demand, unsecured and noninterest bearing.

The Company leases a facility from a limited liability company which is owned by the stockholder of the Company (See Note E).

E . COMMITMENTS

Operating Lease

The Company has a non-cancellable operating lease with a related party which expires October 2024. Rental payments are \$8,000 a month. The lease also provides that the Company pay property taxes, maintenance, insurance and other occupancy expenses applicable to the leased premise. Total rent expense for this facility for the year ended October 31, 2022 is approximately \$78,000.

The minimum rental commitment for this non-cancellable operating leases are approximately as

<u>Year ending December 31,</u>	
2023	\$ 96,000
2024	96,000
	<u>\$ 192,000</u>

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2022

F. INCOME TAXES

The components of income tax expense for the year ended October 31, 2022 is as follows:

Current Income Taxes

Federal	\$ 44,869
State	5,368
	<hr/> <u>\$ 50,237</u>

Deferred income taxes are the result of temporary differences in recognition of income and expense for financial statement and income tax reporting. The primary source of these differences are net operating losses. The Company utilized all net operating losses in the year ended October 31, 2022.

The benefits of uncertain tax positions are recorded only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of October 31, 2022, the Company had no accrued interest related to uncertain tax positions. There were no accrued penalties for the year ended October 31, 2022.

G. SUBSEQUENT EVENTS AND EMPHASIS OF MATTER

The Company has evaluated subsequent events through March 20, 2023, the date which the consolidated financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events and the potential impact on the Company cannot be reasonably estimated at this time.

THE FINANCIAL STATEMENTS AS OF AND FOR THE 4-MONTH PERIOD FEBRUARY 28, 2025 ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENTS AND FORM.

CONSOLIDATED FINANCIAL STATEMENTS AND
ACCOUNTANTS' DISCLAIMER REPORT

M & T PIZZA INCORPORATED
AND SUBSIDIARIES

FEBRUARY 28, 2025

CONTENTS

	Page
ACCOUNTANTS' DISCLAIMER REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
BALANCE SHEET	4
STATEMENT OF OPERATIONS	5

Accountants' Disclaimer Report

To Management
M & T Pizza Incorporated and Subsidiaries
St. Paul, Minnesota

The accompanying financial statements of M & T Pizza Incorporated and Subsidiaries as of February 28, 2025 and for the four months ended February 28, 2025 were not subjected to an audit, review, or compilation engagement by us and we do not express an opinion, a conclusion, nor provide any assurance on them. Substantially all disclosures and the statement of stockholders' equity required by the income tax basis of accounting are omitted.

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheet
February 28, 2025

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 325,105
Accounts receivables, less allowance for doubtful of \$175,595	113,672
Due from stockholder	516,806
Accounts receivable, related party	270,171
Inventory	3,650
Prepaid expenses	<u>13,564</u>
 Total current assets	 1,242,968
 Deferred tax assets	 44,000
Property and equipment, net	<u>127,358</u>
 Total assets	 <u>\$ 1,414,326</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Loan payable, current portion	\$ 3,231
Accounts payable and accrued expenses	43,619
Income taxes payable	<u>76,000</u>
 Total liabilities	 <u>122,850</u>

STOCKHOLDER'S EQUITY

Common stock - \$1.00 par value; authorized, 25,000 shares; issued and outstanding 2,500 shares	2,500
Additional paid-in capital	266,117
Retained earnings	1,057,415
Treasury stock, at cost	<u>(34,556)</u>
 Total stockholder's equity	 <u>1,291,476</u>
 Total liabilities and stockholder's equity	 <u>\$ 1,414,326</u>

M & T PIZZA INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Operations
For the four months ended February 28, 2025

Revenues	
Royalties	\$ 204,617
Company restaurant sales	246,739
Advertising fund revenues	61,588
Rebate revenue	<u>44,604</u>
Total revenues	557,548
Cost of company restaurant sales	
Food and beverage	83,354
Labor	220,246
Direct expenses	<u>65,684</u>
Total cost of company restaurant sales	<u>369,284</u>
Operating expenses	
Marketing and advertising	7,192
General and administrative	<u>162,399</u>
Total operating expenses	<u>169,591</u>
Income from operations	18,673
Other income	<u>1,929</u>
Income before provision for income taxes	<u>20,602</u>
Provision for income taxes	<u>49,000</u>
Net loss	<u>\$ (28,400)</u>

EXHIBIT E
LIST OF FRANCHISEES AS OF OCTOBER 31, 2024

	Franchisee Name	City, State and Zip	Address	Telephone
1	Jeff Lewis	Bloomington, MN 55425	1834 E. Old Shakopee Rd.	(952) 888-5663
2	Pat Conroy	Burnsville, MN 55337	12930 Harriet Avenue South	(952) 746-8890
3	Tad Roemeling	Centerville, MN 55038	1861 Main St.	(651) 653-7755
4	Jerry Johnson	Coon Rapids, MN 55433	8525 Cottonwood St. NW	(763) 717-0327
5	Tim and Janelle Erickson	Cottage Grove, MN 55016	7155 Jorgensen Ln. S.	(651) 459-6666
6	Matt Willette, Jeremy Willette, Rachael Faust	Delano, MN 55328	1338 Babcock Blvd	(763) 301-3200
7	Bill and Dawn Holm	Edina, MN 55410	3724 W. 50th St.	(612) 920-0400
8	Fritz Meyers	Faribault, MN 55021	1525 Division Street West	(507) 384-3463
9	Ani Sward	Forest Lake, MN 55025	810 S. Lake St.	(651) 464-7570
10	Rich and Jennifer Magnuson	Hastings, MN 55033	1290 North Frontage Rd.	(651) 438-8787
11	William Everhart	Inver Grove Heights, MN 55076	6432 Cahill Ave.	(651) 450-7832
12	John Wilkus	Lakeville, MN 55044	7670 160th St. W.	(952) 997-2900
13	John Enzler	Lexington, MN 55014	9200 Lexington Ave.	(763) 786-1113
14	Neil Heinen	Long Lake, MN 55356	2069 W Wayzata Blvd	(763) 296-2010
15	David Gaetke	Mahtomedi, MN 55115	960 Mahtomedi Ave.	(651) 426-5222
16	Don and Kari Dacus	Maplewood, MN 55109	2655 White Bear Ave.	(651) 770-0075
17	Dan and Jessica Magnuson	Minneapolis, MN 55407	4705 Cedar Ave. S.	(612) 724-0063
18	Matt Willette, Jeremy Willette, Rachael Faust	Mound, MN 55364	2155 Commerce Blvd.	(952) 495-1600
19	Scott LaMotte	Northfield, MN 55057	620 South Water Street	(507) 645-2300
20	Jon Marois	Oakdale, MN 55119	705 Century Ave. N.	(651) 501-0822
21	Dave Landgrebe	Rosemount, MN 55068	14550 S. Robert Trail	(651) 322-1333
22	Christian Woullet	St. Anthony, MN 55421	2700 – 39th Ave NE, Ste A114	(651) 300-3555
23	Brian LaNasa	St. Paul Park, MN 55071	301 Broadway Ave	(651) 459-3380
24	Eric and Jim Dailey	Stillwater, MN 55082	5988 Osgood Ave. N.	(651) 439-0004
25	Pat Weinberg	West St. Paul, MN 55118	55 E. Wentworth Ave.	(651) 457-8383
26	Steve and Liz Boleen	White Bear Lake, MN 55110	1350 Highway 96 East	(651) 429-7609
27	Jim and Joe McDonough	Woodbury, MN 55129	2070 Eagle Creek Lane	(651) 436-9999
28	Troy Ask	Billings, MT 59102	3925 Grand Avenue	(406) 281-8431
29	Chris Kath	Burkhardt, WI 54016	1106 Co. Rd. A	(715) 386-5885
30	Eric McGregor	Hudson, WI 54016	207 Second Street	(715) 386-8228
31	Chris Kath	River Falls, WI 54022	1025 S. Main Street	(715) 426-7847
32	Greg and Amy Bluhm	Roberts, WI 54023	110 W. Main St.	(715) 749-9000

EXHIBIT F
FORMER FRANCHISEES

Franchisee Name	City, State and Zip	Telephone Number
Scott LaMotte	Rochester, MN 55901	(507) 516-8200
Benny and Sabrina Jones	Savage, MN 55378	(952) 746-6656

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Minnesota	[Pending]
South Dakota	[Pending]
Wisconsin	May 7, 2025

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.

**ITEM 23
RECEIPT
(Our Copy)**

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

If M & T Pizza Incorporated offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If M & T Pizza Incorporated does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The franchisor is M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, Minnesota 55106, Its telephone number is (651) 771-5553.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

ISSUANCE DATE: May 7, 2025

M & T Pizza Incorporated authorizes the respective parties identified on Exhibit A to receive service of process for us in the particular state.

I have received a disclosure document with an Issuance Date of May 7, 2025 that included the following Exhibits:

EXHIBIT A: STATE AGENCIES

EXHIBIT B: FRANCHISE AGREEMENT

EXHIBIT C: OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT D: FINANCIAL STATEMENTS

EXHIBIT E: LIST OF FRANCHISEES

EXHIBIT F: LIST OF FORMER FRANCHISEES

Please indicate the date on which you received this disclosure document, and then sign and print your name below, indicate the date you sign this receipt, and promptly return one completed copy of the Receipt to M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, Minnesota 55106. The second copy of this Receipt is for your records.

Date Disclosure Document Received:

Prospective Franchisee's Signature

Date Receipt Signed:

Print Name

Address: _____

**ITEM 23
RECEIPT
(Your Copy)**

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

If M & T Pizza Incorporated offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If M & T Pizza Incorporated does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The franchisor is M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, Minnesota 55106, Its telephone number is (651) 771-5553.

The name, principal business address and telephone number of each franchise seller offering the franchise is:

ISSUANCE DATE: May 7, 2025

M & T Pizza Incorporated authorizes the respective parties identified on Exhibit A to receive service of process for us in the particular state.

I have received a disclosure document with an Issuance Date of May 7, 2025 that included the following Exhibits:

EXHIBIT A: STATE AGENCIES

EXHIBIT B: FRANCHISE AGREEMENT

EXHIBIT C: OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT D: FINANCIAL STATEMENTS

EXHIBIT E: LIST OF FRANCHISEES

EXHIBIT F: LIST OF FORMER FRANCHISEES

Please indicate the date on which you received this disclosure document, and then sign and print your name below, indicate the date you sign this receipt, and promptly return one completed copy of the Receipt to M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, Minnesota 55106. This copy of the Receipt is for your records.

Date Disclosure Document Received:

Prospective Franchisee's Signature

Date Receipt Signed:

Print Name

Address: _____